

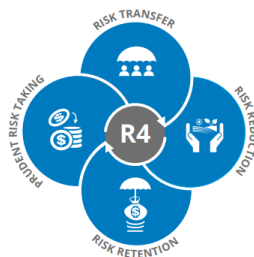


World Food Programme

SAVING LIVES
CHANGING LIVES

R4 RURAL RESILIENCE INITIATIVE

Over 1.7 billion people have been affected by climate-related disasters globally in the last ten years, with the number of people facing acute food insecurity being on the rise. Strategies for reducing and mitigating risks are therefore essential to overcome hunger, achieve food security and enhance resilience.



Since 2011, R4 has broken new ground in the field of climate risk management by enabling vulnerable households to access index insurance products by participating in risk reduction activities.

ABOUT R4

Resource-poor and food insecure households are faced with a wide range of shocks, including climate variability, extreme weather events, conflict, and socio-economic crises. While vulnerable communities have a greater likelihood to suffer heavy losses from these shocks, they often lack access to efficient and effective formal risk management and social protection mechanisms. WFP's vision is to end global hunger by helping reduce risk and vulnerability to shocks and achieving sustainable food security and nutrition. WFP recognizes that in order to achieve its objective, it is essential to rely on a comprehensive set of integrated risk management strategies and tools that address both the climatic as well as non-climatic factors contributing to people's vulnerability.

WFP has been the first UN agency to develop a microinsurance scheme integrated in a broader strategy to

manage climate risks in chronically and transient food insecure areas, prone to recurrent droughts and floods. The **R4 Rural Resilience Initiative (R4)** is an integrated climate risk management approach that aims to help communities build resilience, incomes and wellbeing in the face of increasing climate variability and shocks. The initiative combines four risk management strategies: **reducing the risk** of climate-related shocks through nature-based solutions and improvement of agricultural practices; **transferring the risk** of catastrophic events to private insurance markets; enabling better **risk retention** of households and communities through the promotion of group savings and integration with social protection systems; and promoting **prudent-risk taking** through a combination of financial education, livelihoods diversification, and easier access to credit to enable better investments.

November 2023

In 2022, WFP supported 400,000 vulnerable households and their families access microinsurance solutions in Bangladesh, Burkina Faso, Cuba, Democratic Republic of Congo, El Salvador, Ethiopia, Guatemala, Haiti, Kenya, Madagascar, Malawi, Mozambique, Nicaragua, Senegal, Zambia and Zimbabwe. 2022 took the programme to three new countries in the **Latin American and the Caribbean (LAC)** region and **Africa**.

WHAT'S INNOVATIVE ABOUT R4?

- Vulnerable households can **access index insurance by participating in risk reduction activities** that promote resilience by steadily reducing their vulnerability to shocks over time. Microinsurance programmes are usually built into either existing government social safety nets or other WFP programmes. When a shock hits, compensation for losses **prevents households from selling productive assets and stimulates faster recovery**.
- **R4 supports the development of innovative insurance products**, helping vulnerable farmers access insurance policies that best fit their needs and risks across various regions and countries. WFP climate risk insurance programmes utilize either or both **Weather Index Insurance (WII) and Area Yield Index Insurance (AYII)**. WII provides protective coverage against weather-related risks, primarily for severe droughts, however, WFP's portfolio also includes **Index-based Flood Insurance**, protecting households from catastrophic flooding; and **Index-based Livestock Insurance (IBLI)**, covering pastoralists and livestock farmers against scarce vegetation for grazing. AYII protects farmers against a broader range of risks that can lower crop yields, such as pests and diseases, and WFP has supported the introduction of **Hybrid Index Insurance (HII), which combines elements of WII and AYII**;
- Protected by insurance, households can avoid resorting to negative coping strategies and can **invest in riskier** but more remunerative enterprises, as well as in seeds, fertilizers and new technologies to increase their agricultural productivity. **Participants establish small-scale savings**, which are used to increase their risk retention capacity. Savings help build a stronger financial base to manage risks from more frequent and less severe shocks, as well as for investing in livelihoods.
- To ensure **long-term sustainability** and eventual phase-out of WFP's premium contribution, R4

promotes inclusion of insurance into government safety nets and contributes to the creation of rural financial markets, by building local capacity and gradually transitioning farmers to pay for insurance in cash. To support the **scale-up of insurance**, the products that are developed through R4 can be distributed to clients through additional channels such as government social protection systems, other donor-funded programmes or commercial schemes. In parallel, R4 strengthens the capacity of stakeholders to progressively take over the insurance processes.

