

6.2 Integrating nature-positive production with Microinsurance

World Food Programme

1.1 Describe the solution: (what, in brief, is the solution)

Supporting the most vulnerable smallholder farmers to access microinsurance that protects their livelihoods and food security while incentivizing the adoption of sustainable, nature-positive agricultural practices.

1.2 What problem is it trying to address within food systems?

Climate variability and extremes impact every component of the food system, creating both supply and demand constraints that affect the year-round availability and accessibility of food for households. Recurrent climate shocks reduce the capacity of food insecure people to recover through progressively reducing productive assets, degrading their natural resource base and preventing farmers from investing long-term in sustainable agricultural productivity. This locks them in the low input – low output cycle of an unsustainable system that drives further encroachment into natural ecosystems when land and soil functions are degraded.

1.3 Why is addressing that problem important for achieving the goal of Action Track 3?

Farmers and rural populations frequently overexploit natural resources through unsustainable food production and income-generating activities. Climate-related shocks and stresses reduce food production and force farmers to rely on negative coping strategies, such as selling productive assets or deforesting and clearing more land to make up for lost income. This undermines the ecosystem services and biodiversity that support food production, while further increasing the vulnerability and exposure of farmers and rural communities to climate shocks. Recurrent droughts, floods and storms also speed up soil erosion, land degradation and damage to ecosystems, creating a vicious cycle that contributes to the negative environmental, health and economic outcomes of the current food system. This cycle can be broken through stabilizing household income and food security after climate shocks, combined with the promotion of practices that better manage and restore land and water used to produce food.

1.4 How can this solution address that problem?

Insurance payouts in adverse years enable food insecure households avoid negative coping mechanisms and ensure their food needs are met in the aftermath of climate shocks.

However, **insurance as a standalone tool is not sufficient**. It needs to be conceived as part of an integrated risk management strategy, where components mutually reinforce each other. Its protective function is enhanced when integrated with measures that also reduce farmers' risk to climate extremes. This includes practices that **rehabilitate and protect agricultural livelihoods, restore ecosystems and the services they provide**, and increase soil fertility and water retention. Other approaches for nature-positive production that can be integrated with insurance coverage are conservation agriculture, agroforestry and other climate-smart agriculture techniques. Household resilience is further strengthened through the provision of climate services that help farmers adjust their farming practices, and linkages with social protection and financial services that help communities absorb less severe risks.

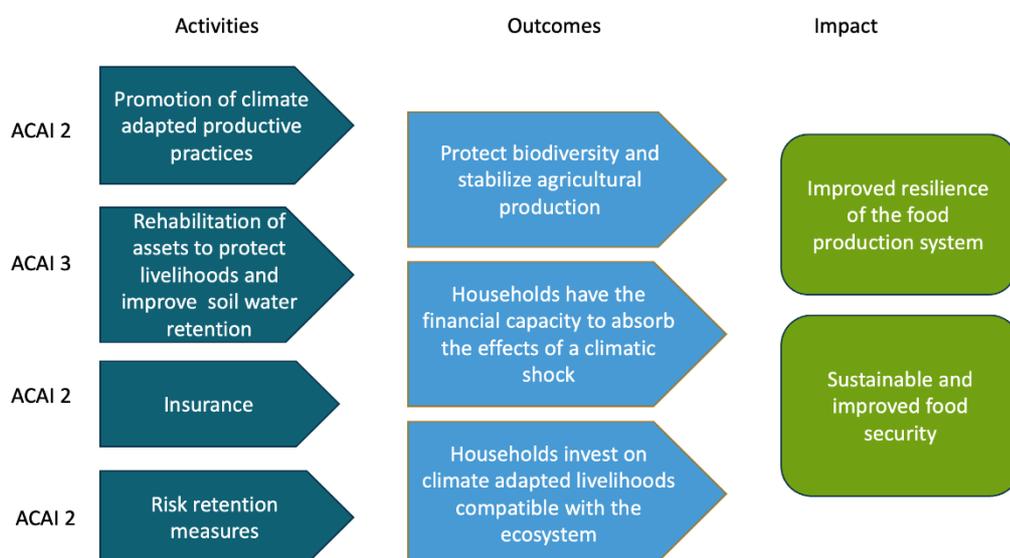
Insurance can serve as **incentive for communities and governments to invest in nature-positive practices** that have the co-benefit of reducing disaster risk while also restoring habitats that improve

ecosystem services and biodiversity. This, in turn, helps lower the cost of insurance premiums. These nature-based solutions strengthen ecosystems, make communities more resilient against climate shocks and facilitate climate change adaptation.

