



The Africa Climate Risk Insurance Framework for Adaptation - ACRIFA

What is the Africa Climate Risk Insurance Framework for Adaptation?

The Africa Climate Risk Insurance Framework for Adaptation (ACRIFA) is leading the charge to demonstrate and develop insurance as a vital tool to foster climate adaptation, resilience, and sustainable development within Africa's agricultural sector.

The Africa Climate Risk Insurance Framework for Adaptation aims to raise an initial \$1 billion in concessional, high-risk capital and grants to stimulate the development and uptake of targeted climate insurance solutions to be delivered through primary insurers and regional reinsurers across Africa.

What problems does the Africa Climate Risk Insurance Framework for Adaptation aim to solve?

Agricultural producers and small and medium enterprises (SMEs), despite being the primary engine for growth and livelihoods in Africa, often struggle to access much-needed capital. Furthermore, African agriculture SMEs are vulnerable to climate change and have limited access to insurance.



SMEs supporting Africa's agri-food system face an annual financing gap of over \$100 billion



There is a 97% insurance protection gap of African smallholder producers



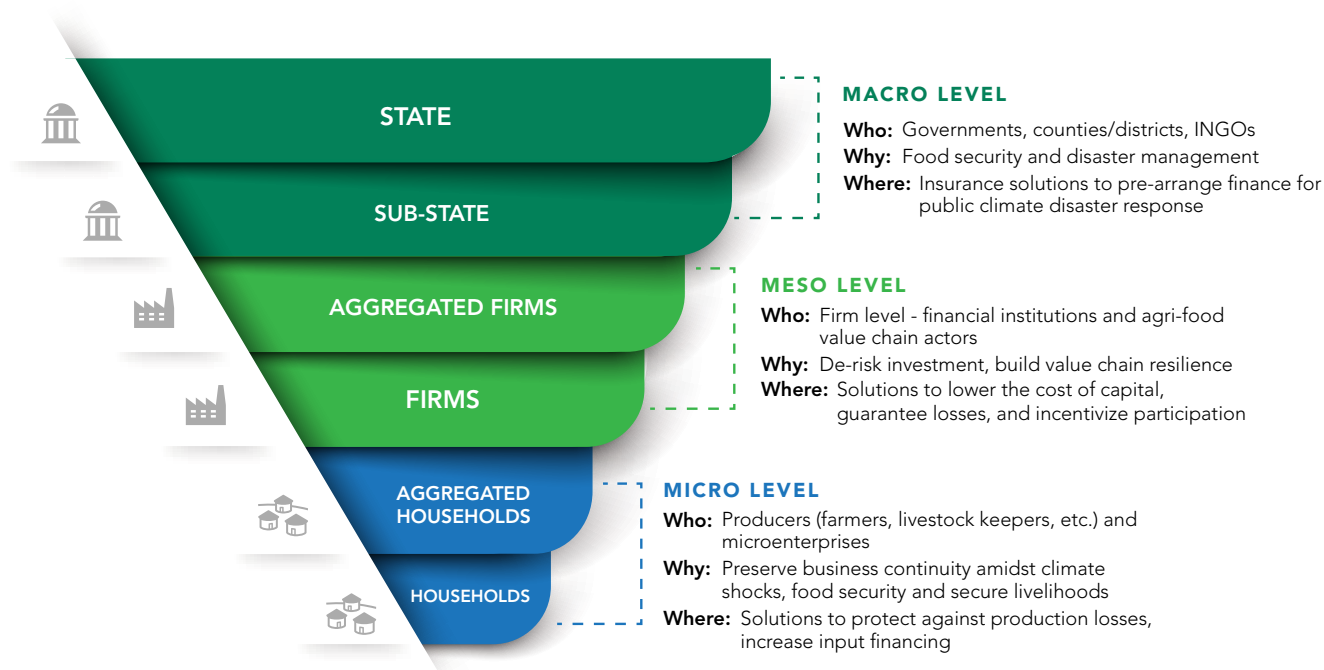
Climate change caused more than \$8.5 billion in economic damage in Africa in 2022



Introducing tailored insurance solutions will not only make producers more resilient to losses, but also offer assurance to the financial sector and unlock a floodgate of investment into adaptive agricultural practices and SME innovations.

