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Programme

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Climate Risk Insurance in Côte d'Ivoire

Enhancing climate resilience of smallholder farmers
and promoting sustainable cocoa value chains.

The United Nations World Food Programme (WFP) is piloting an index insurance product to provide financial protection for 5,000 rice farmers also involved in cocoa production in Côte d'Ivoire, with funding received through WFP's Innovation and Knowledge Accelerator (INKA). The insurance product is one component of a broader programme aiming to support and encourage livelihood diversification, an essential criterion for building long-term resilience of vulnerable farmers also working in the cocoa value chain, and ultimately making the latter more sustainable.

December 2023

FINANCIAL PROTECTION FROM CLIMATE RISKS FOR RICE AND COCAO FARMERS

Agriculture contributes to 21 percent of Côte d'Ivoire's GDP, of which, cocoa comprises 15 percent. The country is the largest cocoa producer globally, supplying 45 percent of the world's total production and sustains one million households in a country of more than 28 million people. The majority of cocoa producers are small producers, that are often living below the poverty line.

Social and environmental issues, such as child labor and deforestation, affect the sustainability of the cocoa value chain, however, measures are being taken to make progress towards achieving zero child labor and deforestation in the supplier network. One effort promoted by the Government and other public and private stakeholders includes the promotion of crop diversification by cocoa producers, which is also a highly effective risk management strategy for cocoa producers



Photo 1: Kouamin Thiény, a farmer from the Cavally region joined the pilot programme after a WFP session highlighted advantages of index-insurance.

against climate and market risks. Moreover, it also provides an additional income source, reducing negative coping strategies, and could diminish the use of child labor. By cultivating a mixture of crops, farmers can ensure consistent revenue throughout the year and more evenly space their workloads, facilitating greater school attendance for children. Furthermore, crop diversification inherently offers a safety net; should one crop falter, farmers have others to fall back on.

WFP, in partnership with a consortium DAAI - CI (Développement de l'Assurance Agricole Indicielle en Côte d'Ivoire) initiated by ARC, coordinated by Cabinet Africain de Solutions d'Assurances Inclusives (CASAI) and composed of several participants from public and private sector, is providing financial protection against climate shocks, such as dry spells or excess rainfall, through an innovative weather-based drought index insurance scheme for 5,111 rice farmers during 2023.

The initiative targets farmers who are concurrently engaged in rice and cocoa cultivation. This dual emphasis is designed to promote crop diversification through protecting rice producers against climate risks and integrating the insurance product within a package of support that strengthens local rice value chains. Through fostering both crop and income diversification, the programme ensures that farmers are building their resilience with an alternate revenue stream and the protection of climate risk insurance.

PROVIDING FARMERS WITH AN INTEGRATED PACKAGE OF RISK MANAGEMENT

WFP aims to introduce the insurance product as one component of an integrated climate risk management package, which will de-risk newly formed value chains of alternative crops in the cocoa-growing region and ensure that farmers are resilient against climate shocks. Providing farmers access to insurance can also increase their access to other financial services, such as credit, that can boost their productivity and access to markets. As Côte d'Ivoire is transitioning to home-grown school feeding, these farmers will be able to sell their surplus production to school canteens. This insurance product will reduce risks for farmers, thereby indirectly stabilizing the entire value chain. This stability will encourage potential customers such as schools, as well as financial institutions to engage with confidence, as the latter may offer better access to

credit, boosting productivity and market access. By doing so the insurance product will be key to promote crop diversification of cocoa farmers; will reinforce cocoa farmers' risk management strategies; and, if linked with school feeding programmes, help increase school attendance while increasing the sustainability of the school feeding programme in the country.

