



Moya Kubindama and her family received support from WFP's macro insurance payout from ARC Replica after catastrophic crop losses due to an extreme drought.



SAVING
LIVES
CHANGING
LIVES

Macro-level Disaster Risk Financing for vulnerable communities and countries

Providing financial protection through pre-arranged finance for early action

The climate crisis is no longer a glimpse into the future but the daily reality for communities around the world. Climate shocks – such as drought, heatwaves, storms and floods – are increasingly putting lives and livelihoods at risk, eroding development and driving food crises around the world. Over the last 50 years, there has been a five-fold increase in the number of weather-related disasters,¹ which disproportionately impact regions of the world with the most vulnerable and food insecure people. In 2024, almost 96 million people were pushed into food insecurity due to weather

extremes, particularly El Niño-induced droughts and floods, with significant impacts in Southern Africa, Southern Asia and the Horn of Africa.²

Each year, governments and the humanitarian sector spend billions to prepare for, respond to and help people recover from increasingly destructive weather-related disasters. Humanitarian responses are typically mobilized only after an extreme event has resulted in catastrophic losses and damages for the most vulnerable and food insecure people. For slow-onset events such as droughts, assistance often

¹ WMO. [The Atlas of Mortality and Economic Losses from Weather, Climate and Water Extremes \(1970-2019\)](#)

² Food Security Information Network and Global Network Against Food Crises. 2024. [2024 Global Report on Food Crises: Joint Analysis for Better Decisions](#)

reaches people many months after crops have failed and livestock are lost, and when affected households have already resorted to negative coping strategies, such as selling critical assets or taking children out of school.

While governments have made significant progress in managing growing climate risks and building resilience through allocating more domestic resources to disaster management, there is still a significant protection gap between the financial impacts of climate-related disasters and what governments and humanitarian partners can provide. The 2024 humanitarian funding figures highlight a stark gap between global needs and donor capacity, with less than half (45.5 percent) of the \$49.6 billion appeal met. Of the US\$76 billion spent on crisis finance in 2022, less than two percent was pre-arranged. Of this already small proportion of financing, only 1.4 percent reached low-income countries. The High-Level Panel on Closing the Crisis Protection Gap advocates for this share to quadruple in three years and aims to reach 20 percent by 2035.³

Governments and the humanitarian sector urgently need to scale-up disaster risk financing solutions to strengthen safety nets for the most vulnerable, enabling more timely assistance to the populations most at risk.

MAKING HUMANITARIAN ACTION FASTER, FAIRER AND MORE PREDICTABLE

Through Disaster Risk Financing (DRF), WFP uses financial tools that release funding quickly and predictably when pre-agreed thresholds – like extreme drought conditions – are met. These instruments help make our responses faster, better prepared and more equitable. Importantly, they don't replace traditional humanitarian funding but complement it – especially in areas with recurring climate risks or fragile systems.

WFP's approach is simple: match the right tool to the right level of risk, in partnership with

governments and local actors.

WFP also aims to connect DRF instruments with national social protection systems at regional or local levels with the objective to enhance their adaptive capacity, improve targeting through using key components of the system and reach vulnerable people with rapid responses to climate shocks. WFP is facilitating linkages of macro-level DRF through helping governments to develop new, or swiftly expand, essential social protection programmes in response to disasters. Through a US\$16 million agreement with the World Bank's Global Shield Financing Facility, WFP will enhance integration of social protection into the engagement of the [Global Shield against Climate Risks](#) with climate-vulnerable countries and communities.

WFP'S INSURANCE ENGAGEMENT MODELS

WFP supports or holds three types of macro-level insurance policies, tailored to the context and actors involved. These help unlock funds rapidly and equitably after a verified climate shock.

- **Replica policies:** WFP purchases an insurance policy that mirrors or replicates the terms of a government's own policy. This enables aligned, coordinated humanitarian response, supporting government systems while ensuring WFP's beneficiaries are protected.
- **Top-up policies:** WFP provides a financial contribution to increase the coverage of a government-held policy. These top-ups are earmarked for people-centered interventions, and WFP provides technical support for preparedness, implementation and monitoring if the policy triggers.
- **Primary policies:** WFP purchases standalone insurance coverage, independent of a government policy. These policies give WFP liquidity to rapidly respond to shocks and scale up support to affected communities – particularly valuable in fragile or underinsured settings.

³ Centre for Disaster Protection, High-Level Panel on Closing the Protection Gap. 2025. Crisis Protection 2.0: Future-proofing our World.

WFP'S DISASTER RISK FINANCING INSTRUMENTS

To address different levels of risk and improve financial efficiency, WFP uses a portfolio of instruments:

- **Insurance**

Provides rapid liquidity for medium to large-scale shocks. Parametric triggers are based on objective, pre-agreed indices (e.g. rainfall, vegetation, cyclone paths). Often layered across multiple perils and severity levels in the same country.

- **Trigger-based contingency funds**

Flexible, internal financing that disburses based on objective parametric thresholds. Used for smaller or more frequent events that are not cost-effective to insure. Promotes earlier, locally driven response.

