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April 23, 2015



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Realizing Rural Resilience and Inclusive Growth by Reducing Risk: Is Agricultural Insurance the Key?

Speakers

Richard Choularton, *World Food Programme*

Lena Heron, *USAID Bureau for Food Security*



Richard Choularton

World Food Programme

Richard Choularton is Chief of the World Food Programme's (WFP) Climate and Disaster Risk Reduction Programmes Unit. In this role, he leads WFP's engagement on climate change and disaster risk reduction. He is also responsible for developing innovative risk management solutions targeting the most vulnerable and food insecure populations. Richard is an expert on emergency preparedness, risk financing, resilience, food security, and disaster risk reduction.



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Lena Heron

USAID Bureau for Food Security

Lena Heron is the Senior Rural Development Advisor in the Bureau of Food Security (BFS) at USAID. She is also the USAID Project Manager for the Assets and Market Access Collaborative Research Support Program, a virtual research facility which aims to improve the economic resiliency of the rural poor through policy-relevant research on access to and the function of markets. In addition, she manages USAID's engagement with the World Bank on the Agricultural Insurance Development Program and National Agricultural Risk Assessments. Lena is the Agency's lead on risk and insurance. Her interests include resilience, rural and agricultural finance, and agricultural value chain development.



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R4 Rural Resilience Initiative



World Food Programme

wfp.org



OXFAM
America

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.

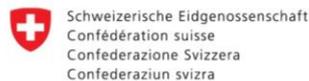


The World Food Programme is the world's largest humanitarian agency fighting hunger worldwide.

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

www.wfp.org/disaster-risk-reduction

With support from



Swiss Agency for Development
and Cooperation SDC



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

With support from



R4 Objectives

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- Build the resilience of food-insecure smallholders through integrated risk management:
 - ❖ Protect livelihoods with Safety Nets
 - ❖ Reduce risks to livelihoods
 - ❖ Protect household gains through insurance and financial services
- Build government capacity to develop and implement integrated risk management programs
- Contribute to the development of a rural financial market

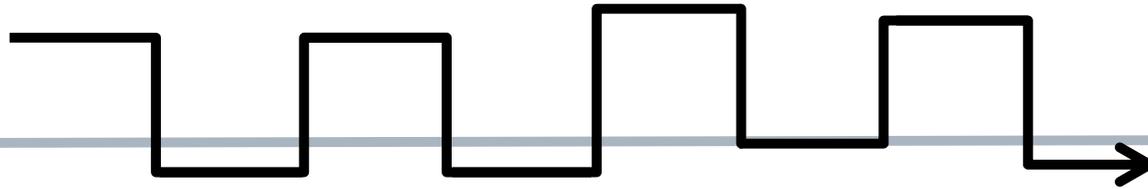


Social Safety Net

Cycle of livelihoods decline

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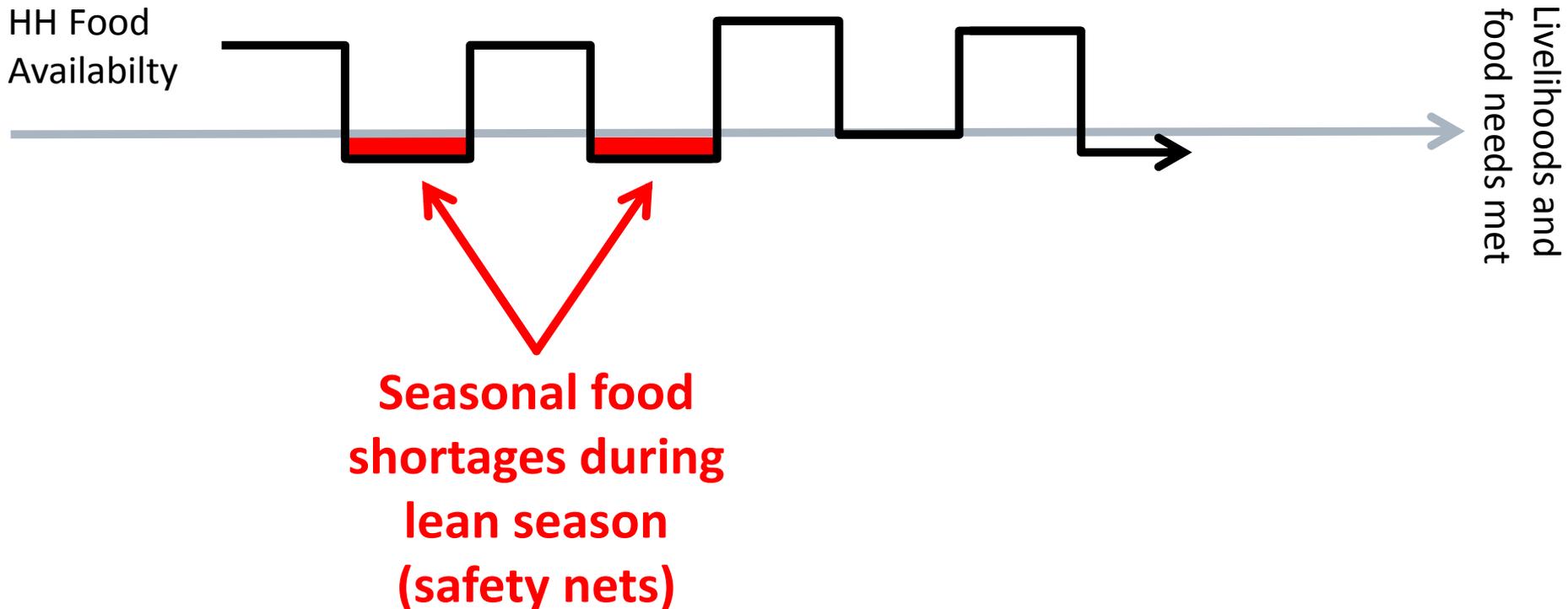
HH Food
Availability



