

# INSURED

## Insurance for rural resilience and economic development

### A technical assistance programme increasing the resilience of poor rural households to climate risks

#### What is INSURED?

INSURED is a US\$6 million programme financed by Sida (the Swedish International Development Cooperation Agency) and implemented by IFAD through the Platform for Agricultural Risk Management (PARM). The five-year programme's goal is threefold:

- increase the resilience of poor rural households in the face of climate risks
- build their capacity to manage risks
- strengthen their livelihoods.

The overall objective of INSURED is to protect the incomes of rural women and men and to promote investment in smallholder agriculture – by smallholders themselves and the public and private sectors, including financial service providers, value chain actors and governments.

#### How INSURED works

INSURED works at different levels to help develop climate insurance for poor rural people and increase their resilience.

- It develops climate insurance policies and strategies in partnership with governments in selected countries so they can create enabling environments for public and private institutions to offer insurance.
- It provides technical assistance to incorporate or strengthen climate and agricultural insurance in the context of IFAD country programmes and strategies.
- It assesses the feasibility of insurance and gives technical assistance to designing, setting up and implementing holistic insurance schemes within rural development initiatives funded by IFAD and other actors.
- It creates and shares knowledge on insurance, including lessons learned, and builds the capacity of local public and private institutions, government partners and donors to use climate insurance as a cross-cutting tool.

#### KEY FACTS

- INSURED promotes climate and agricultural insurance as a cross-cutting tool in rural development
- US\$6 million
- Financed by Sida
- Five years: 2018-2022
- Implemented by IFAD through PARM
- Geographical focus: Global – with core activities in Cambodia, Indonesia, Uganda, Zambia

#### WHAT IS CLIMATE INSURANCE?

Insurance is one of the tools used to manage agricultural risks and promote development. The quickening pace of climate change is heightening risks and increasing the frequency and intensity of weather-related events, such as drought and extreme temperatures, that can have a catastrophic effect on smallholders' livelihoods. INSURED focuses particularly on climate-related agricultural insurance. This is defined as for crops or livestock, and it can be "traditional" indemnity-based insurance, or based on a predefined weather, yield or remotely-sensed index. Climate insurance is a financial tool designed to protect against the production risks that affect rural livelihoods. It works best as part of a holistic approach to agricultural risk management (ARM) and development. Such an approach assesses the categories and sources of risks, prioritizes the risks to be tackled for smallholder agriculture, and selects the tools to be used or combined to address them.



## CONTACTS

### Massimo Giovanola

Technical Specialist  
PARM - PMI  
Email: [m.giovanola@ifad.org](mailto:m.giovanola@ifad.org)

### Emily Coleman

Financial Inclusion and Insurance  
Expert, INSURED  
PARM - PMI  
Email: [e.coleman@ifad.org](mailto:e.coleman@ifad.org)

## READ MORE

### IFAD

[www.ifad.org/en/wrmf](http://www.ifad.org/en/wrmf)

### PARM

[www.p4arm.org](http://www.p4arm.org)



International Fund for  
Agricultural Development

Via Paolo di Dono, 44

00142 Rome, Italy

Tel: +39 06 54591

Fax: +39 06 5043463

Email: [ifad@ifad.org](mailto:ifad@ifad.org)

[www.ifad.org](http://www.ifad.org)

[www.facebook.com/ifad](https://www.facebook.com/ifad)

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## Where INSURED works

Core countries in IFAD's portfolio identified by the programme currently include: Cambodia and Indonesia in Asia, and Uganda and Zambia in Africa. INSURED is also providing technical assistance to other IFAD country programmes on request, such as Rwanda. In 2019, IFAD regional portfolio reviews on agricultural and climate insurance were initiated in Asia and the Pacific, and East and Southern Africa. Lessons learned will be translated into practical guidance for programme designers and implementers.

## Why insurance?

Agricultural and climate insurance breaks the vicious cycle of risks, shocks and poverty traps that prevent rural people from strengthening their livelihoods and improving their lives. The unique advantage of climate insurance is that it can transfer otherwise unmanageable risks away from farmers, businesses and countries. But insurance does more than that; when used with other tools and techniques as part of a holistic approach, it can create a virtuous cycle that enables farming families to produce, earn and invest more, and to build their assets and their resilience.

Access to insurance can increase farmers' willingness to make riskier and potentially more profitable investments, thereby building their businesses. Climate insurance can also be used to accompany and incentivize adaptation to climate change, for example by bundling insurance cover to protect investments in higher-value, drought-tolerant seeds.

Supply of, and demand for, climate insurance is increasing rapidly in developing countries, with some regional markets growing over 30 per cent annually. Despite this, most people still have very limited access to insurance: in Africa, just over 5 per cent of the population has any kind of insurance cover; and in Asia only 4 per cent. In developed countries, agricultural insurance against climate shocks is widespread, but in the rural areas of the developing world, where farmers are most vulnerable, only a tiny proportion have any cover at all.

## IFAD and insurance

Insurance can play a vital role in increasing the impact of IFAD's work in the rural areas of developing countries, where over 80 per cent of the world's poorest people live. Used as a cross-cutting tool throughout IFAD-supported programmes, insurance can help to strengthen livelihoods, increase investment and protect progress. Embedded in activities across country portfolios, it can provide a cushion against income fluctuations, stabilizing consumption and protecting savings and assets. This makes smallholder farmers a less risky client group for financial service providers and market operators – including input suppliers and processors – who can therefore expand their outreach. Crucially, insurance prevents external shocks wiping out the gains made by rural development programmes and can be particularly useful in protecting growth in markets and incomes.

The integration of insurance schemes in IFAD-supported programmes has been shown to create better value for clients by combining insurance with other financial and non-financial products, such as inputs. Integration in IFAD programmes also fosters public-private partnerships between governments, the financial sector, small and medium agribusinesses, and farmers' organizations. This helps to improve access to insurance for the underserved and at the same time to develop sustainable markets for insurance companies.

Together with its partners, IFAD has become a leader in the field of climate insurance and ARM. Since 2008, IFAD has built insurance expertise through the Weather Risk Management Facility (WRMF) and increased recognition of the importance of insurance as one tool to transfer risk. INSURED is managed by IFAD through the Platform for Agricultural Risk Management (PARM), a multi-donor facility hosted by IFAD that promotes a holistic approach to risk management and works on a wide variety of ARM tools.