- Insurance is not a standalone tool, but a part of an **integrated risk management strategy**, where components mutually reinforce each other. Its impact is increased when integrated with risk reduction measures, improvement of farming practices and better access to climate services, adapted seeds and inputs, financial services including credit and savings, and markets.

THE INITIATIVE IS HELPING IMPROVE FARMERS' RESILIENCE

EVIDENCE FROM R4

Microinsurance as a shock responsive intervention

In 2022, several payouts were triggered following severe climate-related shocks in Bangladesh, Ethiopia, Guatemala, Kenya, and Madagascar. **Insurance compensation was mainly used to purchase food, agricultural inputs, and to pay for education-related expenses**, although the priorities differed slightly in each country.

In Ethiopia between August 2021 and February 2022, 28,297 pastoralist households insured in the Somali region received payouts totalling US\$1.8 million over three rounds of consecutive distributions as drought persisted in the region. 70 percent of the pastoralists utilized the assistance within the first week, with **48 percent of payouts used for protecting livestock**.

In October 2022, Tropical Storm Julia resulted in heavy rains that heavily affected several areas of Guatemala. This triggered microinsurance policies of the farmers engaged in WFP's Homegrown School Feeding programme, with US\$261,000 in payouts to 6,321 smallholder farmers and MSMEs, benefiting 31,600 people.

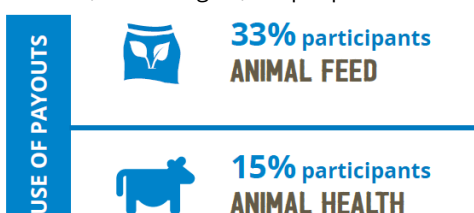
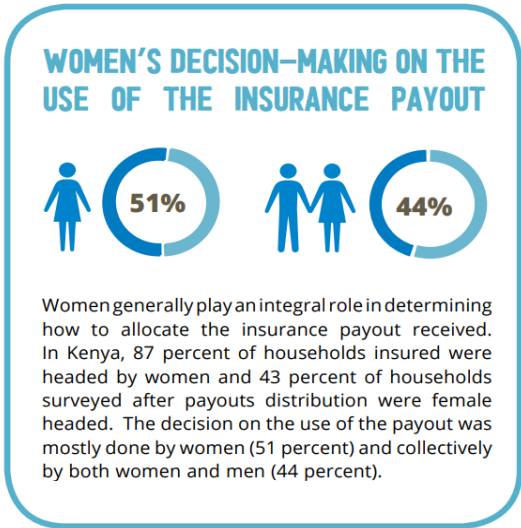


Figure 1: Payout expenditure on livestock protection in Ethiopia.



livestock. Gender equality and women empowerment is a strong part of the programme. **Savings act as a buffer for shocks** and women participants in the different countries have doubled their saving capacity, as well as being the key decision maker on the allocation of insurance payouts in many households.

Participant's willingness to purchase insurance

Most respondents in Bangladesh, Ethiopia and Malawi have **been willing to purchase insurance**. A high level of satisfaction, and therefore a positive perception of insurance, is aligned with the willingness of participants to enroll in subsequent years even if a contribution is requested. In Bangladesh, 99 percent of respondents expressed willingness purchase insurance, 84 percent in Ethiopia and 82 percent in Malawi.

Integrated risk management strategies

When integrated with other risk management strategies such as nature-based solutions, risk reduction activities, savings, livelihood diversification, better access to credit, and increased financial knowledge, insurance solutions offer important protection against potentially catastrophic events which can lead to a loss of livelihoods.

