

R4 – Rural Resilience Initiative



AT A GLANCE

Name

R4-Rural Resilience Initiative

Duration

2011 – ongoing

Focus area

R4 currently operates in Ethiopia, Senegal, Malawi and Zambia reaching over 41,000 vulnerable farmers and their families

Target group

Rural communities facing increasing climate risks.

Funds available

The R4 Initiative received a total contribution of US\$ 26,046,453 in 2015.

The project is jointly implemented by ...
the World Food Programme and Oxfam America

The core objective is ...
to build the resilience of food-insecure smallholders through an integrated risk management approach which includes weather index insurance, assets creation, credit and savings interventions, and climate services.

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 sponsor as listed. R4 is inviting donors to support expansions



www.wfp.org/r4



www.oxfamamerica.org/r4

With support from



Charitable Foundation
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BACKGROUND

Climate change puts millions of people's lives at risk, trapping poor households in food insecurity and poverty. When climate disasters strike, the situation of already vulnerable people can quickly deteriorate into a food and nutrition crisis. This is especially true in rural areas where more than 2.3 billion people live with less than USD\$ 1.25 a day and depend on agriculture for their livelihoods. As climate change increases the frequency and intensity of climate shocks, the challenges faced by food insecure farmers also increase.

Food insecure farmers living in fragile areas that are prone to natural hazards are the least able to cope with shocks. Strategies for reducing and mitigating climate risks are therefore essential to overcome hunger, achieve food security and enhance resilience to a changing climate.

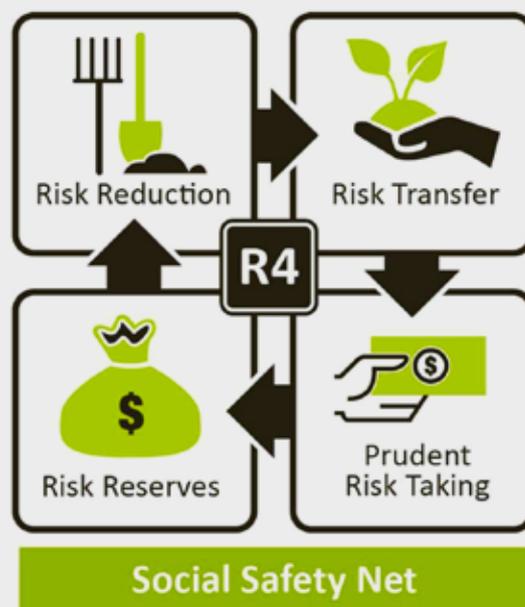
The World Food Programme (WFP) and Oxfam America (OA) launched the R4 Rural Resilience Initiative (R4) in 2011 to enable vulnerable rural households to increase their food and income security in the face of increasing climate risks.

R4 builds on the initial success of the Horn of Africa Risk Transfer for Adaptation (HARITA) initiative, pioneered in Ethiopia since 2009 by OA, the Relief Society of Tigray (REST), Swiss Re, and other partners.

APPROACH

R4 is an integrated risk management strategy that combines four risk management components: improved resource management through assets creation (risk reduction), insurance (risk transfer), livelihoods diversification and microcredit (prudent risk taking), and savings (risk reserves).

- Farmers access weather index insurance (WII) by paying with their labor through Insurance-for-Assets (IFA) schemes. When a drought hits, compensation for weather-related losses prevents farmers from selling productive assets and stimulates faster recovery.
- IFA schemes are built into either existing social safety nets, disaster risk reduction schemes, or WFP's Food Assistance for Assets (FFA) program. Assets built through risk reduction activities promote resilience by steadily decreasing vulnerability to disaster risks over time.
- By protecting farmers' investments in case of a bad season, R4 enables households to invest in diversifies income generating activities, as well as in seeds, fertilizers and new technologies to increase their agricultural productivity.
- Participants establish small-scale savings, which are used to build 'risk reserves'. Savings help build a stronger financial base for investing and act as a buffer against short-term needs and idiosyncratic shocks.



The project has been hailed as an extremely innovative one. **R4 has broken new ground in the field of rural risk management by enabling the poorest farmers to pay for crop insurance with their own labor.**

R4 covers multiple parts of the disaster risk management cycle, including risk analysis through WFP's communitybased participatory planning, prevention and preparedness through the construction of disaster risk reduction assets, and response by triggering insurance payouts in case of climate shocks.

This approach is adapted to the context and needs of each country. In Ethiopia, where R4 has reached 29,127 participants in 2016, the initiative builds on the Ethiopian Government Productive Safety Net Programme (PSNP). In Senegal, over 7,000 people have registered through the IFA scheme with the R4 initiative leveraging on OA's Savings for Change (SfC) program.

