

# Advancing Small-Scale Farmers' Financial Resilience to Climate Risks

## A UNDP and Bill & Melinda Gates Foundation Partnership

### Background

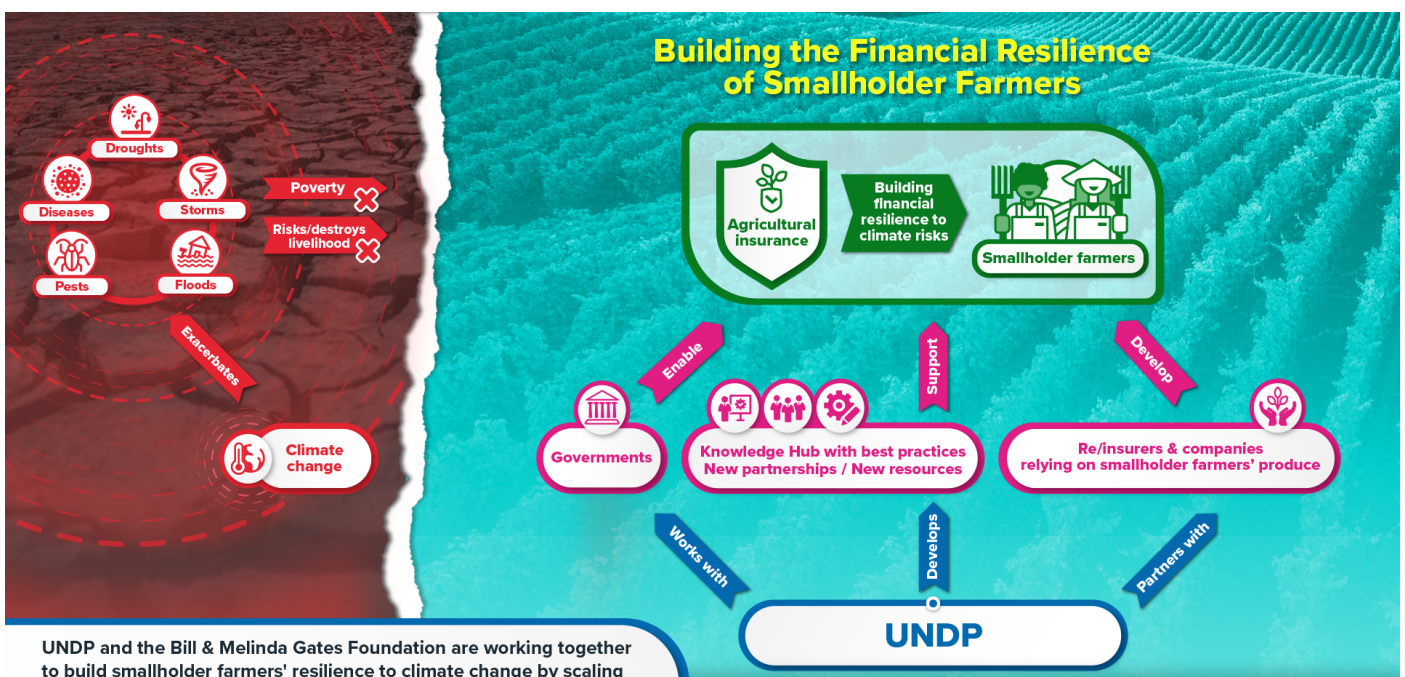
Agriculture is the primary income source for one third of the world's population and for about three quarters of rural populations living in extreme poverty. Small-scale farmers, including producers, pastoralists, foresters and fishers, are some of the most vulnerable segments of the population because they are often informal or subsistence workers who lack access to many of the social protection mechanisms that are typically available.

Small-scale farmers and their families increasingly face numerous risks to their livelihoods and productivity, including climate risks, such as droughts, floods and extreme temperatures, as well as health shocks, pests and inflation. In developing countries, farmers are often the most exposed, with the agricultural sector absorbing around 22 percent of all economic losses caused by disasters.

