WFP’s work on Climate Disaster Risk Financing Innovation is at the core

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Why WFP works on CDRFI and how?

- The frequency and magnitude of disasters is increasing, driving up needs while funds available to support vulnerable people facing these crises remain relatively stagnant.
- Many climate hazards can be predicted, CDRFI can finance these more efficiently than traditional humanitarian funding channels.
- CDRFI at WFP aims to:
  - Increase the funds available for disaster response
  - Improve the speed and predictability of response
  - Augment preparedness capabilities of our country offices and government counterparts
- WFP has approaches at the micro (R4) and macro (ARC Replica and related) levels + Anticipatory Action
WFP work on CRI

At the community level

Microinsurance as part of an integrated climate risk management approach

At the meso level

Mesoinsurance to support local governments and entities in providing essential services that can support climate resilience

At the macro level

WFP partners with national governments and regional risk pools to purchase an insurance product or supplement premium funding for existing insurance policies from partner governments to finance governments’ adaptive social protection systems to climate shocks or to finance WFP assistance.
CRI Vision, Goals And Targets Going Forward

For WFP, enabling access to **climate and disaster risk financing instruments** is central to fulfilling its mandate of saving lives and changing lives while ending global hunger.

5 million people protected by climate risk insurance in 2025.

By 2025, WFP will support 25 countries to access climate risk insurance solutions.

By 2025, WFP will provide up to US$400 million in financial protection against climate-related risks per year.

WFP aims to build the resilience of climate-vulnerable and food-insecure people by enabling access to sustainable, scalable, and innovative **climate risk insurance** instruments. It aims to improve the current humanitarian financing model to a more forward-looking one that enables more timely financing for quicker and more predictable action and assistance to populations at risk.
**WFP CRI Global Portfolio**

- **21 countries** across Africa, Asia, LAC
- **3.8 million vulnerable people** covered by WFP-supported insurance products
- **US$ 360 million** Sum Insured
- **US$ 12.6 million** Payouts triggered
- **1.8 million** People receiving payouts
R4 v.2.0

| Appropriate country selection and CDRFI tools to be layered according to risk profile of country and beneficiaries – exit strategy agreed from the beginning | Appropriate targeting and selection of the right CRI tools and R4 components to offer | Increased focus on livelihood diversification, CSA, push for productivity and access to markets | Innovative approaches to promote access to financial services to manage climate risks and improve productivity | Offering insurance products with value that are frictionless and simpler | Building strategic public and private partnerships supported on evidence, skin on the game and capacity building |

Exit strategy with pathway of ownership at the local level from day 1

WFP enables the development and strengthening of insurance markets to unlock opportunities for people and governments, so they are more productive and resilient against climate shocks. Thanks to this their dependence on humanitarian response is reduced and WFP humanitarian response is most cost-efficient.
Climate Risk Insurance Annual Report 2023
Lessons learned after over a decade of experience

WFP is an **enabler** that helps removing obstacles hindering the development of climate risk insurance markets so **sustainable insurance schemes** protecting, directly or indirectly, the food insecure population can be tested and scaled up.

Innovation is essential to **solve complex problems** hindering the **sustainability of insurance schemes** (design -Cuba, what to insure -FII, complementarity -SAIL).

Innovation is key to ensure the appropriate **integration of insurance** within other R4 components (inputs, access to markets, HGSF).

Innovation is key to ensure **consumer centric approach** (digital).

The insurance scheme must be supported on strong PPP.

Alignment from the beginning, right incentives, skin on the game, capacity building, roadmap for exit strategy and ownership at the local level.

Insurance is a **solution that can promote resilience and productivity of households**; therefore, it can be an **instrumental** to achieve a wide range of public policies.

Insurance is **just a piece of the puzzle of an integrated risk management approach**. It is essential that all stakeholders on board are aware of its role and limitations and very importantly the need of complementarity with other components.
Innovation is essential
Challenges

- Testing index insurance when regulation does not allow it specifically
- Not finding local insurers interested and skilled
- Working in countries where alternative distribution channels are not allowed
- Limited transactional platforms that are allowed
- Limited local capacities to own schemes in the mid and long term and build sustainable PPP

Opportunities

- Dialogue with regulators – piloting interventions promoted by WFP can be the best way to identify regulatory obstacles and how to address them (Kyrgyzstan, Gambia)
- Participating in dialogue to create specialized companies (Senegal), Support creation of pools of insurers for agricultural insurance (Ethiopia, Malawi) Support to build local capacities (Zambia)
- WFP is well positioned to test innovative approaches while ensuring that consumers are effectively well protected and that receive value from the schemes that are promoted. This is at the core of our work. This can provide peace of mind to supervisors to test innovative approaches while we are also safeguarding the wellbeing of beneficiaries.
- Supports development of long-lasting partnerships by unlocking integration, TA, dialogue with other entities supporting the same goals (Zambia, Ethiopia, DRC, Madagascar)
Thank you!