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## News Release

*15 November 2022*

# NEW CONSORTIUM TO SUPPORT DISASTER RISK INSURANCE AND FINANCE SOLUTIONS FOR SMALLHOLDER FARMERS IN CENTRAL AMERICA

**SHARM EL-SHEIKH** – The Partnership for Central America (PCA), the World Bank (WB), and the United Nations World Food Programme (WFP) launched today the “Disaster Risk Insurance and Finance in Central America Consortium” (DRIFCA) to identify and support climate-related agricultural insurance solutions for up to 2 million smallholder farmers in Guatemala, El Salvador, and Honduras to increase their food security and financial resilience. The U.S. Agency for International Development has provided support for regional feasibility studies to be undertaken by the World Bank.

DRIFCA will work hand in hand with the governments of the three countries and the private sector to identify and support sustainable market-relevant disaster risk finance models that are accessible to the most vulnerable and integrated into broader financial inclusion efforts to foster financial resilience.

The 2 million farmers and others along the agricultural value chains in Guatemala, Honduras, and El Salvador, are largely uninsured and highly vulnerable to the effects of the climate crisis, including unpredictable weather, delayed rains, longer and intense droughts, severe flooding, and landslides.

Smallholder farmers depend on a good harvest to stock their food reserves and to sell any excess food in the local markets so they can generate income and cover their basic needs. When they lose their crops, smallholder farmers resort to negative coping strategies, such as skipping meals, selling their agricultural tools and farm animals so they can buy food and wait until the next planting season, usually six or more months ahead. Out of desperation, many ultimately choose to migrate.

Guatemala, Honduras and El Salvador are also vulnerable to the impact of strong hurricanes. In 2020, hurricanes Eta and Iota left a trail of devastation in all three countries. Last October, Hurricane Julia caused the loss of crops that form staple foods of the Central American populations, where, according to WFP, around one million people are already severely food insecure.



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*“Insurance mechanisms that pay out directly to farmers and other vulnerable populations have shown to provide an important livelihood safety net around the world. We are proud to be part of this effort to bring such solutions at scale to this region.”* said, Mark Lopes, Chief Operating Officer, Partnership for Central America.

*“At the World Bank, we recognize the need to enhance the financial resilience of smallholder farmers and vulnerable households affected by increasingly severe and frequent climate-related disasters in northern Central America. Our global and regional experience has demonstrated the value of strong partnerships between the public and private sectors to design and implement effective disaster risk financing solutions,”* said Michel Kerf, World Bank Director for Central America and the Dominican Republic.

*“Together we can support Central American smallholder farmers to mitigate risks related to climate shocks through scalable and sustainable transformation,”* said Lola Castro, WFP Regional Director for Latin America and the Caribbean. *“Disaster Risk Finance is an innovative way to help smallholders effectively manage risks and reduce vulnerabilities so they can transition to sustainable food and nutrition security.”*

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### **About the Partnership for Central America**

The Partnership for Central America is a non-profit, non-partisan, non-governmental organization that works with a multi-national coalition of private organizations to advance economic opportunity across underserved populations in El Salvador, Guatemala, and Honduras. The Partnership serves as a coordinating body of Vice President Harris’s Call to Action and aims to facilitate and support practical solutions to advance economic opportunity, address urgent climate, education and health challenges, and promote long-term investments and workforce capability in support of a vision of hope for Central America.

### **About the World Bank Group**

With 189 member countries, staff from more than 170 countries, and offices in over 130 locations, the World Bank Group is a unique global partnership: five institutions working for sustainable solutions that reduce poverty and build shared prosperity in developing countries.

### **About the World Food Programme**

The United Nations World Food Programme is the world’s largest humanitarian organization saving lives in emergencies and using food assistance to build a pathway to peace, stability and prosperity for people recovering from conflict, disasters and the impact of climate change.