- **Insurance-linked securities (e.g. catastrophe bonds)**

WFP is exploring innovative tools like catastrophe bonds to complement traditional insurance. These provide capital-market backed protection for rare, severe events – offering stability in years with constrained global reinsurance capacity.

1. AFRICA: USING LAYERS OF FINANCIAL PROTECTION TO MATCH DIFFERENT LEVELS OF RISK

WFP works closely with the African Union's African Risk Capacity (ARC), which helps governments insure themselves against climate-related disasters like drought or cyclones. Through ARC:

- WFP buys “replica” insurance policies that ensure both the government and WFP are covered if a major shock hits, allowing for a coordinated, fast response. WFP purchased policies for 10 countries, with a total coverage of US\$47.8 million in 2024.
- WFP has established a trigger-based contingency fund in Mali, Madagascar, Mauritania and Zimbabwe. This US\$2 million fund is tied to simple climate triggers and can be quickly disbursed to WFP Country Offices to support affected people.
- For rare but severe droughts, WFP has

introduced a new Sub-Saharan Climate Catastrophe Layer insurance product in Burkina Faso, Mali, and Niger in 2024 as well as Sudan, Somalia and Zimbabwe in 2025. It can release up to US\$8.5 million per country when a once-in-25-year drought occurs, helping scale up support in the worst years.

Based on recommendations from [Tetra Tech's assessment of the financial and operational efficiency of WFP's participation in the ARC Replica initiative](#), and in an effort to optimize resources, WFP is adopting a risk layering approach—combining different DRF instruments based on the severity and frequency of shocks in a given country. This “layered” approach allows WFP to respond quickly and efficiently at different levels of crisis. For example:

- In Mali, a localized drought affected parts of the country, but was not severe enough for the ARC Replica or Catastrophe Layer policies to trigger. The contingency fund was able to provide early assistance for those in the most impacted areas.
- In Southern Africa, a severe El Niño drought triggered the ARC Replica insurance payouts in Zambia and Zimbabwe, but in Madagascar where the effects were not as severe, ARC Replica did not trigger. Nonetheless, WFP Madagascar was able to access the contingency fund, allowing WFP to reach vulnerable people with early support.



Early confirmation of a macro insurance payout in Zimbabwe allowed WFP to mobilize rapid food assistance.

2. LATIN AMERICA AND THE CARIBBEAN: STRENGTHENING GOVERNMENT POLICIES & LINKING DRF TO SOCIAL PROTECTION

In the Caribbean, WFP is working with governments that are clients of CCRIF SPC, a regional climate insurance pool.

- WFP provides top-ups to existing government insurance policies for hurricanes and excess rainfall, increasing the amount governments can receive after a disaster. In 2024, WFP topped-up seven countries, providing more than US\$24.9 million in additional coverage.
- For example, in Grenada, when Hurricane Beryl struck in July 2024, a WFP top-up helped deliver an additional US\$4.6 million directly to families through a new government-led relief income support programme.
- These top-ups are not subsidies – they increase the insurance coverage in a country to ensure more people get help faster, while WFP supports governments with preparedness and response planning.

In addition, WFP is purchasing insurance for hurricanes directly from CCRIF for the Central Caribbean (Dominican Republic and Haiti), where governments are either not yet a member of CCRIF or fragility is constraining delivery capacity, and allows for WFP to demonstrate the value of the financial protection that DRF instruments provide.

In all these cases, WFP is working to link payouts from CCRIF insurance to national social protection systems to ensure the most vulnerable receive support in the aftermath of a storm.

3. PACIFIC ISLANDS: EXPANDING PROTECTION

In the Pacific, WFP partners with PCRIC, the region's climate risk insurance facility, to help Tonga, Samoa, Vanuatu and Fiji insure against tropical cyclones. Similar to the Caribbean, WFP provides a top-up to Pacific Island States' PCRIC insurance policies to increase the number of people that can be reached with a payout after a tropical cyclone.

4. BEYOND THE RISK POOLS

In 2025, WFP piloted a new drought insurance policy in Syria, a fragile country outside of any regional risk pool. This policy triggered a \$7.9 million payout following one of the worst droughts in 50 years, enabling WFP to respond with support for 120,000 people whose livelihoods were devastated.

THE BIGGER PICTURE: CLOSING THE PROTECTION GAPS

WFP's disaster risk financing work is about more than insurance – it's about transforming the humanitarian system to be faster, smarter and fairer. We are using financial tools to reduce suffering before it begins, to protect people's dignity, and to stabilize communities facing repeated climate shocks.

