WFP
World Food Programme
SAVING LIVES
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Enhancing financial protection: The five impact pathways of Inclusive Risk Financing

Evidence from WFP-supported inclusive risk financing programmes advancing financial inclusion and strengthening resilience

Background

As weather-related disasters become more frequent and severe, their most devastating impacts are disproportionately felt by the world's most vulnerable communities—those who have contributed the least to its cause. Smallholder farmers, pastoralists, and small and medium entrepreneurs are increasingly facing extreme weather events like droughts, floods and storms, which damage their crops, livestock and livelihoods, deepening their food insecurity and poverty.

Among the key strategies to strengthen the resilience of vulnerable communities, financial

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services hold a vital role. Financial services can be used by vulnerable and food insecure populations to manage weather-related risks and increase their resilience to shocks. Savings accounts, access to credit, insurance, remittances and digital payment systems can mobilise funds for adaptive practices, risk reduction, preparedness and rapid financial protection from weather-related shocks. However, many vulnerable communities still face a significant crisis protection gap due to having limited access to these critical financial tools that can help them manage increasingly frequent and intense shocks.

Over the past decade, WFP has expanded access to inclusive risk financing solutions for over 10 million people as part of a comprehensive risk management approach, initially rooted in the R4 Rural Resilience Initiative (R4). Drawing on years of experience and evidence, R4 has evolved into a streamlined Inclusive Risk Financing (IRF) approach, designed to reflect a more integrated strategy, that leverages past insights to enhance the sustainability and resilience of food systems and value chains amid growing weather-related and economic shocks.

Evidence from WFP-supported Inclusive Risk Financing programmes

Over the years, WFP has gathered evidence from its global programmes that highlights the pivotal role of insurance and other financial instruments in safeguarding households' food security, livelihoods and productive activities, while also promoting greater preparedness for weather-related shocks, and contributing to women's empowerment.[1] This note outlines five Impact Pathways on Inclusive Risk Financing, each emphasizing the various ways in which insurance and financial services contribute to strengthening resilience and financial security.

Figure 1. The five Impact Pathways of WFP-supported Inclusive Risk Financing Programmes

1. **Financial Services are critical for food security**
2. **Financial services can promote adaptive practices**
3. **Financial services can protect livelihoods and promote productive investments**
4. **Financial services contribute to resilience strengthening**
5. **Financial services contribute to women's empowerment**

[1] For information about the impact of financial services such as credit, insurance, savings and digital payments to strengthen resilience, beyond WFP-supported programmes, refer to the GCAP Impact Pathfinder that synthesizes evidence showcasing these impact pathways.

FIRST IMPACT PATHWAY: INSURANCE AND OTHER FINANCIAL SERVICES ARE CRITICAL FOR FOOD SECURITY

Findings have shown that financial services can be instrumental **to promote higher levels of food security, dietary diversity and food consumption:**

- Findings from a 2023 study conducted by Tetra Tech analyzing results from four years of R4 programme implementation in **Ethiopia, Kenya, Zimbabwe, Senegal and Malawi**, highlighted R4's positive impact on food security, coping capacity and food consumption. The study found that insurance prevented households from reducing food consumption during weather-related shocks, and insurance payouts enabled farmers to recover more effectively, leaving them in a stronger position compared to those without coverage. Overall, farmers participating in the R4 Initiative demonstrated higher levels of food security than non-participants.
- In **Zimbabwe,** the study revealed that receiving an insurance payout in the year following a shock led to a 28 percent increase in food consumption patterns among participating households and a 46 percent reduction in the adoption of negative coping strategies. Overall, farmers with insurance were less likely to adopt negative coping responses following a shock, such as reducing food purchases, eating less, selling livestock or other assets and taking children out of school. More productive farmers experienced the greatest benefits, particularly in terms of food consumption, wealth and productivity.
- Similarly, access to savings and loans has also played a significant role in improving food security for participating farmers. A 2023 programme review in **Mozambique** found that households using Village Savings and Loans Associations (VSLAs) funds to invest in small businesses, such as selling produce in the market and purchasing livestock, had better food consumption than non-participants. The emergence of VSLA groups has been a vital support for these communities.

