

SAVING
LIVES
CHANGING
LIVES



Use of CROP MICROINSURANCE to reduce the impact of disasters and climate change

WFP CUBA
Funding proposal



World Food
Programme

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The World Food Programme (WFP) supports Cuban communities, authorities and institutions **to contribute to the food security and nutrition of the population**, with emphasis on the most vulnerable.

Since the beginning of its work in Cuba in 1963, WFP has implemented 21 emergency operations and 8 development projects, accounting for more than **302 million dollars**.

Main lines of work of WFP in Cuba:

- **Provide food assistance to nutritionally vulnerable groups** – children, pregnant and lactating women, elderly people – through social safety nets (day-care centres, primary schools, maternity and elderly homes, community canteens);
- **Strengthen agricultural value chains and their linkages with social safety nets** for the stable supply of nutritious and quality food;
- **Strengthen the resilience of communities, disaster risk management and adaptation capacities to climate change** at the local level.

1. SUMMARY

This proposal aims at **promoting innovative financial solutions to reduce the risk of natural hazards and climate change among smallholder farmers and cooperatives**, and contribute to improving food security and nutrition at the national and local level.

In particular, **WFP will strengthen the capacities of women and men smallholder farmers and of the National State Insurance Company (ESEN) on the development and use of preventive and parametric insurance modalities**. Overall, smallholder farmers will benefit from an increased access to agricultural insurance resulting from improved insurance modalities, damage assessment mechanisms and compensation processes.



2. CONTEXT AND RATIONALE

Agricultural insurance represents an important portion of the portfolio of the National State Insurance Company (ESEN). Despite national efforts to stimulate the use of agricultural insurance by smallholder farmers and cooperatives over the past decades, there is still room for improvements as the number of insured producers is still low. In particular, farmers do not have sufficient knowledge on the various insurance modalities and their benefits, or trust in the compensation system. On the other hand, traditional insurance mechanisms assess damage and impact of natural hazards through field visits and direct appraisal in each cooperative, making the compensation process more expensive and delayed, and less transparent.



As a result, smallholder farmers are more exposed to the effects of natural hazards and climate change, with impacts on food availability.

In this context, WFP and ESEN have identified the possibility of introducing new insurance modalities that will increase the efficiency of the sector, expand the coverage of insured smallholder farmers and reduce losses resulting from natural hazards and climate change.



As part of the process of strengthening local capacities to cope with drought, WFP has developed a methodology to assess the vulnerability of each smallholder farmer, cooperative or territory to the impact of the drought, which serves as a basis to classify the producers by the level of risk.

Based on this experience, in 2020 WFP and ESEN aim at piloting the introduction of new insurance modalities:

- a) Preventive microinsurance modality, which premium is adjusted to the level of drought vulnerability of farmers and cooperatives. WFP will also support the development of vulnerability reduction plans for smallholder farmers, and key activities for their implementation.
- b) Parametric insurance modality, which compensation is linked to pre-established indicators (amount of rainfall, or vegetation index, etc.) that can be measured directly in the field or assessed by satellite images, or a combination of both.

During the implementation, WFP will capitalize good practices and lessons learned that will inform scaling up to other territories.

3. DESCRIPTION

3.1 Objective

Promote the use of insurance as a tool to reduce the risk of smallholder farmers and cooperatives to natural hazards and the impact of climate change, to contribute to improving food security and nutrition at the local and national level.



3.2 Components

1. Provide technical assistance and training to the ESEN and smallholder farmers to elaborate new of a preventive microinsurance modalities, which premium is adjusted to the level of drought vulnerability (risk) of each smallholder farmer or cooperative. This new insurance modality will be based on a procedure developed by the risk assessment group of the Environment Agency that supports local actors (local government staff and farmers) to periodically assess their drought vulnerability and being classified as very vulnerable, vulnerable or not very vulnerable. Premiums will be established according to this classification, so that the most vulnerable productions will pay a higher premium than those that are less vulnerable. This insurance modality could become an important incentive for reducing food production risk at the local level.
2. Provide technical assistance and training to farmers on the development of vulnerability reduction plans, with the support of technical entities. WFP will also support the implementation of key vulnerability reduction activities.
3. Provide technical support and training to the ESEN for introducing parametric insurance associated with crop monitoring. With this insurance modality, compensation is not based on the damage of an event, nor on the assessment of the damage, but by pre-established indicators (amount of rainfall, vegetation index, etc.) that can be measured directly in the field or assessed through satellite images, or a combination of both.

3.3 Expected results

- R1.** Smallholder farmers benefit from preventive insurance modality based on their vulnerabilities.
- R2.** Vulnerability reduction plans implemented.
- R3.** Strengthened the ESEN's capacities for the introduction of parametric insurance associated with the monitoring of crops in the assisted cooperatives.
- R4.** Increased number of cooperatives and farmers who access agricultural insurance (coverage).

3.4 Geographical targeting

Target municipalities for this pilot experience will be identified jointly with the ESEN, the Ministry of Agriculture (MINAG) and the Cuban National Association of Smallholder Farmers (ANAP).

3.5 Implementation strategy and sustainability

Project activities will be firstly implemented on a pilot basis in municipalities targeted by WFP, ESEN, MINAG and ANAP.

All proposals for new insurance modalities that are developed will be consulted and validated in a participatory manner with the stakeholders (farmers, insurers, agriculture and surveillance/early warning authorities) and ANAP.



For the development of the planned modalities of insurance, multidisciplinary teams will be set up to analyse the historical data of events subject to risks that affect food security (hurricanes, droughts, pests and diseases) and will combine this information with claims and compensation in the selected territories for pilot experiences.

The modalities designed from the analysis of the information will be implemented only after sensitizing and training the actors involved.

Implementation results will be thoroughly monitored and assessed. Based on the implementation results and lessons learned, WFP will develop a new proposal to scale up the introduction of new insurance modalities to be expanded during the Country Strategic Plan period (2021-2025).



4. TOTAL ESTIMATED BUDGET

The total estimated budget of this proposal amounts to **USD 500,000** mainly for:

1- Capacity Strengthening		392,000
<i>Provide technical assistance and training to elaborate of new insurance modality which premium is adjusted according to drought vulnerabilities of farmers</i>	95,000	
<i>Provide training and technical equipment to reduce smallholder farmers vulnerability</i>	90,000	
<i>Provide technical assistance and training to ESEN to introduce parametric insurance for crop monitoring</i>	207,000	
2- Implementation Cost		35,280
3- Direct Support Cost		42,204
Total Direct Cost (1+2+3)		469,484
Indirect Support Costs = 6.5%		30,516
TOTAL		500,000



United for innovative solutions for smallholder farmers

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