



SAVING
LIVES
CHANGING
LIVES

Protecting vulnerable communities with Risk Financing

How WFP-supported instruments in Southern Africa finance early responses to El Niño Droughts

As millions of people face severe food insecurity due to the El Niño-fueled drought across Southern Africa, WFP provides financial protection for the most vulnerable to prevent hunger crises and build resilience through Risk Financing solutions.

UNPRECEDENTED DROUGHT AND WATER SCARCITY

Southern Africa is reeling from its worst dry spells in over 100 years, with more than 61 million people in urgent need of humanitarian assistance.¹ This crisis is largely attributed to the El Niño weather phenomenon – a natural climate phenomenon, in which surface waters of the central and eastern Pacific Ocean become unusually warm and cause changes in weather patterns around the world.²

The region is already facing a dire situation with increasingly frequent extreme weather events and a deepening climate crisis leading to alarming levels of food insecurity. The El Niño-induced drought not only exacerbates people's food insecurity, but also poses a high risk for the lives and livelihoods of vulnerable communities in the region.

Due to around 70 percent of smallholder farmers in Southern Africa relying on rain-fed agriculture

for their livelihoods, they bear the most direct and immediate impacts from the dry spells and erratic weather patterns of El Niño.³ As a result, smallholder farmers, pastoralists and livestock owners are forced to grapple with aggravated economic hardships arising from water shortages, reduced availability of agricultural inputs, and damaged or wiped out crops that can lead to a complete loss of income, creating the conditions for a food crisis that could lead to widespread malnutrition.

WFP'S RISK FINANCING IN SOUTHERN AFRICA

Climatic shocks not only damage crops and reduce yields but also threaten people's lives, livelihoods, and food security. For over a decade, WFP has been promoting the important role of climate risk management in addressing hunger and has led the way in developing and testing innovative Risk Financing solutions to promote people's resilience to climate shocks.

¹ [OCHA, Five things you need to know about El Niño-induced drought in Southern Africa](#)

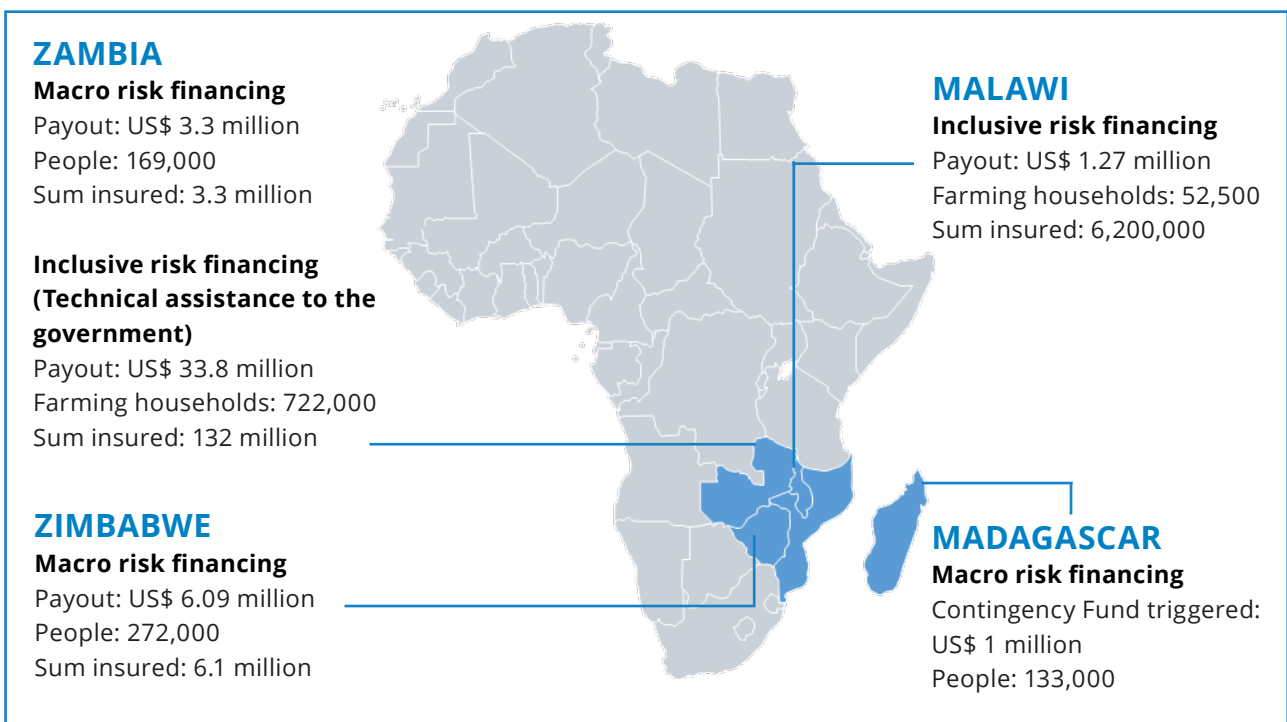
² [FAO, El Niño](#)