SECOND IMPACT PATHWAY: INSURANCE AND FINANCIAL SERVICES ENABLE HOUSEHOLDS TO BETTER MANAGE WEATHER-RELATED RISKS WHILE FOSTERING ADAPTIVE PRACTICES

Findings have shown that insurance and other financial services **have boosted households' confidence in managing risks and enhanced their adaptive practices** through WFP's integrated risk management approach (See **Box 1**):

- In **Bangladesh**, findings from a 2023 assessment of the climate risk insurance interventions revealed that 66 percent of participants felt more confident in managing weather-related risks. Respondents reported increased preparedness for natural hazards and enhanced decision-making skills.

- In **Malawi,** the [2017-2019 mid-term evaluation] of the integrated risk management programme revealed that farmers considered the insurance-for-assets (IFA)[2] approach effective in creating community assets focused on watershed management. The assets built —such as swales, check dams and vegetable gardens—helped farmers reduce water run-off and soil erosion, contributing to increased crop yields and greater food availability. Many farmers expressed their intention to maintain the assets even after the programme ended, recognizing the effectiveness of the structures in combating soil and water erosion and their positive impact on increasing crop yields. Overall, the integration of various components, including climate services, Food for Assets (FFA), insurance and VSLAs provided a powerful combination of knowledge and financial support available at the household level. This empowered farmers to make informed decisions and effectively plan for the upcoming agricultural season. Beneficiaries reported that the integration had highly positive effects at the individual, household and community levels. These benefits included increased incomes and investments in farming and livelihoods, greater respect for women within households due to their own income, diversified livelihoods and agricultural systems, higher production, more frequent meals, and reduced soil and water erosion.

- In **Zimbabwe**, the 2022 R4 evaluation revealed that over 90 percent of surveyed households reported improved yields and reduced post-harvest losses thanks to the techniques learned under the risk reduction component. The synergistic approach of integrating risk management activities was appreciated by beneficiaries who articulated the benefits of combining the interventions rather than implementing them separately. Anecdotal evidence indicated that income from increased production was utilized to make VSLA contributions, and loans from VSLAs were used to support the purchase of productive assets. Additionally, enabling farmers to access insurance through the IFA approach served both risk reduction and risk transfer purposes.

[2] The IFA component is an optional “add-on” to the broader WFP-supported Food for Assets (FFA) programme, offering participants the opportunity to access insurance coverage by working an additional number of days to cover the cost of the premium. It is crucial to communicate clearly that these extra workdays are specifically for the insurance premium and represent an additional transfer, separate from the regular FFA transfer.

BOX 1. WFP'S APPROACH TO PROMOTING ADAPTIVE PRACTICES THROUGH FINANCIAL SERVICES

Financial resilience is a crucial component of overall household resilience. Through its Inclusive Risk Financing work, WFP promotes the development of scalable financial schemes that are integrated into broader risk management approaches, supporting adaptative practices and encouraging the adoption of sustainable agricultural approaches. To achieve these objectives, WFP employs a range of strategies:

- **Strategic conditionality approaches:** WFP has generally promoted access to insurance through conditional approaches initially linking premium subsidies to disaster risk reduction and soil and water conservation interventions. This approach has been streamlined for greater scalability and sustainability. The focus now is to ensure that local stakeholders have the capacities to maintain "smart and simple" conditionality by ensuring that they have the mandates, skills and resources to keep insurance integrated as part of support packages promoting resilience, productivity and environmentally sustainable practices.[3]
- **Tailored financial services that incentivize adaptive practices and unlock funding for their implementation:** WFP collaborates with Financial Service Providers (FSP) to develop financial services that promote adaptive practices. In Cuba, for example, WFP is testing a model under the national insurance scheme that offers reduced premiums to beneficiaries who participate in risk-reduction activities.[4] Depending on the context, WFP also promotes crop-agnostic insurance models to support crops and livelihoods diversification. In countries like Guatemala, Kyrgyz Republic, Ethiopia and Uganda, WFP is developing Forecast Index Insurance (FII), to unlock access to funds to finance Anticipatory Actions (AA) that can reduce vulnerability and minimize humanitarian needs by encouraging preparedness and risk reduction measures to counter impacts from specific shocks. Additionally, WFP is working with FSPs and strategic partners to offer specialised credit lines for investments in adaptive practices, such as agroforestry, crop rotation, solar-powered irrigation and farm equipment. These financial services promote the widespread adoption of sustainable practices, ensuring scalability and long-term sustainability, even beyond WFP's support.