The Africa Climate Risk Insurance Framework for Adaptation's strategy is to support the insurance industry across three levels of intervention – macro, meso and micro

ACRIFA seeks to extend the umbrella of climate protection beyond the sovereign level, bringing end-to-end insurance coverage to meso-level actors across the agricultural value chain and ultimately to smallholder farmers and producers. ACRIFA will systematically support the African insurance industry, leveraging the industry's de-risking mandate to unlock financing for players in the agri-food sector and drive investments in climate-smart and green technologies. By supporting the development and scaling of a package of climate, production, credit, and value-chain insurance products, ACRIFA will seek to stimulate the development and uptake of climate insurance solutions.





The Africa Climate Risk Insurance Framework for Adaptation's areas of intervention

ACRIFA will accelerate adaptation across the agri-food system by:



Supporting the African network of primary insurers: Leverage the extensive network of primary insurers to efficiently deliver innovative, targeted insurance solutions for African agri-food systems



Addressing acquisition and diversification: Tackle the high cost of client acquisition through aggregation to achieve scale and broaden the geographical diversification of risks that currently deter investment in the climate-sensitive agri-food sector



Designing and expanding insurance solutions: Developing and scaling innovative insurance products covering risks like droughts, floods, pests credit, price fluctuations and transition challenges



Enabling environment and capacity building: Invest in data, digital frameworks and skills development and support initiatives establishing a conducive policy and regulatory landscape



Channeling climate finance: ACRIFA will direct climate finance toward initiatives and programs that harness insurance products to de-risk finance, accelerate climate adaptation and advance net-zero goals within the agri-food system



ACRIFA aims to contribute to these solutions in two critical ways:

01



Aggregating models that effectively integrate insurance industry players with value chain actors

02



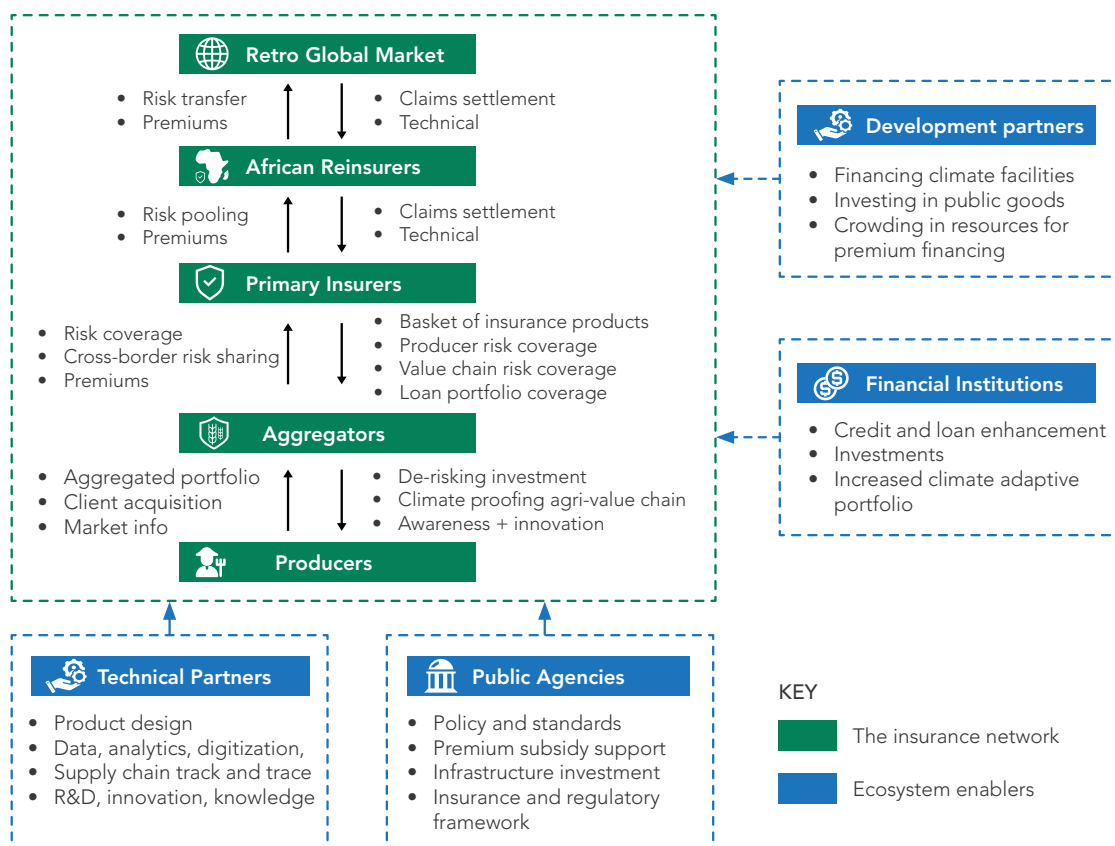
Mechanisms that enable primary insurers to geographically diversify their portfolio of climate related agricultural risks

