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International Labour Office

# Social protection, climate change and COVID-19

# Climate change Covid 19 and the challenge for social protection

- Climate shocks are a recognized driver of poverty
- Climate change, which increases the frequency & intensity of climate shocks, threatens to make shocks an ever more important part of the poverty dynamics
- World Bank's Shock Waves study estimates that without policy adaptation, climate change will increase extreme poverty by 100 million
- The COVID-19 crisis has revealed the catastrophic impact of the lack of social protection coverage for 4 billion people around the world

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# Inadequate Social Protection

- Today, only 20 per cent of the world's population has adequate social security coverage, and more than half lack any coverage at all
- Though access to adequate social protection is recognized by international labour standards and the UN as a basic right, 55% of the global population is completely unprotected
- Linked to insufficient progress in closing social protection financing gaps

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# The challenge

- How should social protection in the face of climate change and the Covid 19 crises be targeted or prioritized between the already poor and those who are vulnerable to becoming poor?
- Can impact be improved through insurance as a facilitative resilience building tool by having social protection targeted at the vulnerable financed in part by the insurance ’premium’

# Social protection and agriculture

- In several constituencies protection for agriculture and agriculture dependent households is a growing concern
- Insurance as a mechanism of social protection is being explored by a number of organisations to protect households against agriculture and climate related risks
- Potential synergies to help build resilient and sustainable rural livelihoods
- Developing a systems approach that promotes the cross-sectoral coordination and/or integration of social protection with agriculture

# Why insurance (agriculture and climate risk) ?

Protective and productive use

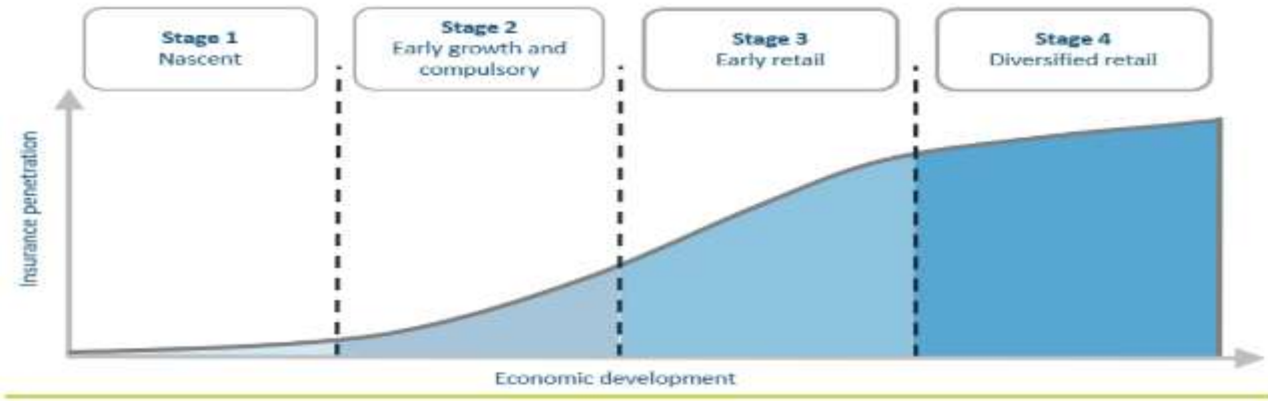
- Protection against setbacks due to crop or livestock losses, for smoothening consumption, preventing the sale of productive assets

- Access to credit and inputs, engage in “riskier” but on more productive and lucrative farm activities
  - Increased investment on the farm, which can aid with higher production and income

# Role for PPPs

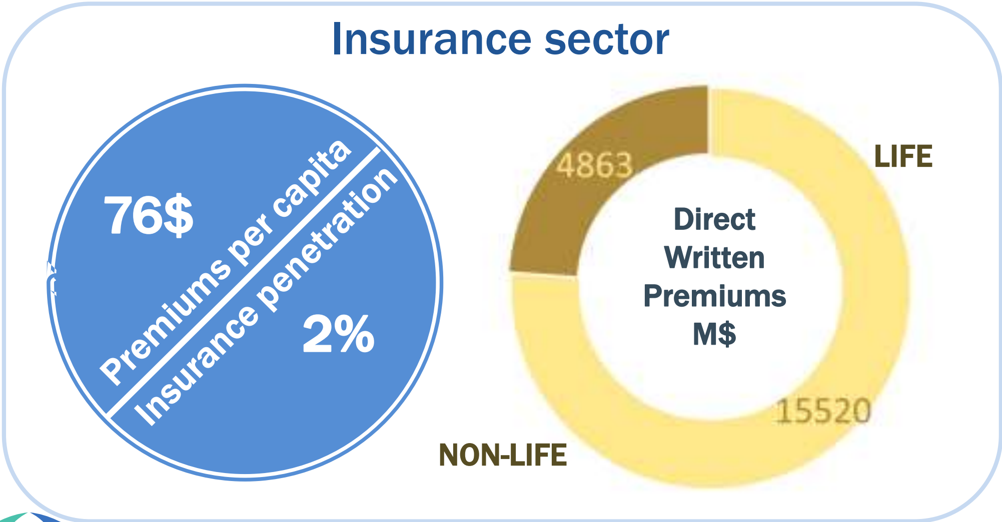
- India: Prime Minister’s Crop Insurance Scheme (PMFBY)
- Kenya: Kenya Livestock Insurance Programme
- Indonesia: AUTP: Rice insurance; Shrimp insurance
- Uganda: Uganda Agriculture Insurance Scheme
- Caribbean: LPP

# Indonesia insurance market




Source: (Chamberlain, Camargo , & Coetze , 2017)

- The potential of insurance to build resilience of smallholder farmers and other value chain stakeholders, depends largely of the level of development of the insurance market. The Indonesian market is still at an earlier stage of development but growing fast




Source: Microinsurance Network 2020

- the insurance industry accounts for 12% of the financial sector
- $13 billion in 2013
- Over $ 20 billion currently

# Indonesia state of play

- Informal mechanisms like consumption reduction and borrowing from friends family; and
- Formal mechanisms including Insurance in combination with other financial instruments such as savings, credit, risk pooling, catastrophe bonds form a part of risk management & resilience strategies
- Relevance of value chain actors such as input providers, buyers or processors
- Importance of group leaders

# Covid 19 challenges

- The National Economic Reform Program that targets small and medium enterprises (SMEs) and agriculture development by providing easy microloan access is facing challenges, since many SME owners and farmers are unable to run their businesses and are now in debt
- MFIs and SMEs confronted with limitation on face to face interactions- opportunity for cashless and digital transactions
- Tanihub, one of Indonesia’s agritech companies, stated that at least 20,000 new users have been added since the pandemic

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# Resilience-based Social Protection

- Poverty rates can only be reduced in the long term by targeting social protection to households who are at risk of poverty as well as households that are already poor.
- With agricultural and climate risk insurance, at-risk households can at least partially pay for their own protection through premiums, which increases the overall reach of limited national social protection budgets.
- Insurance-based protection relevant for climate-related shock such as drought or flood but only to a point
- Insurance subsidy leads to a smaller & more stable impact on budget for transfers to the poor than does the full cost asset replacement program

# Thank you for your time and participation!

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