³ [OCHA, The humanitarian impact of El Niño in Southern Africa: Key Messages \(April 2024\)](#)

At the community level, WFP unlocks access to climate-sensitive financial services, including insurance, savings and loans, as part of an integrated climate risk management approach. At the national level, WFP supports the implementation of macro-level insurance through the Africa Risk Capacity (ARC) Replica programme. WFP partners with national governments and ARC Ltd. through ARC Replica to purchase insurance coverage for WFP’s operations. This insurance provides funding for WFP to provide early assistance when climate shocks trigger a payout, enabling timely protection for the most vulnerable communities, while working with governments to plan, prepare for and respond to climate-related disasters.

As the El Niño phenomenon unfolded in the earlier months of 2024, the Southern African

region experienced its driest February in 100 years, receiving 20 percent of the usual rainfall expected for this period.⁴ This exacerbated the already existing vulnerabilities of the people in the region, driving an urgent need for humanitarian assistance. WFP has been working in five Southern African countries – Zimbabwe, Zambia, Mozambique, Malawi and Madagascar – to provide much needed financial protection to the affected communities in the aftermath of this El Niño-induced drought. While Mozambique and Madagascar were relatively less severely impacted compared to other countries, WFP-supported inclusive insurance initiatives in these countries triggered a combined total payout of US\$180,000, benefiting 14,000 farming households and bolstering their resilience against climate shocks.



FIVE-WEEK DRY SPELL IN ZAMBIA

Zambian farmers, who were already grappling with the effects of the climate crisis, were forced to cope with the effects of an extreme drought when a five-week-long dry spell pushed the country into a state of national disaster and emergency.

WFP received the maximum payout of **US\$3.3 million**, from its ARC Replica policy after paying US\$500,000 for the premium. The early response that WFP was able to mobilize provided **169,000 people**⁵ with emergency cash transfers to support their recovery from the drought and prevent further food insecurity and loss of livelihoods across the country’s western

⁴ [WFP. Urgent call to action to address historic El Niño drought in Southern Africa, 5 June 2024](#)

⁵ Distributions ongoing

province. The Government of Zambia also received an insurance payout from its ARC policy, amounting to US\$9.9 million, which will enable the Government to assist over 555,000 people with cash assistance.

Furthermore, WFP Zambia has been providing technical assistance on product design and systems strengthening for climate risk financing and insurance to the Ministry of Agriculture's inter-ministerial technical working group, under the Farmer's Input Support Programme (FISP). During the 2023/2024 agricultural season, over **1 million** smallholder farmers were insured under FISP, of which, **722,000** farming households received over **US\$33.8 million** in payouts. This marks a milestone as the **largest index insurance payout ever recorded in Zambia and across Africa**, both in terms of value and the number of farmers supported and is an important example of how governments can prevent vulnerable communities from requiring WFP's food assistance through supporting access to financial protection.



