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## Promoting financial protection for climate shocks through sovereign risk pools



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# Overview of WFP's macro insurance portfolio

- Engagement with the sovereign risk pools **began in 2017** with ARC Replica
- ARC Replica → WFP engages in a **technical and financial partnership with governments** involving DRF capacity strengthening and the purchase of an additional insurance policy by WFP to increase the number of people protected in the country
- Lessons learned from the ARC Replica experience include: need for **risk layering approach** and **evidence generation**
- In 2021, Caribbean MCO worked with CCRIF to support a **top up to government premiums** in Dominica in support of **SRSP**, which was extended to Belize in 2022
- In 2022, Nicaragua CO has worked with CCRIF and the Government to support a slightly different approach → payout channelled through national school meals programme
- Plans to expand macro insurance engagement to Southeast Asia and the Pacific in 2023

# Overview of WFP's macro insurance portfolio

- **WFP buys a policy** mirroring that of the government
- Contingency plans in place before policy purchase dictate pre-agreed actions
- **Payout received directly by WFP**
- WFP implements early response activities, complementing those of the government
- **Main priority:** support (cash or in kind) reaches affected people earlier than traditional response timeframes
- Perils covered: Drought, tropical cyclone

## ARC Replica approach



- **WFP provides funds to 'top up'** the coverage purchased by the government
- Funds are given directly to the government, who they pays an increased premium to CCRIF
- **Payout is received only by the government**
- Government uses a proportion of their payout to support affected people, by channelling it through existing social protection systems
- **Main priority:** introduce an element of shock responsive social protection to the disaster risk financing approach of the country
- Perils covered: hurricane, excess rainfall

## Dominica/Belize approach



- **WFP provides funds to 'top up'** the coverage purchased by the government
- Funds are given directly to the government, who they pays an increased premium to CCRIF
- **Payout is received by the government**
- A proportion of the payout equal to the proportion of premium paid by WFP will be transferred to WFP
- These funds will be spent in accordance with the pre-agreed disbursement plan (food or cash assistance) channelled through the national school meals programme
- **Main priority:** introduce an element of shock responsive social protection to the disaster risk financing approach of the country
- Perils covered: hurricane

## Nicaragua approach





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# How many people is WFP currently reaching and what is the goal?

## Macro policies

3.6m people protected since 2019

127.7m USD coverage purchased with 20.5m paid in premiums

21 policies purchased in 5 countries

3 premium top ups paid

## Macro payouts

5 payouts from 2 seasons across 4 countries

USD 9.9m paid out to WFP, additional USD 7-20m expected for 2022/23

303,000 people supported with cash, food assistance, nutrition support, and emergency asset creation

## Macro goals

Expand ARC Replica to 18 countries by 2026

Support all 4 regional sovereign risk pools through premium payments by 2024

Protect up to 4.6m people per year with macro insurance policies by 2026

Systematic integration of CDRFI with SRSP

Risk layering: Better understanding and utilization of additional financial instruments



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# Thank you!