In Malawi and Zambia, where operations began in 2015, R4 has reached 5,000 farmers building on WFP's FFA in Malawi, and FAO's Conservation Agriculture Scale Up (CASU) project in Zambia.



Challenges

R4 has been implemented through a test-learn-iterate approach. Some of the challenges encountered included:

1. Basis risk. It refers to the potential mismatch between the index-triggered payouts and the actual losses incurred by insured farmers. R4 supports the development and establishment of standardized processes to deal with basis risk through its global basis risk strategy and country-specific basis risk plans.
2. Local capacity on index design. R4 is working to transfer the index design capacity to local institutions to ensure the sustainable provision of insurance services in the long term.
3. Financial education. R4 and its partners are involved in a rigorous process of community training and engagement that also helps refine the package of risk management services that R4 offers to its participants.
4. Lack of distribution channels. R4 is testing distribution channels for insurance including mobile registration and delivery systems to guarantee that insurance and financial services reach the most vulnerable communities in the most efficient way.



Opportunities

1. An integrated effort: R4 is seen as a leading example of how climate risk management can address loss and damage through effective public-private partnerships. Integrating R4 into national safety nets programs, while contributing to the creation of rural financial markets through partnerships with NGOs and private sector actors is key to improve country's ability to manage climate risks effectively and efficiently.
2. Combining scale with a comprehensive risk management toolbox: By building on safety nets, R4 combines a comprehensive risk management approach with the potential for large scale. In Ethiopia, where the PSNP reaches over 8 million people, efforts to integrate R4 in the PSNP

OUTCOME

R4 has contributed towards improving the resilience and food security of smallholder farmers. It has been conceived as a critical learning opportunity to test a set of next generation of climate risk management, adaptation, and safety net approaches across different locations and contexts. In Ethiopia, R4 has substantially increased savings and investments in productive assets of insured farmers, and boosted women's empowerment by enabling them to achieve the largest gains in productivity through investments in labor and improved planting materials. In Senegal, after two years

of bad harvest, an impact evaluation found that R4 farmers were able to better cope with shocks, maintaining a better food security level compared to non-participants and increasing their assets and social capital. In 2012, more than 12,000 drought-affected households received an insurance pay-out of over US\$ 320,000 in Ethiopia. In 2016, as a consequence of the El Nino phenomena, over \$450,000 in payouts were distributed through the initiative in Ethiopia, Senegal and Malawi.

LESSONS LEARNED

1. Addressing basis risk is key. R4 works towards minimizing basis risk for R4 participants by: continuously improving the indices; strengthening the risk reserves component as a buffer for non-catastrophic events; helping set up financial provisions in each country with rigorous and transparent access mechanisms; and improving farmers' understanding of indices and of tradeoffs in insurance products.
2. Transferring capacity to local stakeholders is essential for the sustainability of the initiative. This can involve, for instance, index insurance design workshops for R4 key partners in the risk transfer component.
3. Effective data management tools are critical for scaling up. Therefore, R4 will pilot WFP's corporate registration tool – SCOPE in Ethiopia, Senegal and Malawi in 2016. SCOPE will track farmers' participation in the four program components, allowing R4 to effectively monitor program interventions.
4. Building/strengthening delivery channels is essential to reach the desired number of vulnerable farmers. Several channels are being tested, such as local SfC associations, farmer organizations, bundling with agricultural inputs, and the use of mobile platforms. The aim is to build a long-term delivery channel for insurance, savings and other micro-finance services, and potentially other services such as climate and price information that can offer additional risk reduction opportunities.
5. Government ownership is crucial for the sustainability of the initiative R4 contributes in creating enabling policy environments for scaling up integrated risk management approaches and social protection programs, for improving food security and enhancing resilience in a climate change context.



R4 achievements

Payouts			 \$ 17,000	 \$ 320,000	 \$ 24,000	 \$ 38,000	 \$ 450,000	
Value of premiums	 \$ 2,500	 \$ 27,000	 \$ 215,000	 \$ 275,000	 \$ 283,000	 \$ 306,000	 \$ 370,000	
Total sum insured	 \$ 10,200	 \$ 73,000	 \$ 940,000	 \$ 1,3m	 \$ 1,2m	 \$ 1,5m	 \$ 2,2m	
Farmers insured	 200	 1,300	 13,000	 18,000	 20,000	 26,000	 32,000	 40,000
	2009	2010	2011	2012	2013	2014	2015	2016
Countries	Ethiopia	Ethiopia	Ethiopia	Ethiopia Senegal	Ethiopia Senegal	Ethiopia Senegal	Ethiopia Malawi Senegal Zambia	Ethiopia Malawi Senegal Zambia

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For more information on the project visit:

<http://www1.wfp.org/r4-rural-resilience-initiative>

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