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Programme

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Halimo Hassen, a participant of WFP's livestock insurance project and member of the Village Savings and Loan Association in Higlo village, carries a savings box during a group meeting in Ethiopia

# Protecting vulnerable communities from weather-related shocks with Inclusive Risk Financing

In 2024, extreme weather events were a primary driver of acute food insecurity in 18 countries, affecting over 96 million people<sup>1</sup>. With the number of people impacted by increasingly severe weather events on the rise, strategies for reducing and mitigating risks are essential to overcome hunger, achieve food security and enhance resilience.

Over the past decade, WFP has unlocked access to Inclusive Risk Financing (IRF) solutions for over 10 million people as part of a comprehensive risk management approach to build resilient food value chains. By providing tailored financial services —such as insurance, savings and loans— WFP helps vulnerable communities better manage shocks and strengthen their resilience.

<sup>1</sup>[The Global Report on Food Crises \(GRFC\) 2025](#)

# ABOUT INCLUSIVE RISK FINANCING

As weather-related shocks grow in frequency and intensity, their most severe impacts continue to fall disproportionately on the world's most vulnerable populations. Smallholder farmers, pastoralists, and small and medium-sized enterprises (SMEs) are increasingly exposed to extreme weather events such as droughts, floods, and storms, which destroy crops, livestock, and livelihoods, further deepening their food insecurity and poverty. Strengthening the resilience of these communities requires a range of strategies, with access to financial services playing a crucial role. Tools like savings loans, insurance, remittances, and digital payment platforms can help at-risk populations manage weather-related risks. Yet, a significant crisis protection gap persists, as many vulnerable groups still lack access to these essential financial instruments that could support their ability to withstand and recover from increasing shocks.

In response to these growing challenges and recognizing the critical protection gap, WFP has made substantial progress over the past decade in expanding access to financial services for more than 10 million vulnerable people through integrated risk management strategies, initially building on the R4 Rural Resilience Initiative (R4). R4 has pioneered innovative approaches to address the impacts of weather-related shocks, by combining risk reduction and adaptive practices that reduce communities' vulnerability, with access to financial services. These strategies complement

each other and provide support for different risk severity levels, enabling individuals to manage a variety of risks. Building 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 value chains.

In 2024, WFP's IRF programmes supported over **3.1 million people across 21 countries** across Africa, Asia, Latin America and the Caribbean. These efforts provided financial protection totalling nearly **US\$250 million**, with a premium totalling nearly US\$15 million. In response to extreme weather events, including the El Niño-induced drought in Southern Africa, **US\$41.5 million in insurance payouts were distributed**, benefiting almost 1.5 million people. Countries with direct WFP engagement include Bangladesh, Burkina Faso, Côte d'Ivoire, Cuba, Ethiopia, Guatemala, Haiti, Iraq, Kenya, Kyrgyz Republic, Madagascar, Malawi, Mozambique, Senegal, and The Gambia, with technical assistance provided to the Democratic Republic of Congo, India, Lesotho, Zambia, and Zimbabwe.

## THE INCLUSIVE RISK FINANCING STRATEGY

Building on lessons learned and evidence gathered over the years, WFP is focusing on three strategic areas to advance sustainable IRF instruments. These efforts aim to strengthen the resilience of vulnerable populations, improve the effectiveness of financial services, and ensure the long-term sustainability of WFP's IRF initiatives.

### 1. IMPROVING PROGRAMMATIC TARGETING AND INTEGRATION

WFP has been refining its targeting approach, ensuring that different participant segments are offered the appropriate combination of financial instruments based on their socio-economic profiles. A [study by Tetra Tech](#) on the R4 initiative





highlighted that some segments have benefited more than others, suggesting a need for greater flexibility in the programme design. Based on this, WFP is integrating risk financing tools with other relevant WFP programmes that support market access, resilient food systems and value chains, school meals and digital financial inclusion. By leveraging these programmes, WFP is enhancing impact, promoting sustainability and better meeting the diverse needs of participants.



## 2. IMPROVING THE QUALITY OF PROGRAMMATIC INTERVENTIONS

WFP is rebalancing its approach by placing greater emphasis on expanding access to savings and credit, while integrating insurance only where it is most effective. Insurance is being strategically positioned to address rare and catastrophic events, and is primarily targeted at higher-income smallholder farmers who can access coverage through commercial providers or through integration with government schemes. For more frequent and less severe shocks, WFP prioritizes financial tools such as savings, emergency funds, and community-based risk-sharing mechanisms.