Livelihoods and
food needs met

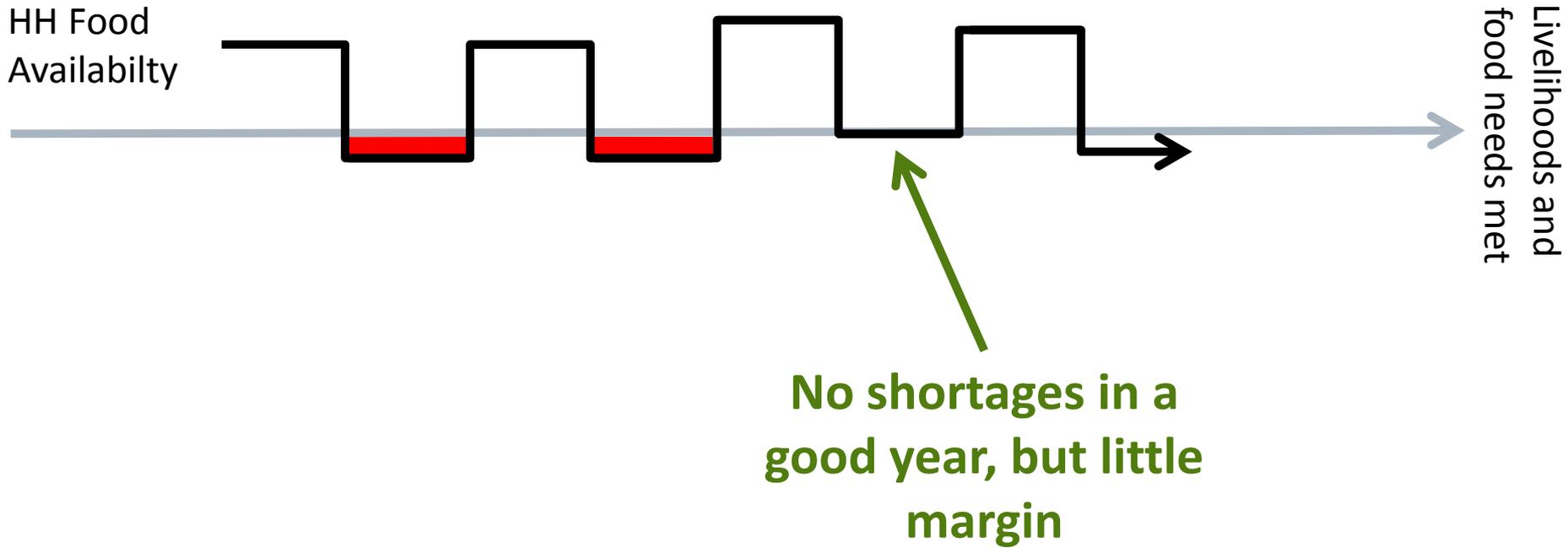
Cycle of livelihoods decline

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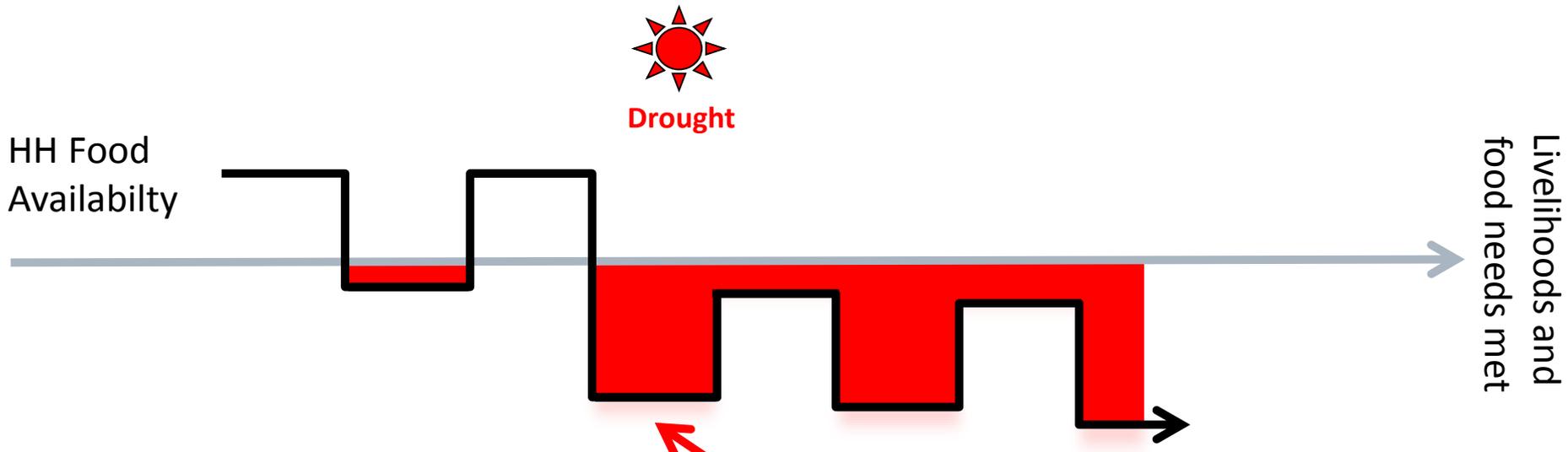
Cycle of livelihoods decline