The Africa Climate Risk Insurance Framework for Adaptation's aggregation framework

The Africa Climate Risk Insurance Framework for Adaptation adopts an aggregation framework that leverages the network of stakeholders within a targeted agri-food system. The aggregation framework has twin benefits which include:

- Solving for the cost of client acquisition
- Creation of investment-attractive premium volumes

ACRIFA's agri-insurance network



Ecosystem of Aggregators relevant to the ACRIFA Framework:



The Africa Climate Risk Insurance Framework for Adaptation's regional risk sharing model

Regional risk sharing addresses the critical need for a more expansive and varied risk pool, as climate risks tend to impact specific or contiguous regions. It involves extending the risk framework beyond homogenous single-country exposures to a diversified multi-country portfolio. To be successful, regional risk sharing requires:

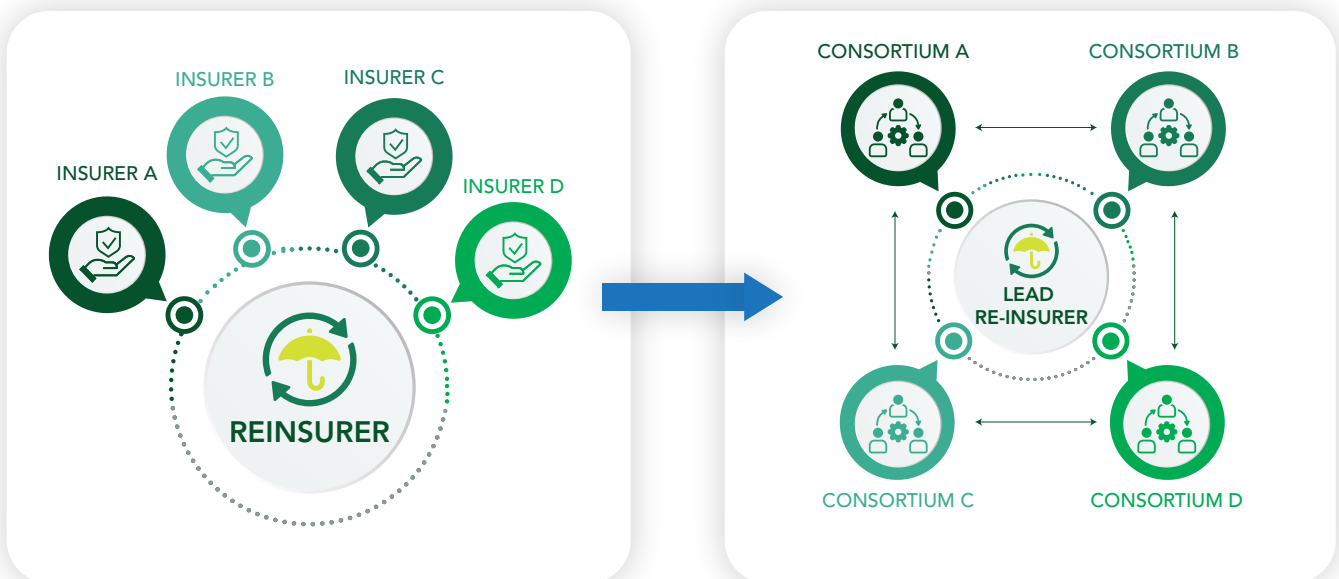
- ✓ The formation of national agri-insurance consortia
- ✓ Regulatory support permitting consortia to engage in risk-sharing flexibly across different countries

