



case study 03 // 2023

# WFP Nicaragua – Insurance and Social Protection: A Key Tool to Increase Resilience and Food Security in Nicaragua

**Strengthening Shock-responsiveness of Government Systems  
through a Risk-layering Insurance Approach**

Leticia Gonçalves (WFP Regional Bureau Panama)

Eliseo Arauz (WFP Nicaragua), Anna Machado (WFP Nicaragua)

Sabrina Quezada (WFP Nicaragua)



For the United Nation's World Food Programme (WFP), enabling access to Climate and Disaster Risk Financing and Insurance (CDRFI) solutions is central to fulfilling its mandate to achieve zero hunger through both saving and changing lives. WFP Nicaragua is leading the efforts in the Latin American and Caribbean region to implement a risk-layering insurance approach. A combination of financial instruments is being used to address hazards of varying intensities and frequencies as there is no "one-size-fits-all" formula for risk financing.

## Country context

A lower-middle income country, Nicaragua is vulnerable to natural hazards and climate risks and is impacted by the climate crisis. The prevalence of informal employment, economic fragility, gender inequalities, and extreme weather events continue to hinder progress in addressing poverty and food insecurity. The country has been facing multiple climate-related shocks that alternate between drought, excessive rain and hurricanes, leading to vulnerable populations losing their livelihoods. This loss of livelihoods further exacerbates their vulnerability by reducing access to nutritious food and increasing the risk of food insecurity.

Microinsurance is an effective tool for smallholder farmers to better manage climate-related risks, reduce their vulnerability and increase their resilience while also enabling risk-informed investments and growth in the rural productive sector. Starting in 2021, WFP Nicaragua successfully piloted a microinsurance agricultural product which led to 432 smallholder farmers in cooperatives and associations having access to insurance through WFP programmes in 2022.

To strengthen the shock-responsiveness of government systems, WFP Nicaragua is also supporting a sovereign insurance product providing macro-level financial protection. In 2021, WFP provided a top-up to the government's tropical cyclone policy offered by CCRIF SPC, formerly the Caribbean Catastrophe

Risk Insurance Facility. The approach enables the government that has been a member of CCRIF since 2016 and WFP to assist vulnerable people and communities with pre-arranged funding, facilitating rapid responses after extreme climate shocks. In 2022, both the micro and macro policies triggered and provided payouts that supported the most vulnerable populations in the country at different levels. The WFP and government responses supported smallholder farmers, schoolboys and girls and their families, elderly, pregnant women and lactating mothers.

## Project description

On the community and farmers' organization level, microinsurance solutions were promoted as one component of WFP's flagship R4 Rural Resilience Initiative. In 2022, 31 farmers (42% women) received a total payout of US\$ 7,650 from the microinsurance scheme for lack of rain, excess humidity or pests and diseases.

On the macro-level insurance approach, WFP enabled a top-up of US\$ 70,000 to the premium paid by the government to CCRIF SPC. This top-up could generate up to a US\$ 2 million extra payout to the government of Nicaragua if an extreme weather event is triggered, which would be paid out to WFP to assist in the response.



Weather-related disasters caused by the climate crisis have a great impact on the most vulnerable families in Nicaragua, including indigenous and Afro-descendant communities

A family from the Tasba Pauni community in Nicaragua’s Southern Caribbean receives food after Hurricane Julia strikes

In October 2022, Hurricane Julia (category 1) made landfall in Nicaragua, affecting almost 4 million people and triggering the sovereign insurance policy. Triggered by the level of damage, CCRIF SPC disbursed a US\$ 8.9 million payout to Nicaragua. Of this amount, WFP received US\$ 640,000 (proportional to the top-up), which was used to complement the emergency response and implement early recovery of livelihoods, resilience and environmental programmes for 290,000 people in coordination with the national and local authorities of Nicaragua.

social protection programmes. WFP will continue to support the Tropical Cyclone policy and expand to other risks such as Excess Rainfall and Earthquake if prioritized by the Government. Together with partners, WFP will also continue to assess the possibility of adapting the CCRIF SPC policy for protection against droughts and accompanying it with anticipatory action.

WFP’s immediate response included the provision of an additional school meal for school children for 60 days as well as take-home rations for their families for a total of 150,000 people in 12 municipalities. As part of the recovery programme to reinforce communities’ resilience to climate shocks, WFP is also supporting the creation and improvement of school gardens and delivering fruit trees to farming families to improve the food security of students in 600 rural and urban schools of the impacted areas. Finally, WFP is providing productive support through cash transfers to affected 1,050 families for the recovery of their urban, peri-urban and rural livelihoods, as well as support in the preparation of business plans and trainings.