[3] For instance, as part of social protection schemes, or national schemes supporting smallholder farmers with technical assistance, input provision, etc.

[4] Innovating to achieve Inclusive Risk Financing in Cuba: https://docs.wfp.org/api/documents/WFP-0000132784/download/?_ga=2.62157548.1954083304.1741864403-797936504.1741864403

THIRD IMPACT PATHWAY: INSURANCE AND FINANCIAL SERVICES PROTECT LIVELIHOODS AND PROMOTE PRODUCTIVE INVESTMENTS

Findings over the years have also demonstrated that insurance and financial services have **protected beneficiaries' livelihoods and increased their productivity:**

- In **Bangladesh**, over 50 percent believed that the insurance coverage had improved their agricultural productivity, income, food security and ability to provide food for their families. 78 percent of farmers utilized their payouts for productive activities, such as acquiring agricultural inputs, investing in livestock and poultry, and planting trees, which enhanced their overall productivity. This connection between insurance and ongoing investment in farming underscores how access to insurance positively influences livelihood protection and productivity.

- In **Zimbabwe**, R4 participants experienced improved production levels, with some doubling their output in 2021 compared to the previous season. Following a payout, participants reported using the funds primarily for household food consumption, as well as for livelihood protection and investments, like agricultural inputs.

- In **Ethiopia**, , the Satellite Index Insurance for Pastoralists in Ethiopia (SIIPE) programme has proven effective in helping households manage drought-related shocks. An evaluation from 2019–2022 found that participating households spent twice as much as non-beneficiaries on livestock-related expenses—including feed, water, and veterinary care—and were significantly less likely to resort to negative coping strategies such as distress livestock sales. Insurance payouts enabled families to protect their herds and wait for better market conditions. Additionally, SIIPE contributed to increased ownership of productive assets such as livestock, land, and farming equipment, with some households also investing in agricultural inputs. Surveys following the 2021/22 drought showed that households allocated 48 percent

Globally, evidence from WFP-supported IRF programmes shows that insurance payouts have helped households absorb the negative impacts of weather-related shocks, enabling them to purchase food and invest in agricultural or livestock inputs.

of their payouts to livestock protection, with 33 percent spent on feed and 15 percent on animal health, demonstrating the effectiveness of livestock insurance in enabling families to maintain their herds during challenging drought conditions.

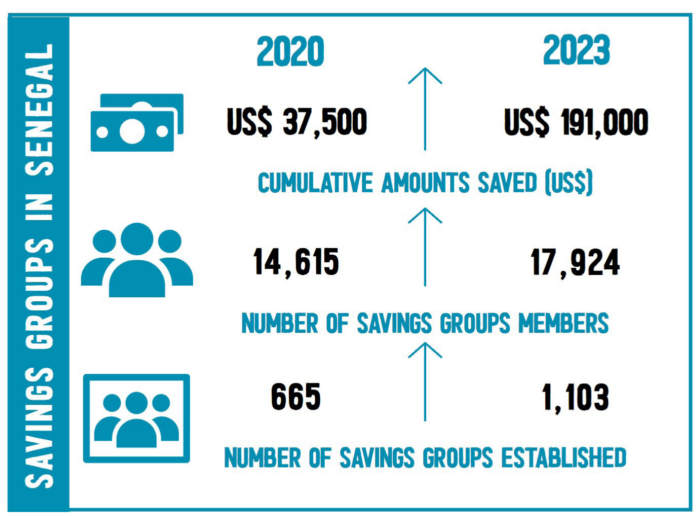
Evidence over the years highlighted that for financial services to drive investments into productivity, it is critical to target the right beneficiaries with carefully designed services and that these are integrated with other interventions focused on boosting productivity. Building on these findings, WFP has improved the design of its climate risk insurance schemes over the past years to actively encourage investments aimed at enhancing productivity. This was achieved by adopting a more refined targeting approach and integrating financial services with tailored solutions that promote productive investments and market access. This shift aligns with the Tetra Tech study, which found that not all R4 participants prioritize long-term investments equally—farmers who are better off or have surplus production tend to see greater gains in food security, wealth and agricultural investment.