This approach has the following benefits:

-  It effectively reduces the concentration of risk, making insurance products more accessible and affordable
-  It enhances the insurance market's capacity and its value to investors

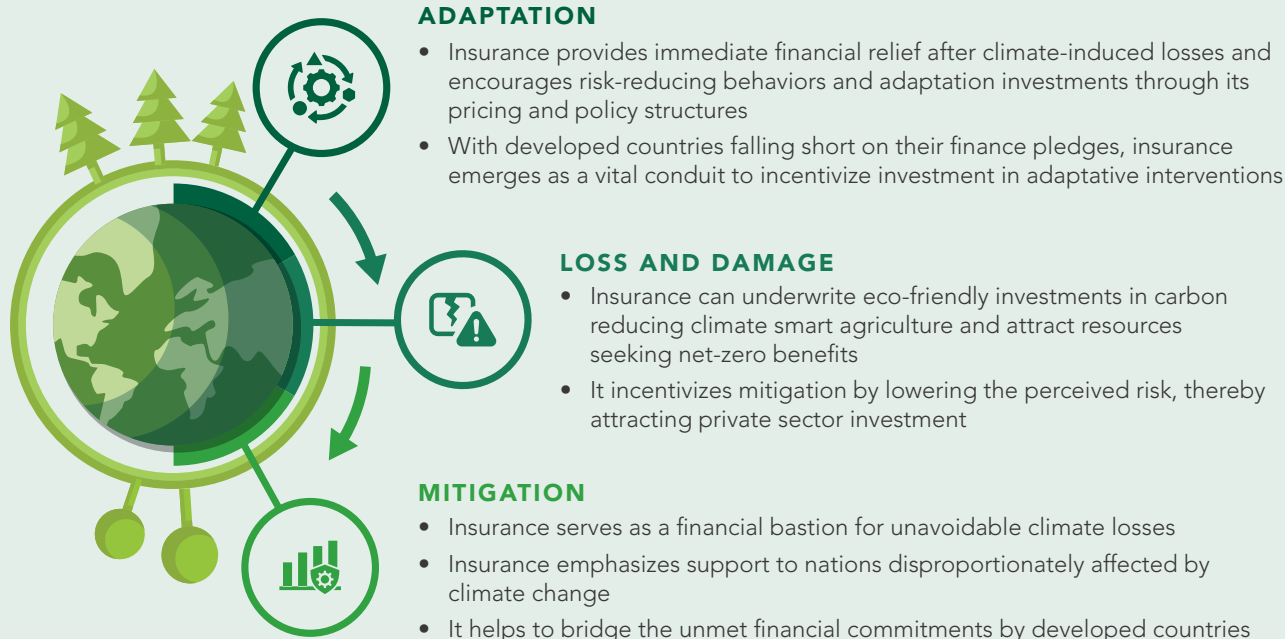
Moving away from the traditional model of risk transfer