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Cycle of livelihoods decline

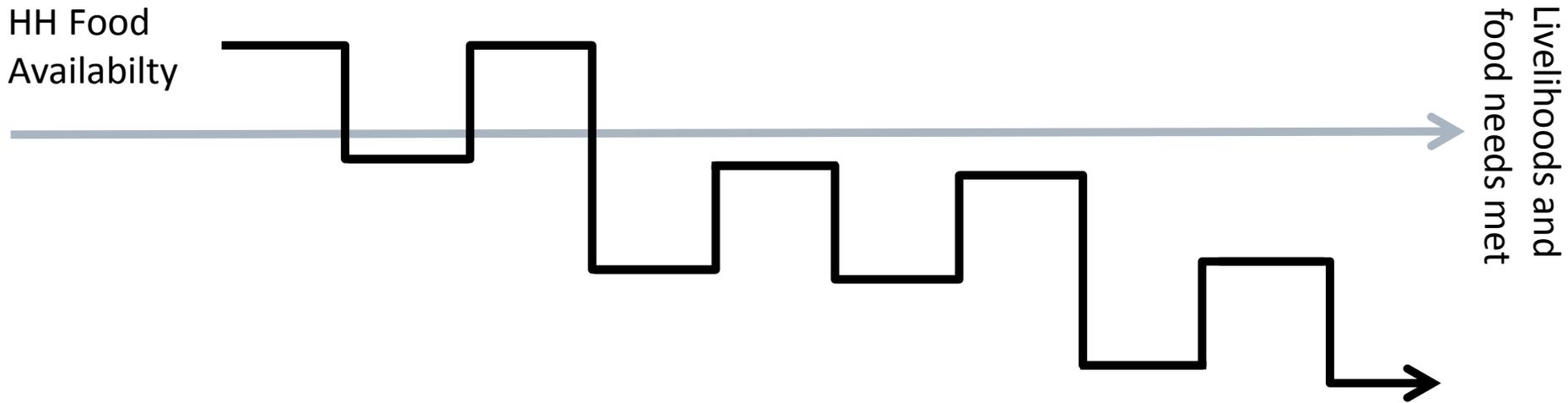
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Major drought has immediate and long term impacts on household livelihoods