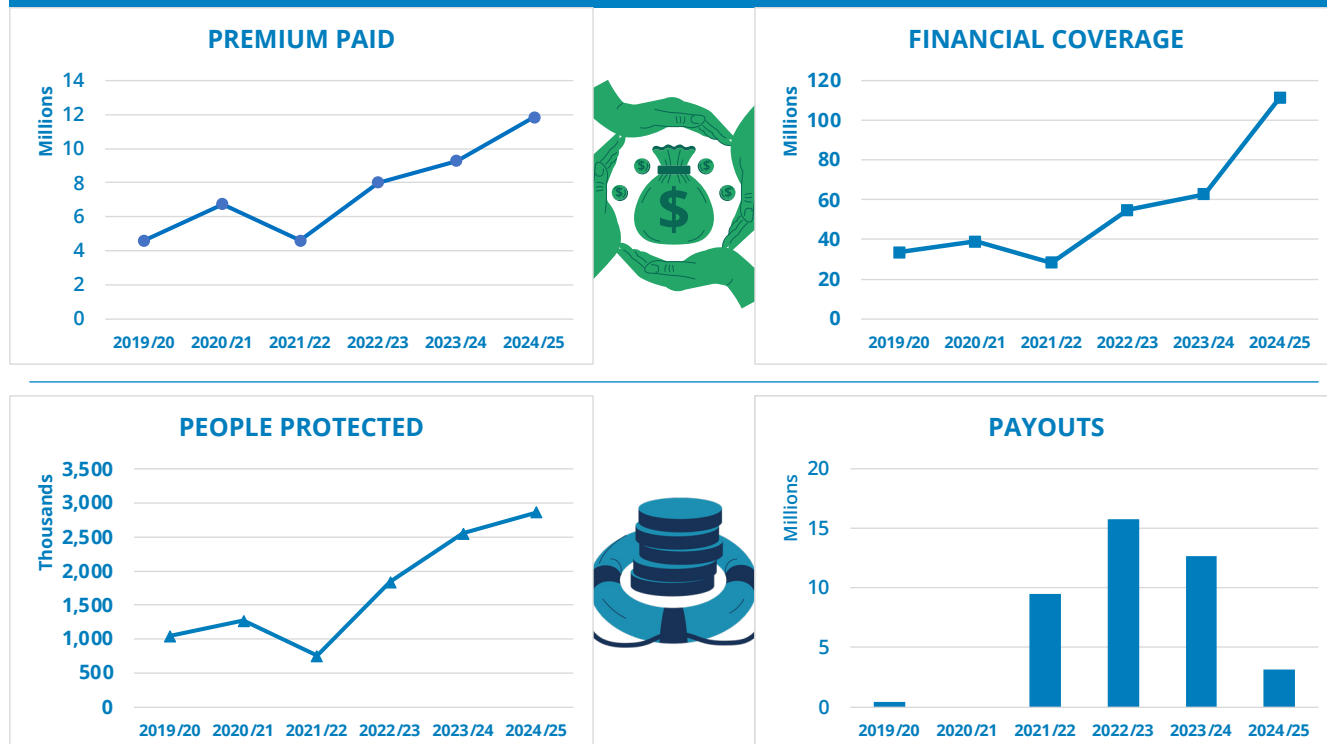
To scale this up, WFP needs partners willing to invest in pre-arranged crisis financing – helping shift the system from reactive to proactive responses. By doing so, we can unlock faster support, protect development gains and reach more people when it matters most.



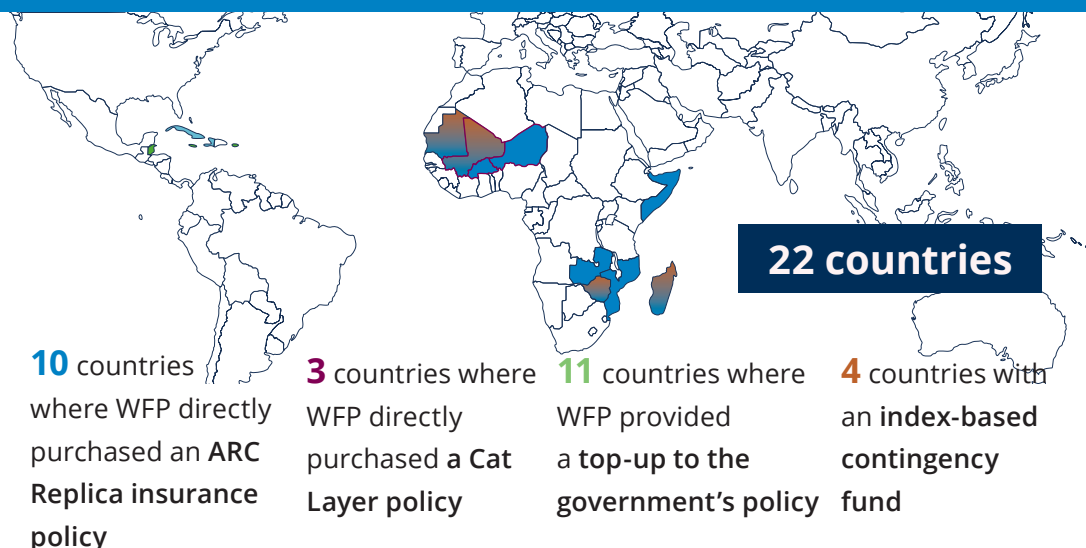
Sitali Namushi receives cash-based assistance in Zambia from an ARC replica payout.

Macro-Level Risk Financing Highlights

YEAR-OVER-YEAR RESULTS



COUNTRY COVERAGE



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