Furthermore, by protecting farmers against specific hazards, insurance has the potential to **unlock investments in sustainable agricultural production**. These investments result in higher input efficiency, while maximizing biodiversity and ecosystem functioning. Additionally, insurance enables households to **access financial services and credit at more favorable terms** which can further boost their investment and productivity.

Ultimately, insurance will contribute to improve farmers’ access to inputs and markets , increase their productivity and incomes and help promote sustainable pathways to assist the transition of the vulnerable and food insecure households from safety nets to more productive and sustainable livelihoods and food production systems in both good and adverse years.

Here below is how an impact pathway of an integrated risk management approach with a strong microinsurance component could look like.



1.5 What makes the solution a ‘game changing’ solution?

Parametric insurance is making insurance accessible to large numbers of people in remote areas. It is contributing to financial inclusion, promoting access to credit for inputs but also increasing savings opportunities that can help households cope with minor or more frequent shocks without having to sell productive assets. The integrated approach that is bundled with insurance includes capacity building oriented to promote nature-positive, climate adapted agricultural practices to ensure farmers food consumption, dietary diversity and income stability. Evidence collected by WFP over time indicates that households that are offered an integrated package of risk reduction, risk retention and risk transfer (insurance) measures have stabilized their income, increased their investments and agricultural production and improved their resilience capacity to climatic shocks after 2-3 years of the intervention.

1.6 How will your government support this idea?

Most governments are well aware of the power of insurance as a driver for agricultural development and many have introduced subsidies for agricultural insurance. WFP's model of 'smart subsidies', i.e. partial payment of insurance premiums in exchange for farmers investing in rehabilitating and strengthening their natural asset base, is gaining momentum and has exceptional potential for scale.

1.7 Is this a new concept or have you already discussed it with other member states or partner?

This is a well-developed, tried and tested initiative that is being implemented under the heading of WFP's 'R4' Rural Resilience Initiative (<https://www.wfp.org/r4-rural-resilience-initiative>) in 6 countries, reaching 200.000 smallholder families at the end of 2020. The concept is supported through a number of international initiatives and platforms, such as the InsuResilience Global Partnership, the Insurance Development Forum, and the Micro Insurance Network. Partners of these platforms recognize that there are many opportunities for greater engagement between the insurance and environmental sector to integrate Ecosystem-based Adaptation and insurance, which can lead to improved outcomes for both vulnerable people and nature. The insurance industry recognizes the need, and has a financial interest, in developing products that can reduce risks levels and increase resilience for customers and society.

1.8 Who are the key stakeholders to be further involved in the process of developing and refining the solution idea? Name other sectors

Key stakeholders in supporting smallholder farmers manage their climate risks in combination with nature-positive approaches include **private sector** partners - specifically local insurance companies and international re-insurance providers, index design service providers, and academic institutions. **Government** institutions are key partners to create the enabling environment for developing sustainable insurance markets in addition to strong linkages between local governments and NGOs to facilitate participatory processes to ensure nature-based risk reduction activities are contextualized and co-created with the community. Country-led **social protection systems** can provide a platform for integrating insurance with ecosystem and watershed restoration, through productive safety nets. For example, WFP partners with the Productive Safety Net Programme in Ethiopia to provide farmers with insurance for participation in community-led reforestation and watershed restoration projects.

1.9 Are you interested in leading this solution?

WFP is recognized as one of the leading institutions in the microinsurance space and is already investing in internal and national capacities to deliver microinsurance services at scale as part of its 'R4' integrated package of risk management solutions.