WFP continues to support Community-Based Organizations (CBOs) and Village Savings and Loan Associations (VSLAs) to strengthen their capacity and scale their financial services. On

the credit front, WFP is collaborating internally to promote targeted credit lines that support productive investments and adaptive practices, while enhancing de-risking tools like credit-linked insurance to improve credit access. Innovative solutions such as forecast-based index insurance and incentives such as premium discounts for adopting risk-reduction and adaptive practices are also being piloted and scaled up. Through these efforts, WFP aims to build long-term financial resilience among vulnerable communities and reduce reliance on humanitarian assistance.

## 3. BUILDING A MORE DELIBERATE SUSTAINABILITY AND EXIT STRATEGY

As WFP's programmes mature, sustainability and local ownership are paramount. WFP is working toward integrating its programmes into national systems to ensure long-term sustainability. This involves integrating financial services within government programmes, such as social protection schemes or agricultural input initiatives. Additionally, WFP keeps supporting the strengthening of local markets by addressing both demand and supply-side challenges. This is done by identifying and overcoming barriers that prevent vulnerable populations from accessing and benefiting from financial services, such as through temporary premium subsidies and investments in financial literacy. On the supply side, WFP focuses its efforts on building the capacity of local



Insurance payouts in Tete province Mozambique

providers to offer financial services effectively. The goal is to ensure that these services are well-tailored to the needs of vulnerable populations, while remaining affordable and accessible to rural communities.

# THE FIVE IMPACT PATHWAYS OF INCLUSIVE RISK FINANCING: EVIDENCE FROM WFP-SUPPORTED INCLUSIVE RISK FINANCING PROGRAMMES

## 1. FINANCIAL SERVICES ARE CRITICAL FOR FOOD SECURITY

Evidence gathered over the years shows that farmers with insurance consistently experience better food security outcomes and are less likely to adopt harmful coping strategies—such as reducing food intake, selling assets, or withdrawing children from school—after a shock. In countries like **Ethiopia, Kenya, Malawi, Senegal, and Zimbabwe**, insurance has helped households maintain food consumption during weather-related shocks. Notably, in **Zimbabwe**, insurance payouts led to a 28 percent increase in food consumption and a 46 percent reduction in negative coping mechanisms.

## 2. FINANCIAL SERVICES CAN PROMOTE ADAPTIVE PRACTICES

Insurance and financial services are helping households better manage weather-related risks and adopt adaptive practices. In **Bangladesh**, 66 percent of participants reported greater confidence in handling weather-related risks and

improved preparedness for natural hazards. In **Malawi**, the integration of various components, including climate services, asset creation, insurance, savings and loans provided a powerful combination of knowledge and financial support available at the household level, with beneficiaries reporting positive effects at the individual, household and community levels.

## 3. FINANCIAL SERVICES CAN PROTECT LIVELIHOODS AND PROMOTE PRODUCTIVE INVESTMENTS

In **Bangladesh**, 78 percent of farmers used insurance payouts for productive purposes, boosting agricultural productivity. In **Ethiopia**, 48 percent of livestock insurance payouts were used to protect animals during droughts. Beneficiary households spent twice as much as non-beneficiaries on livestock needs like feed, water, and veterinary care. These outcomes highlight insurance's role in protecting livelihoods and supporting productive activities.