Health threats, such as malaria and COVID-19, negatively impact small-scale farmers' revenues, yields and livelihoods, worsened by limited

access to healthcare services in rural areas. Even when farmers manage to generate a good harvest, global events, such as sanctions and conflicts can destabilize input costs and prices of energy and commodities. In short, small-scale farmers' lives and livelihoods are vulnerable to the multitude of interconnected risks they face, and those risks are growing.

**Agricultural insurance** can build financial resilience, reduce vulnerability, and strip away risk and uncertainty in face of climate impacts, as well as encouraging investment in productive activities. It provides revenue security, boosts household and equipment investments and reduces the burden on communities and governments when disaster strikes. To be able to design, implement and scale effective agriculture insurance and risk transfer programs that build small-scale farmers' resilience to climate change and other shocks, there are several interconnected elements, challenges and demand issues that need to be addressed.



UNDP and the Bill & Melinda Gates Foundation are working together to build smallholder farmers' resilience to climate change by scaling agricultural insurance, starting in 5 countries in Africa and Asia, and mobilizing new financial and technical resources globally.

The first focuses at the macro level on government capacity and public resources, the second at the meso and micro levels on the weak provision of risk transfer solutions and the third on the global absence of coordination and adequate investment in knowledge, research and evidence to scale up initiatives. Underlying all three of these components, is under-investment in using insurance and risk transfer solutions to build small-scale farmers' financial resilience. By blending technical delivery, partnership development and resource mobilization together, this partnership aims to protect farmers from rising uncertainty.

## The Initiative

Together, the United Nations Development Programme (UNDP), via its Insurance and Risk Finance Facility (IRFF), and the Bill & Melinda Gates Foundation will enable small-scale farmers to adapt and become more resilient to climate change by building their financial resilience through risk transfer and insurance. Spanning five years, the investment starts in five countries in Africa and Asia to foster public-private partnerships that scale up agricultural insurance, coupled with a global component that will mobilize additional resources for small-scale farmers' resilience, supported by research, evidence and advocacy. The initiative will enable inclusive agricultural transformation through the expansion of agricultural insurance by improving country capacity and integrating climate insurance into public policies, increasing risk coverage and strengthening the global interaction of stakeholders supporting small-scale farmers' resilience.

The new partnership between UNDP and the Bill & Melinda Gates Foundation represents a further stride forward in building the long-term resilience of small-scale farmers and supports the climate adaptation strategy of the Foundation's Agriculture Development/Digital Farmers Services, towards advancing and scaling innovations that enable small-scale producers' to adapt and become more resilient to climate change.

The partnership will work across three key interconnected objectives designed to sustainably scale agricultural insurance for small-scale farmers:

### **Governments adopt and improve comprehensive risk financing and agricultural insurance programmes for small-scale farmers:**

- Technical assistance and capacity building to governments on risk financing and insurance for smallholders, including policy formulation, integration of agricultural insurance to relevant frameworks, insurance regulation, implementation and monitoring of agricultural insurance initiatives, and driving partnerships for agricultural insurance

- National working groups and consultations for coordination on agricultural insurance development
- Public policies on risk financing and insurance for smallholders, i.e., policies to support agricultural insurance, and roadmaps for the development of climate risk insurance for small-scale farmers

### **Innovative private and public partnerships deliver integrated risk financing and agricultural insurance solutions for small-scale farmers – sustainably and at scale**

- Market foundations for agricultural insurance that drive partnerships among reinsurers, insurers, intermediaries, digital payment solutions, value chain players, links to adaptation and productivity initiatives through an agreed roadmap for all stakeholders
- Climate risk insurance products for small-scale farmers integrated to value chains and linked to other public and private initiatives working of productivity and climate change mitigation

### **Global platform strengthens stakeholder collaboration, builds partnerships and mobilizes additional resources for agricultural insurance**

- Documentation, analysis and high-level evidence of national agricultural insurance programmes to better understand governance, impact and evolution; and develop recommendations for improvement
- Dissemination platform (online and presential) for information and knowledge on small-scale farmers' resilience and to convene all relevant stakeholders
- Agreements and partnerships with bilateral, multilateral and private donors for technical support and financing risk transfer initiatives for small-scale farmers

## Contacts

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