FOURTH IMPACT PATHWAY: THE INTEGRATION BETWEEN INSURANCE AND OTHER FINANCIAL SERVICES IS CRUCIAL FOR ENSURING SUSTAINABILITY AND STRENGTHENING RESILIENCE

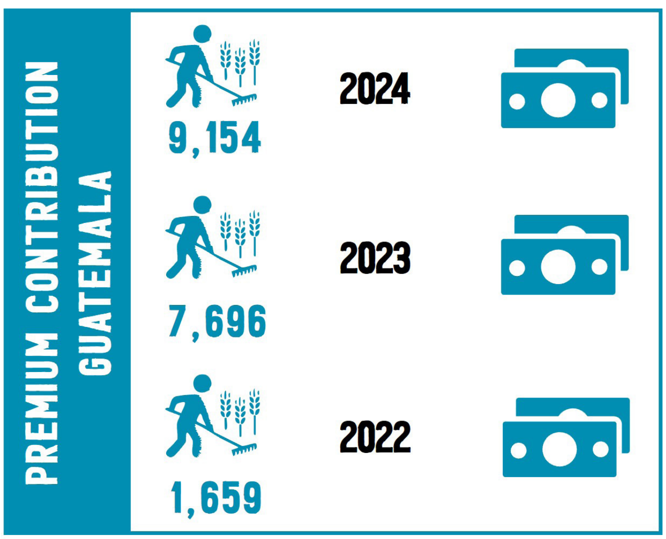
Findings have also demonstrated that financial services integration is critical for ensuring the sustainability of these solutions and fostering **financial resilience:**

- Insurance plays a key role in unlocking access to other financial services that are critical for improved livelihood conditions and increased financial stability. In **Zambia**, findings from WFP's regular outcome monitoring exercises found that access to credit improved across project villages, increasing from 27 percent to 45 percent after two years. The project facilitated access to credit mainly through its savings-credit linked products, either through input credit or actual cash offered to savings groups members.

- In **Senegal**, savings groups significantly promoted financial inclusion and enhanced financial resilience by providing beneficiaries with easier access to savings and loans at below-market interest rates, directly within their villages. The success of these groups is evident in their growth from 665 in 2020 to 1,103 in 2023, with a total of 17,924 members. This expansion led to a substantial increase in total group savings, from US$37,500 in 2020 to US$191,000 in 2023. The groups also facilitated the disbursement of a substantial



volume of loans, with the cumulative total reaching US$174,000 in 2023. Savings groups also played a vital role in promoting insurance uptake, with insurance being distributed through economic interest groups (GIEs). These groups, primarily composed of women, function both as distribution channels and platforms for savings and loans, encouraging productive investments. By participating in savings and income-generating activities facilitated by these groups, farmers steadily increased their contributions to insurance premiums. This model not only strengthened savings and credit capacities but also fostered greater social cohesion among villages. The GIEs have been receiving commissions from the insurance company, enabling them to generate income and strengthen their sustainability.



