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.

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.
In 2021, WFP supported 395,000 vulnerable households and their families access microinsurance solutions in Bangladesh, Burkina Faso, El Salvador, Ethiopia, Fiji, Guatemala, Kenya, Madagascar, Malawi, Mozambique, Nicaragua, Senegal, Zambia and Zimbabwe. 2021 took the programme to four new countries in the Latin American and the Caribbean (LAC) region and one new county in Asia.

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.

THE INITIATIVE IS HELPING IMPROVE FARMERS’ RESILIENCE

EVIDENCE FROM R4

Microinsurance as a shock responsive intervention

In 2021, several payouts were triggered following severe climate-related shocks in Burkina Faso, Kenya, Madagascar, and Malawi. 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 Malawi, 65,000 farming households received cash payouts from a US$ 2.4 million payout, one of the largest crop index insurance payouts ever on the African continent. In Madagascar, In Madagascar, where farmers have endured three years of consecutive droughts, crop failures triggered US$100 payouts for 100 percent of R4 participants. This payout per household equates to five months of cash transfers that would typically be provided through a humanitarian response. In Kenya, 5,500 people benefitted from payouts that totalled US$ 96,000. Finally, in Burkina Faso, US$ 6,200 of payouts benefitted 407 people.

In Burkina Faso, Kenya and Madagascar, insurance compensation was mainly used to purchase food, agricultural inputs, and to pay for education-related expenses, and to provide relief for crop losses. The table below shows the top three priority expenditures in each country.

<table>
<thead>
<tr>
<th>Country</th>
<th>Food</th>
<th>Agriculture Inputs</th>
<th>Education</th>
<th>Livestock Inputs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Burkina Faso</td>
<td>76%</td>
<td>36%</td>
<td>22%</td>
<td>10%</td>
</tr>
<tr>
<td>Kenya</td>
<td>82%</td>
<td>49%</td>
<td>27%</td>
<td>19%</td>
</tr>
<tr>
<td>Madagascar</td>
<td>49%</td>
<td>19%</td>
<td>27%</td>
<td>10%</td>
</tr>
</tbody>
</table>

Figure 1: Top three payouts priority expenditures in Burkina Faso, Kenya and Madagascar.
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 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 satisfaction with microinsurance products

Most respondents in all countries have been satisfied with the information received during the payout process as well as with the timeliness of disbursement and ease of access, although it did differ slightly in each country. 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 Burkina Faso, 96 percent of respondents expressed willingness to enroll again, 94 percent in Kenya. Moreover, 95 percent of respondents were willing to pay for insurance in the future in Kenya and 69 percent in Burkina Faso.

“I had never heard of the word insurance before but with the erratic rains, I understood this could be a smart way to protect my livelihood”.

Khadija, R4 Malawi Participant
In 2021, WFP supported 395,000 vulnerable households and their families access microinsurance solutions in Bangladesh, Burkina Faso, El Salvador, Ethiopia, Fiji, Guatemala, Kenya, Madagascar, Malawi, Mozambique, Nicaragua, Senegal, Zambia and Zimbabwe.* Figures for Zimbabwe and Madagascar refer to people covered by insurance for the 2021/22 season, with insurance premium to be paid in 2022. Payouts figures for Madagascar refer to insurance compensation distributed in 2021.