Cross-border regional risk transfer approach for ACRIFA



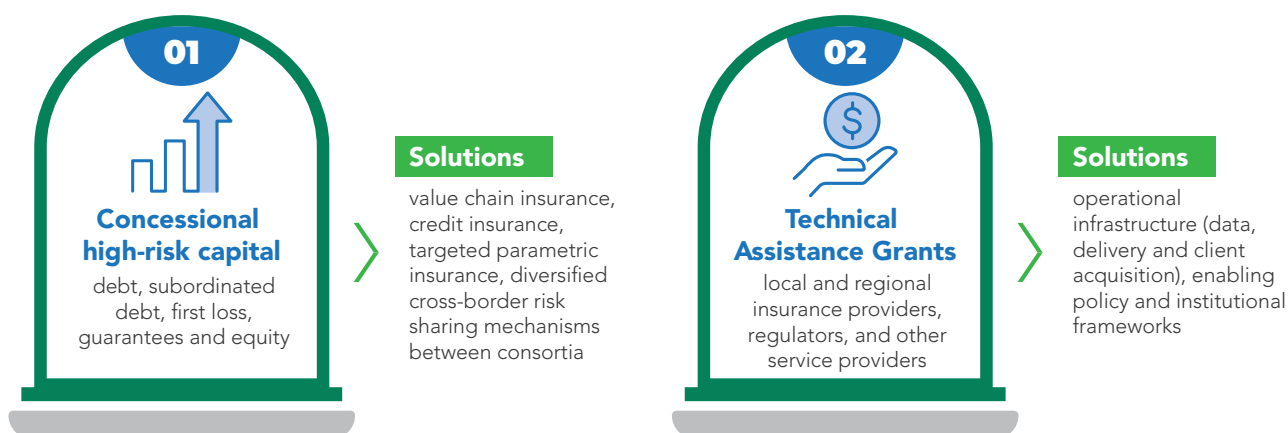
The Africa Climate Risk Insurance Framework for Adaptation adopts a systematic approach to climate finance

ACRIFA will serve as a conduit for climate financing, championing the use of insurance products for climate adaptation and mitigation. ACRIFA's resource mobilization strategy can be viewed through three lenses:



How will the Africa Climate Risk Insurance Framework for Adaptation deploy funds?

ACRIFA will co-finance with the Bank's capital and other related specialized trust funds. It will deploy resources through two key windows:



Who we work with

The Africa Climate Risk Insurance Framework for Adaptation is harnessing the collective capacity of the African insurance industry under the auspices of the Nairobi Declaration on Sustainable Insurance (NDSI) - a growing consortium of sustainability-focused insurers, reinsurers, and intermediaries that has more than 125 members. Convened by Financial Sector Deepening Africa and the United Nations Environment Programme Finance Initiative among others, Nairobi Declaration on Sustainable Insurance (NDSI) focuses on five action points: sustainable solutions on risk management; insurance; investment; policy and regulatory reform; and sustainable insurance thinking and practices.

The Framework will also collaborate with:

- African sovereign entities – national and county governments, parastatals, and similar entities
- Insurance industry regulators and agri-insurance consortia
- Climate financing agencies and development partners
- Various agriculture value chain aggregators across the continent
- Data, environment and climate information providers

The Africa Climate Risk Insurance Framework for Adaptation is working towards the following results:



Improved resilience to climate and disaster risks for African countries and communities, particularly those reliant on the agri-food system



Increased access to finance for agricultural value chain actors, enabling them to invest in climate-smart technologies and practices



Enhanced collaboration and synergies between the Africa Climate Risk Insurance Framework for Adaptation and stakeholders leading to more effective and impactful interventions



Strengthened capacity of African insurance providers, regulators, and stakeholders to effectively deliver and scale climate risk insurance solutions

ACRIFA's hypothesis for a paradigm shift in climate risk management for African agriculture:

IF

the risks of insuring and investing in the African agricultural sector for climate resilience are reduced, the capacity of and collaboration amongst insurance providers and financial institutions is built and appropriate insurance solutions are made available,



THEN

agriculture value chain actors will have improved access to insurance and finance for climate adaptation which will build their adaptive capacities and ultimately climate-proof the African agri-food system,

BECAUSE

a coordinated, de-risked climate insurance and financing system is implemented for agri-food value chains in Africa



For more information, email us at

acrifa@afdb.org