The programme specifically aims to:

- Promote financial and climate resilience while improving producers' incomes by establishing insurance mechanisms and complementary financial services in alternative value chains.
- Promote an enabling environment for the development of climate risk insurance through strengthening the technical capacities of insurers, the distribution networks and digital financial services that can support the customer journey.
- Adopt smart subsidies approaches for the insurance premium where the Government and the private sector participates actively and promote the adoption of best agricultural practices through the smart subsidy approach.
- Test innovative approaches to promote the sustainability of insurance by integrating it in interventions to promote food security, productivity, and access to markets.
- Support the sustainability of other programmes, such as the national school feeding programme through complementary activities integrated with crop insurance.

CROP INSURANCE HAS STRONG DEMAND FROM RURAL FARMERS

In May 2023, WFP, along with DAAI-CI members conducted a joint field mission to the Cavally region of Côte d'Ivoire to facilitate focus group discussions with several farming cooperatives and engage with local stakeholders.

This direct engagement with farmers revealed:

- A strong interest and appetite for agricultural insurance among the farming community.
- Smallholder farmers need support to address climate-induced losses as well as other challenges faced accessing credit and inputs.
- There are persistent barriers preventing farmers from accessing insurance.

The predominant sentiment among the focus group participants was clear: there exists a robust demand for agricultural insurance. Farmers pinpointed that the absence of accessible insurance schemes has been the main hurdle in obtaining coverage. They provided vivid accounts detailing the challenges faced in dealing with climatic shocks. These further solidified the pressing need and the significant transformative potential of WFP's pilot program.



Pictures 2 and 3: Over 100 farmers gather at one of the numerous WFP sessions across the Cavally region to learn about the pilot project

THE PRODUCT IN A NUTSHELL

Coverage method	Weather-area Index Insurance
Subscription method	Group Insurance Policies under Agricultural Cooperatives
Zone	Cavally (Guiglo, Toulepleu/Blolequin, Zouan Hounien)
Risk covered	Drought and excess rain: The risk of rainfall deficit for the emergence and flowering stage and excess rainfall for the maturation stage
Crops insured	Rice
Insurance Period	July to December 2023
Policy holder	WFP
Insured	Fédération des Union des Sociétés Coopératives des Producteurs de Riz de Côte d'Ivoire (FUSCOP) members cooperatives
Beneficiary	Selected cooperatives members
Insurable interest	The (partial) investment necessary for the cultivation of rice, at risk following drought/ excess precipitation
Sum insured	US\$160 per farmer (it represents 35-45% of the average investment per hectare for the targeted beneficiaries)
Premium	US\$16 per farmer (US\$71,000 total for 5,111 rice producers); 9,6% of the insured amount
Farmers insured	5,111
Farmer's contribution	No contribution for 2023

THE WAY FORWARD

With an economy significantly reliant on cocoa, a decreased production could imperil the livelihoods of millions, damage export relationships, and curtail job opportunities. Insurance, especially tailored for climate risks, stands out as an essential tool. Historically, access to financial protection from insurance has been limited for stakeholders in the cocoa value chain, however, the Climate Risk pilot project is one effort underway to introduce much-needed insurance products. This is not just a standalone solution, it also has the potential to create linkages to markets, school-based programmes and other social protection schemes and can address recurrent challenges for thousands of cocoa farmers in Côte d'Ivoire in the long term. By intertwining financial

protection, social protection, sustainable agriculture, and economic growth, the initiative promises a brighter and more resilient future for farmers involved in the cocoa sector in the region.

As a way forward, WFP will continue working with government and international and local partners, such as DAAI-CI members (ARC Ltd., UNDP/MINEDD, CASAI, SARMAP, the insurance pool and their reinsurers AXA Climate, Allianz Re and Continental Re) to mainstream Climate Risk Insurance in Côte d'Ivoire, to enhance the current products, expand coverage and integrate them with other risk transfer and risk financing tools. In the near term, WFP will work together with its partners to develop a robust plan for scaling up these solutions, that will explore linkages with diverse climate finance opportunities to achieve these objectives

World Food Programme

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Photo 1, page 2: WFP Côte d'Ivoire / Ryan Welby

Photo 2, page 3: WFP Côte d'Ivoire / Marieme BA

Photo 3, page 3: CASAI / Marieme BA