R4 Rural Resilience Initiative

Innovative insurance solutions for Climate Change
12-13 May 2014, Bonn
Problem: Cycle of livelihoods decline

Livelihoods and food needs met

Seasonal food shortages during lean season

No shortages in a good year, but little margin
Cycle of livelihoods decline

Major drought has immediate and long term impacts on household livelihoods
With increased climate risk, this pattern becomes even more difficult to manage.
R4 Objectives

- Build the resilience of food-insecure smallholders through integrated risk management:
  - Protect livelihoods and provide guaranteed transfers through integration with Safety Nets
  - Reduce risks by contributing to community assets
  - Protect the gains households make through insurance and other financial services
- Build government’s capacity to develop and implement integrated risk management programs
- Contribute to the development of a rural financial market
R4 Target Group

- Self Reliance
- Emerging Commercial Agricultural enterprises
- Food Secure Households
- Transitory Households
- Vulnerable & Non Labour Constrained
- Chronically Vulnerable Labour Constrained

Support
- Enhancing productivity, market linkages, financial services
- Temporary support & productivity support (agriculture, financial services)
- Productive Safety Net: CFA/FFA, IFW/Credit, IGA & Productivity Support
- Social safety net, IGA

Graduation
R4 Components: Risk Transfer

- Farmers can access insurance in exchange for participation in RR activities through Insurance-for-Work mechanisms.
- When an insured disaster occurs, insurance payouts are provided to farmers.
- Compensation for weather-related losses enables farmers to avoid selling productive assets and stimulates faster recovery.
- The predictability of income can reduce negative risk coping strategies and stimulate rural households to invest in activities and technologies that offer a higher rate of return. Insurance can also serve as collateral to access credit at better rates.
R4 Components: Risk Reduction

- IfW schemes are built into either existing Government programs or WFP’s Food Assistance for Asset (FFA) initiatives.
- Risk reduction activities promote resilience by steadily decreasing vulnerability to disaster risks over time.
- Community-Based Participatory Planning (CBPP) is used to identify critically needed risk reduction activities.
- Physical and soft/social measures - soil and water conservation, agricultural practices, disaster risk management practices.
R4 Components: Savings & Credit

- Insurance may enable or facilitate access to credit at better rates serving as collateral.
- Households can invest in riskier but more remunerative enterprises, as well as in seeds, fertilizers and new technologies to increase their agricultural productivity.
- The credit component of R4 seeks to address the general reluctance of MFIs to offer credit to farmers due to perceived high risk of default in bad seasons.
- Participants establish small-scale savings which are used to build ‘risk reserves’.
- Savings help build a stronger financial base for investing – but also act as a buffer against short term needs and idiosyncratic shocks.
Livelihoods and food needs met

Insurance Payout

Climate Shock

HH Food Availability and Access

Productive Safety Net (transfer + community DRR)

Climate risk reduction – e.g. an irrigation system – limits impact of shock
Livelihoods and food needs met

Risk reduction, insurance and savings provide a resilient set of risk management tools to protect the food security that the household is building.
2 years intense preparation (2007-2008) to design and set up the mechanisms and develop the partnerships

In its five of years of delivery, HARITA/R4 has scaled up from 200 participants in one village in 2009 to over 20,000 participants in 80 villages in 2013.

In 2012, 12,000 drought-affected households received insurance pay-outs amounting to over US$ 320,000 in benefits.

In 2013, for first time, all farmers paid at least partially in cash:
- 32% of farmers paid 100% in cash;
- The rest (all re-enrollees) paid 10% cash and rest in labor: suggests progressive graduation from safety net
According to Swiss Re, the potential micro-insurance market size is up to 4 billion people, generating premium volume of up to USD 40 billion.

- Role of international organization is not to replace the private sector in providing financial services but rather overcome the first mover problem;
- R4 targets farmers that are “vulnerable but viable” – progressively graduating them from IfW schemes to cash-paying schemes and ultimately helping them access commercial markets;
- On the demand side: a profitable market, with a large volume, and finance literate target customers is created;
- On the supply side: local insurance companies should be able in the long term to develop appropriate insurance products for rural households, and deliver them through existing channels and aggregators.
- The early-mover advantage and volume potential are key selling points to attract potential insurers and other commercial firms to enter the market.
THANKS!

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Collaboration

The R4 Rural Resilience Initiative is a strategic collaboration between the World Food Programme and Oxfam America, with no commingling of funds. Each partner has its own sponsors as listed. R4 is inviting donors to support expansion.

The World Food Programme is the world’s largest humanitarian agency fighting hunger worldwide.

Each year, on average, WFP feeds more than 90 million people in more than 70 countries.

www.wfp.org/disaster-risk-reduction

Oxfam America is an international relief and development organization that creates lasting solutions to poverty, hunger, and injustice, working with individuals and local groups in more than 90 countries. Oxfam America does not receive funding from the US government.

www.oxfamamerica.org/r4

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