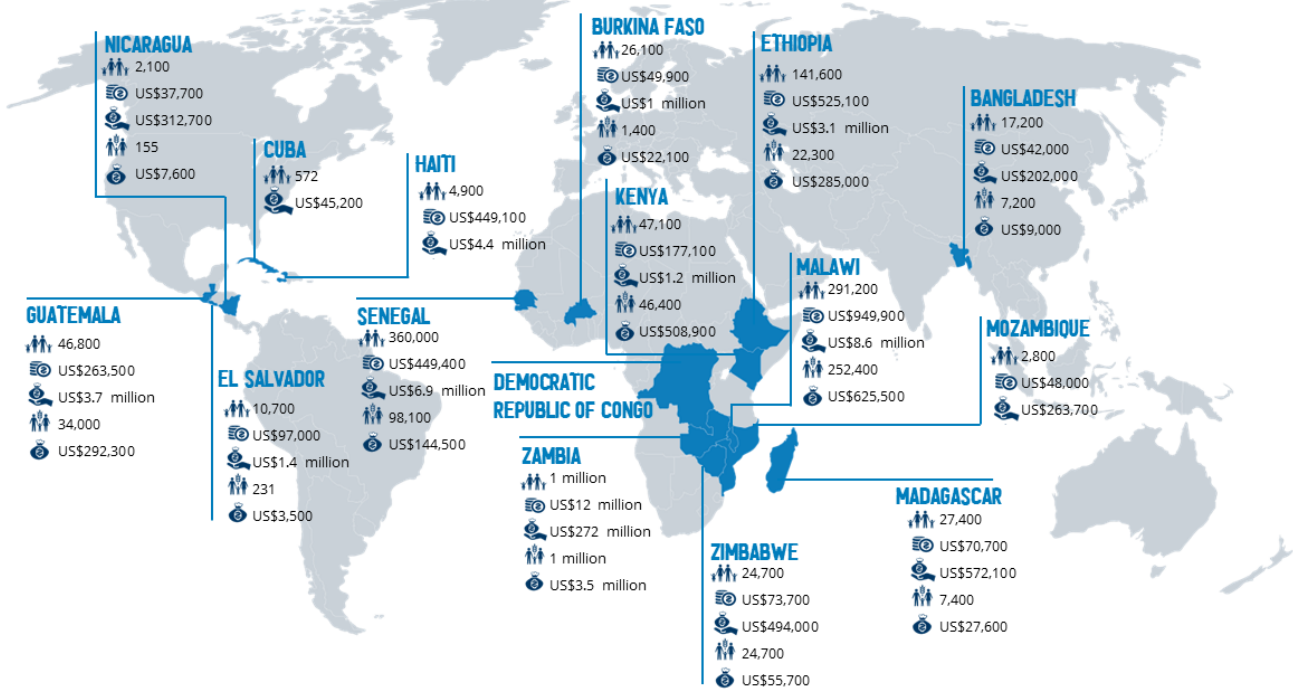
Microinsurance also plays a key role in unlocking access to financial services, acting as collateral to access loans, which enables participants to improve their productive capacities by purchasing inputs, tools, and

"After the storm, comes the calm weather. I felt extremely happy in receiving the payout from the insurance company."
Norma, R4 El Salvador Participant



Figure 2: Participant's willingness to purchase insurance in Bangladesh, Ethiopia and Malawi

WFP-supported microinsurance programmes across the world



LEGEND

- Number of people insured
- US\$ value of premiums
- US\$ value of sum insured
- Number of people benefitting from insurance payouts 2022
- US\$ value of payouts disbursed 2022

In 2022, WFP supported 400,000 vulnerable households and their families access microinsurance solutions in Bangladesh, Burkina Faso, Cuba, Democratic Republic of Congo, El Salvador, Ethiopia, Guatemala, Haiti, Kenya, Madagascar, Malawi, Mozambique, Nicaragua, Senegal, Zambia and Zimbabwe
 *Microinsurance figures for Madagascar, Malawi, Mozambique and Zimbabwe refer to the 2021/22 season, with insurance premium paid in 2022.

With support from



Climate and Disaster Risk Reduction Programmes Unit

[Risk management insurance and finance | World Food Programme \(wfp.org\)](https://www.wfp.org/r4)
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Photo page 1: WFP/Samantha Reinders

Photo page 3: WFP/Samantha Reinders