- In **Guatemala**, a sustained financial education strategy and targeted insurance awareness campaigns significantly boosted insurance participation and premium contributions. Between 2020 and 2024, the number of insured individuals rose from just over 1,200 to 14,732, with 82 percent being women. Of these, 9,154 contributed an average of US$8 toward their premiums—covering approximately 16 percent of the total cost. In just three years, the number of people contributing to insurance premiums rose from 1,600 to over 9,000, while average contributions more than doubled. A key driver of this growth has been the integration of participants into savings and loan groups, which have strengthened both financial capacity and understanding of risk management. These financial groups not only improved participants' ability to afford insurance but also promoted long-term financial planning and resilience, reinforcing the value of inclusive financial services beyond insurance alone.

FIFTH IMPACT PATHWAY: INSURANCE AND FINANCIAL SERVICES CONTRIBUTE TO WOMEN'S EMPOWERMENT

WFP-supported inclusive risk financing programmes have also played a significant role in enhancing **women's empowerment**. By providing women with access to financial tools, these programmes have helped them protect their livelihoods, reduce vulnerability to weather shocks, and invest in productive activities. This financial security has not only strengthened their economic independence but also **improved their decision-making power** within households and communities.

- In **Bangladesh**, 61 percent of women participants reported a moderate to significant improvement in their leadership capacity, while 60 percent felt their community roles had similarly improved due to their participation in the insurance programme.

- Women's participation in these programmes has also positively impacted their food security. Findings from the **Tetra Tech study** indicate that R4 households headed by women consistently had better food security and ability to recover than their counterparts among non-R4 participants.
- Insurance can play a key role in empowering women in household financial decision-making. In **Ethiopia,** 48 percent of households reported that decisions on how to use insurance payouts were made jointly by women and men. The SIIPE programme further advanced women's empowerment by increasing access to financial services through VSLAs, which strengthened women's financial literacy and savings capacity. Female-headed households demonstrated stronger asset ownership, were more actively engaged in VSLAs, and made effective use of payouts—contributing to improved household welfare and stronger participating in financial decision-making.
- In **Zimbabwe**, participation in VSLAs proved highly relevant to beneficiaries, especially women who made up most of the members. VSLAs helped women to save money and to identify and finance viable business opportunities. Similarly, in **Malawi**, VSLAs were recognized for effectively strengthening farmers' capacity to invest and diversify their livelihoods. Notably, women demonstrated a strong sense of ownership and leadership within these groups.

BOX 2. PARTICIPANTS' PERCEPTION OF INSURANCE AND WILLINGNESS TO PAY

Participants' willingness to enroll in and contribute to insurance schemes is closely linked to their satisfaction and the level of payouts received. Evidence from WFP-supported programmes shows growing trust in insurance and a rising willingness to pay across countries:

- In **Bangladesh**, 89 percent of participants expressed strong interest in crop insurance, with non-beneficiaries also showing interest in joining the programme.
- In **Malawi,** between 2019 and 2023, willingness to participate in insurance rose from 85 to 91 percent. Around 88 percent of participants expressed a willingness to contribute towards the premium, with 51 percent of participants willing to cover 25 percent and 24 percent willing to contribute up to 50 percent.
- In **Ethiopia**, the SIIPE programme significantly increased beneficiaries' awareness of and willingness to pay for insurance. Compared to the control group, participants were 27 percent more likely to have already purchased livestock insurance and showed greater interest in paying for future coverage. Among those who received payouts in 2021/22, 84 percent expressed a willingness to contribute cash for insurance in the future.
- In **Senegal**, a 2022 review revealed that over 8,000 farmers —including 245 women — paid their full premium, recognizing insurance as a valuable tool for protecting their livelihoods. By 2023, the number of insured households reached 52,000, with a notable increase in farmers paying premiums with their own funds — from nearly 1,500 in 2020 to almost 28,000 in 2023 —accounting for 54 percent of all subscribers.

Lessons learned

Drawing on this evidence, WFP identified six lessons that are critical to maximize the positive impact of financial services in strengthening resilience.