Sitali, a smallholder farmer in Zambia with his family

DRY-SPELLS, EXTREME HEAT AND CROP FAILURES IN ZIMBABWE

The combined effects of delayed rainfall, dry spells and extreme above-average temperatures during critical crop growth stages led to widespread crop failure across most of the country during the 2023/24 agricultural season. Additionally, poor pasture quality and lack of

drinking water during the winter months severely impacted the livestock sector. The scale of this climate shock combined with the already high socio-economic challenges, levels of food insecurity and humanitarian needs resulted in the government declaring a state of emergency.

Following the catastrophic drought conditions, WFP Zimbabwe received an ARC Replica payout of **US\$6.09 million**, while the Government of Zimbabwe and the Start Network received insurance payouts of US\$16.8 million and US\$8.9 million, respectively. An early minimum guaranteed payout confirmation by ARC Ltd allowed WFP to internally borrow funds and procure in-kind commodities weeks ahead of receiving the payout, enabling distributions to start in early September—months ahead of other ARC Replica partners. This proactive approach allowed WFP to provide two months of food assistance to 272,000 people across three districts (Buhera, Mwenezi, and Mangwe) before the traditional response window, alleviating the burden on farming communities who are bearing the brunt of this latest climate extreme.

RISK-LAYERING PROVIDES LOCALIZED PROTECTION IN MADAGASCAR

A confluence of factors such as the economic recession, below average rainfall during the crucial time for crop growth, and dry spells caused by the El Niño phenomenon, have elevated levels of food insecurity in Madagascar.

In 2023, WFP designed an index-based **Contingency Fund (CF)** together with ARC Ltd to complement ARC Replica policies through a risk-layering approach, which was piloted during the 2023/2024 season in Madagascar. The CF is designed to be triggered by severe localized droughts, which would not trigger the national-level ARC Replica policy. The CF triggered the release of **US\$1 million** in May 2024, enabling WFP to support **133,000 people** in southern Madagascar with cash-based food assistance.

MALAWI FARMERS RECEIVE MICROINSURANCE SUPPORT

Malawi continues to grapple with the aftermath of Tropical Cyclone Freddy that struck in early March 2023. The onset of drought in early 2024 further exacerbated the already severe food insecurity across the country with communities still struggling to recover from the previous devastating events. In March 2024, the government of Malawi declared a state of national emergency with millions of people in dire need of humanitarian assistance.

Following the severe drought conditions, WFP's beneficiary farmers received microinsurance payouts totaling **US\$1.27 million**. This payout provided a timely influx of cash for **52,500 of the worst-hit farmers and their families**.

The hunger crisis fueled by the El Niño-induced drought continues to severely affect millions of people across the South African region. WFP's Risk Financing solutions play a critical role in responding earlier and partially filling funding gaps of its humanitarian responses. These innovative tools provide rapid liquidity and timely resources, enabling proactive and early

responses that help mitigate negative coping mechanisms and support faster recovery. However, the magnitude of the crisis is immense. In May 2024, [WFP appealed for US\\$409 million to assist 4.8 million people in Malawi, Zambia, and Zimbabwe](#), emphasizing the urgent need for global action and the scale of the need. However, the total payouts mobilized through Risk Financing in these three countries amounted to only **US\$11.47 million**, underscoring the critical gap that remains. While these tools currently address a portion of the immense humanitarian needs, scaling up and diversifying them is essential to reach more people and effectively respond to the growing scale and severity of climate-induced disasters. Integrated within broader risk management strategies, Risk Financing solutions empower individuals, communities, and governments to better manage climate shocks, addressing immediate needs while also enhancing the resilience of individuals, communities, and governments to future climate shocks. Ultimately, Risk Financing plays a critical role in safeguarding livelihoods and reinforcing the ability to manage future disruptions, reducing the long-term humanitarian impacts of climate disasters.



Kubindama, a smallholder farmer at work in the field in Zambia

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