María Inés Rodríguez (52), a smallholder farmer in Nicaragua. She produces maize and beans on her 3.4 acres of land to provide food for her family. At the end of 2022, her entire bean crop was lost due to lack of rainfall. *“We worked very hard! We borrowed about US\$ 194 from the cooperative to buy the seeds and fertilizer. With the payout received (US\$ 213), and the sale of the maize we have left (US\$ 420), my husband and I paid the cooperative’s debt and to our surprise we had a little money left over to buy food for the family.”*

### Challenges and lessons learned in 2021

**Microinsurance:** The current piloted product is a traditional agricultural insurance (that requires loss inspections), which makes it challenging to expand coverage to smallholder farmers in remote areas with limited infrastructure. In 2023, a parametric product will be piloted with INISER, a local insurer promoting adequate coverage to smallholder farmers working on small plots in remote areas. WFP Nicaragua has also identified the importance of encouraging insurance to be used together with specific actions. Such as reforestation and recycling, workshops, training, and complement access to other risk financing instruments like savings, credit, and health insurance.

**Macroinsurance:** Part of the payouts will be used to finance an additional allocation into CCRIF SPC’s insurance policy in 2023 to allow the continuation of the collaboration with the national and local government. Technical support for the government is planned to strengthen national capacities to implement adequate and timely responses with policy payouts, including through

*“In the WFP we prepared ourselves for events driven by the climate crisis by supplementing the macroinsurance policy that Nicaragua holds with the Caribbean Catastrophe Risk Insurance Facility (CCRIF) and used the payout to support social protection programmes. We also provide microinsurance to smallholder farmers through their co-operatives. This enables them to restart their agricultural production in the wake of a disaster. In time of climate crisis, these forms of risk transfer are crucial to access resources rapidly to ensure food security for the affected population, to restore their livelihoods and build their resilience. In the future, WFP Nicaragua will continue exploring more innovative opportunities.”*

**Giorgia Testolin, Representative and Country Director WFP Nicaragua**



Yadira, 24 years old from Nueva Segovia, Nicaragua (microinsurance beneficiary)

**Key Microinsurance information**

	2021	2022
	<b>439 people insured</b> (49% women)	<b>432 people insured</b> (54% women)
	<b>4 departments</b> Jinotega; Matagalpa; Nueva Segovia; Madriz	<b>5 departments</b> Jinotega; Matagalpa; Nueva Segovia; Madriz; Estelí
	<b>US\$ 45</b> Average value of premiums	<b>US\$ 69</b> Average value of premiums
	<b>US\$ 417</b> Average value of sum insured	<b>US\$ 576</b> Average value of sum insured
	<b>Payouts of US\$ 19,700</b> made to 123 farmers (50% women)	<b>Payouts of US\$ 7,650</b> made to 31 farmers (42% women)
	<b>242 people (52% women) supported in soil and water conservation and re- forestation activities</b>	-
	<b>European Union</b>	<b>Government of Canada, European Union</b>

**Hazards covered**

Drought, Other

**Product/Solution**

Creation of DRF Strategy, Microinsurance Households, Shock Responsive Social Protection, Sovereign Risk Transfer

**Topic/theme**

Agriculture, Climate Change & Climate Policy, Gender, Risk Finance, Climate and Disaster Risk Management

**Objective of the project**

WFP Nicaragua is enabling access to a combination of Climate and Disaster Risk Financing and Insurance solutions as part of a risk-layering insurance approach to address hazards of varying intensities and frequencies.

**Impact and (envisaged) number of beneficiaries**

CCRIF payout complemented the funds used to provide 290,000 people with immediate food assistance and 195,000 for early recovery.

Through the microinsurance product promoted through WFP’s flagship R4 Rural Resilience Initiative, 2,160 persons are covered (432 households). In 2023 a pilot parametric product will be implemented.

**Involved organizations/ parties in the project**

- WFP
- INISER (microinsurance)
- Farmers’ associations and cooperatives
- European Union and Government of Canada (donors microinsurance)
- Ministry of Finance (macroinsurance)
- CCRIF SPC (macroinsurance)

**Project duration**

2019–2024



**Published by the InsuResilience Secretariat**

**Registered office**

InsuResilience Secretariat  
c/o Deutsche Gesellschaft  
für Internationale Zusammenarbeit (GIZ) GmbH  
Friedrich-Ebert-Allee 32+36  
53113 Bonn, Germany

[secretariat@insuresilience.org](mailto:secretariat@insuresilience.org)  
[www.insuresilience.org](http://www.insuresilience.org)

**Project implemented by:** WFP, INISER (microinsurance), Farmers’ associations and cooperatives, European Union and Government of Canada (donors microinsurance), Ministry of Finance (macroinsurance), CCRIF SPC (macroinsurance)

**Authors:** Leticia Gonçalves (WFP Regional Bureau Panama), Eliseo Arauz (WFP Nicaragua), Anna Machado (WFP Nicaragua), Sabrina Quezada (WFP Nicaragua)

**Design and layout:** kipconcept GmbH, Bonn

**Photo credits:** Oscar Duarte, Sabrina Quezada & Oswaldo Rivas / WFP  
March 2023