1. **Context-specific interventions.** Complex barriers at the supply, demand, policy and regulation level, combined with context specificities hinder the offer of financial services, limiting their positive impacts. Feasibility assessments[5] are critical to understand the challenges and opportunities in each context, enabling the development of tailored financial services that build resilience. To be effective, interventions should address barriers and leverage opportunities to create an enabling environment where financial inclusion can drive lasting resilience. Building financial resilience through financial inclusion requires a tailored approach, as there is no one-size-fits-all approach. Therefore, strategic, context-specific innovation is crucial to address the unique needs of each situation.

2. **Strategic integration amongst financial services and with broader risk management strategies.** Insurance and other financial services are most effective when integrated with one another and when aligned with macro and meso-level disaster risk financing instruments,[6] enhancing resilience at the micro level. Financial services and other available disaster risk financing instruments should be carefully chosen depending on the severity and frequency of the events.[7]

3. **Appropriate targeting.** Appropriate targeting is essential, as the socio-economic profile of the beneficiary determines which financial service, or combination of financial services, is most suitable for their needs. Appropriate targeting needs to happen at the design phase to ensure that the chosen financial service is sustainable over time and that the appropriate stakeholders are effectively integrated within the schemes.

4. **A vision of sustainability from the start.** From the outset, financial instruments should be designed for scalability and long-term sustainability. All stakeholders—including governments, the private sector and FSPs — must have the commitment, expertise and resources to maintain these instruments over the medium and long term. Incentives such as premium subsidies and access to finance for FSPs should be implemented with a clear exit strategy to ensure lasting impact and self-sufficiency.

5. **Linking financial services to efforts promoting resilience and productivity.** Connecting insurance and other financial services to efforts promoting productivity, sustainable agricultural practices, livelihood diversification, access to markets, among others,

[5] To ensure appropriate programming, WFP always carries out feasibility assessments to take in consideration the specificities of each context. While WFP's information is critical, this is complemented with dedicated qualitative and quantitative analysis to understand the market dynamics, environmental conditions, willingness to pay and ability to pay, as well as the state of the policy and regulatory framework.

[6] WFP's approach in Southern Africa combines micro, meso and macro-level risk financing to provide layered protection. During the El Niño-induced drought, this enabled timely payouts to farmers as well as early WFP assistance and national response across countries like Madagascar, Malawi, Mozambique, Zambia and Zimbabwe. WFP is also working on a risk financing architecture study to identify the most effective mix of tools for maximizing impact and resilience outcomes.

[7] For instance, insurance should be used to cover catastrophic and rare weather events, while more frequent and less severe occurrences are addressed through other financial instruments like savings and loans. Likewise, micro-level schemes are more suited for farmers and pastoralists involved in value chains, whereas meso- and macro-level schemes are more suited for subsistence farmers.

has proven crucial in helping farmers make investments that improve their resilience and productivity. Integrating insurance with other programmes—whether through government systems or private sector partnerships—greatly enhances its impact.

6. **Realistic expectations.** Programmes advancing financial resilience require robust awareness raising interventions, ensuring that not only beneficiaries, but also governments and other stakeholders understand how financial services work and their critical role in strengthening resilience. It is important to ensure that all stakeholders have realistic expectations of the role that those financial services play and how that role can be enhanced.

These lessons learned have enabled WFP to define three strategic areas to promote sustainable inclusive risk financing instruments, namely:

- **Programmatic targeting and integration with other programmes,** making sure different segment of participants are targeted with the right combination of instruments, depending on their socio-economic profile, and ensuring appropriate sequencing.
- **Quality of programmatic interventions,** rebalancing the importance of access to savings and credit, while integrating insurance only where appropriate.
- **Deliberate sustainability and exit strategy**, through:
    a. Integration with Government programmes and reinforcement of capacity strengthening to ensure national ownership.
    b. Strengthen local markets at the supply and demand levels.

Through these changes, WFP aims to enhance the resilience of vulnerable populations, optimize financial services, and ensure the long-term sustainability of its inclusive risk financing efforts.

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