## 4. INTEGRATING INSURANCE WITH OTHER FINANCIAL SERVICES STRENGTHENS SUSTAINABILITY AND FINANCIAL RESILIENCE

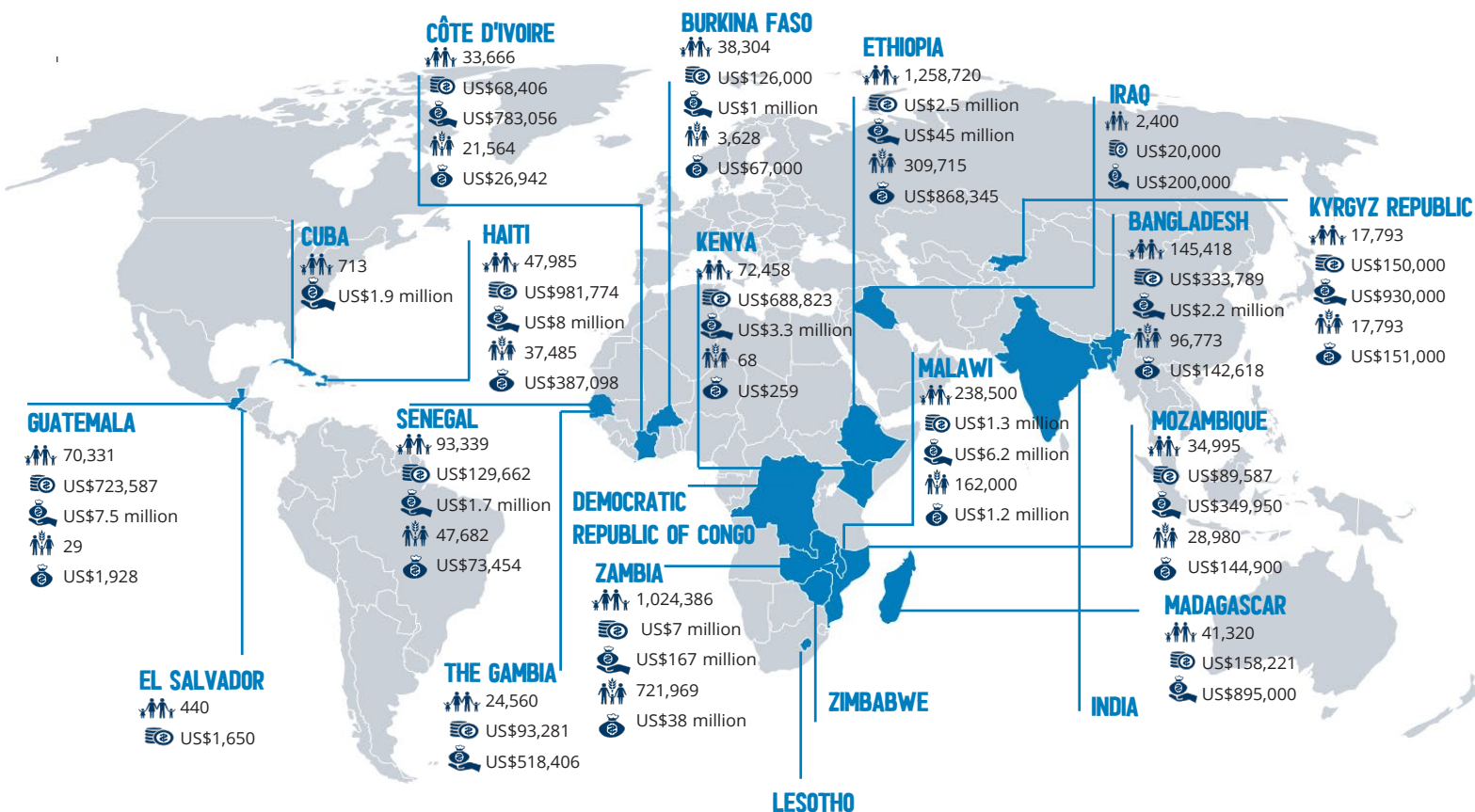
In **Zambia**, access to credit rose from 27 to 45 percent in two years through savings-credit linked products. In **Senegal**, savings groups expanded from 665 to 1,103 in four years, boosting savings, loans and insurance uptake, especially through women-led groups. In **Guatemala**, insurance participation increased from 1,200 to 14,737 (82 percent of whom are women). Over just three years, the number of people contributing to insurance grew from 1,600 to over 9,000, while average contributions more than doubled. This progress was driven by sustained financial education and integration into savings groups.

## 5. FINANCIAL SERVICES CONTRIBUTE TO WOMEN'S EMPOWERMENT

In **Bangladesh**, 61 percent of women reported enhanced leadership and greater involvement

in community roles through their participation in insurance programmes Insurance has also strengthened women's decision-making power within households. In **Ethiopia**, for example, 48 percent of households reported making joint decisions on the use insurance payouts.

In **Ethiopia, Malawi and Zimbabwe** participation in Village, Savings and Loans groups (VSLAs) enabled women to save, invest, and diversify their livelihoods—demonstrating how the combination of insurance and savings groups can significantly advance women's financial empowerment.



## LEGEND

- Number of people insured
- US\$ value of premiums
- US\$ value of sum insured
- Number of people benefitting from insurance payouts in 2024
- US\$ value of payouts disbursed in 2024

In 2024, WFP supported over 3.1 million vulnerable people access IRF solutions in Bangladesh, Burkina Faso, Côte d'Ivoire, Cuba, Ethiopia, Guatemala, Haiti, Iraq, Kenya, Kyrgyz Republic, Madagascar, Malawi, Mozambique, Senegal and The Gambia. In the Democratic Republic of Congo, India, Lesotho, Zambia and Zimbabwe, WFP provides technical assistance to the government.

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