Cycle of livelihoods decline

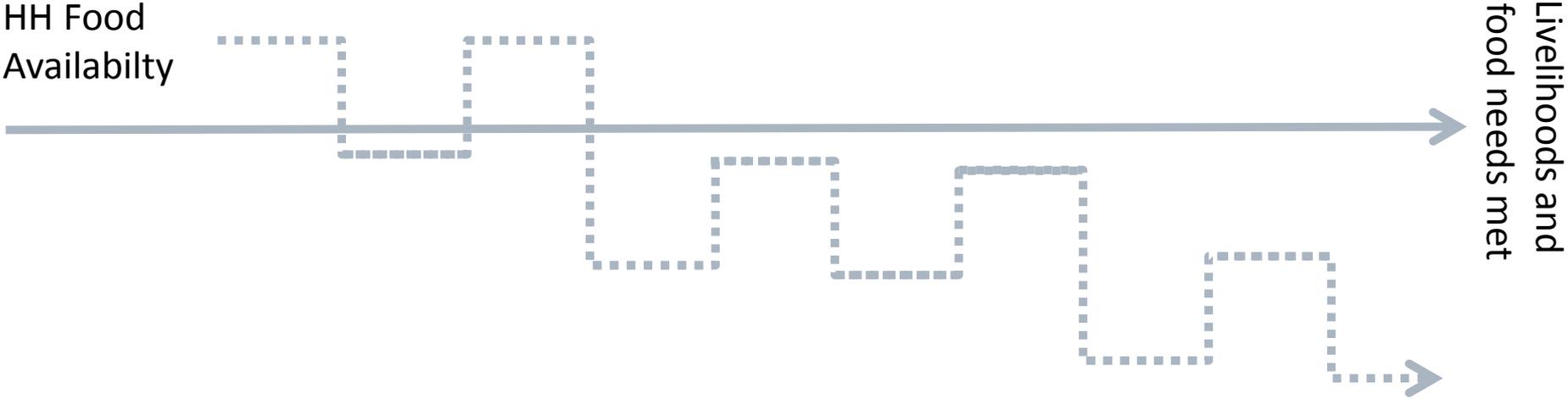
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With increased climate risk, this pattern becomes even more difficult to manage

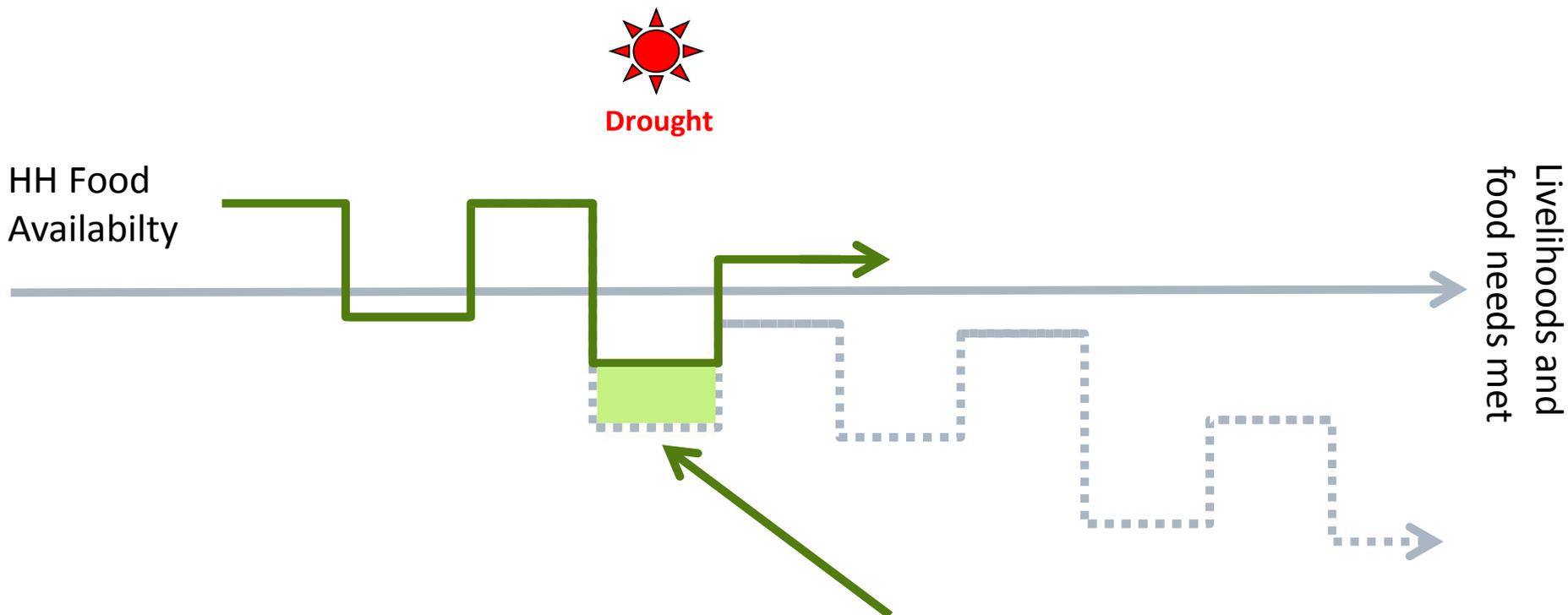
R4 Rural Resilience Model

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R4 Rural Resilience Model

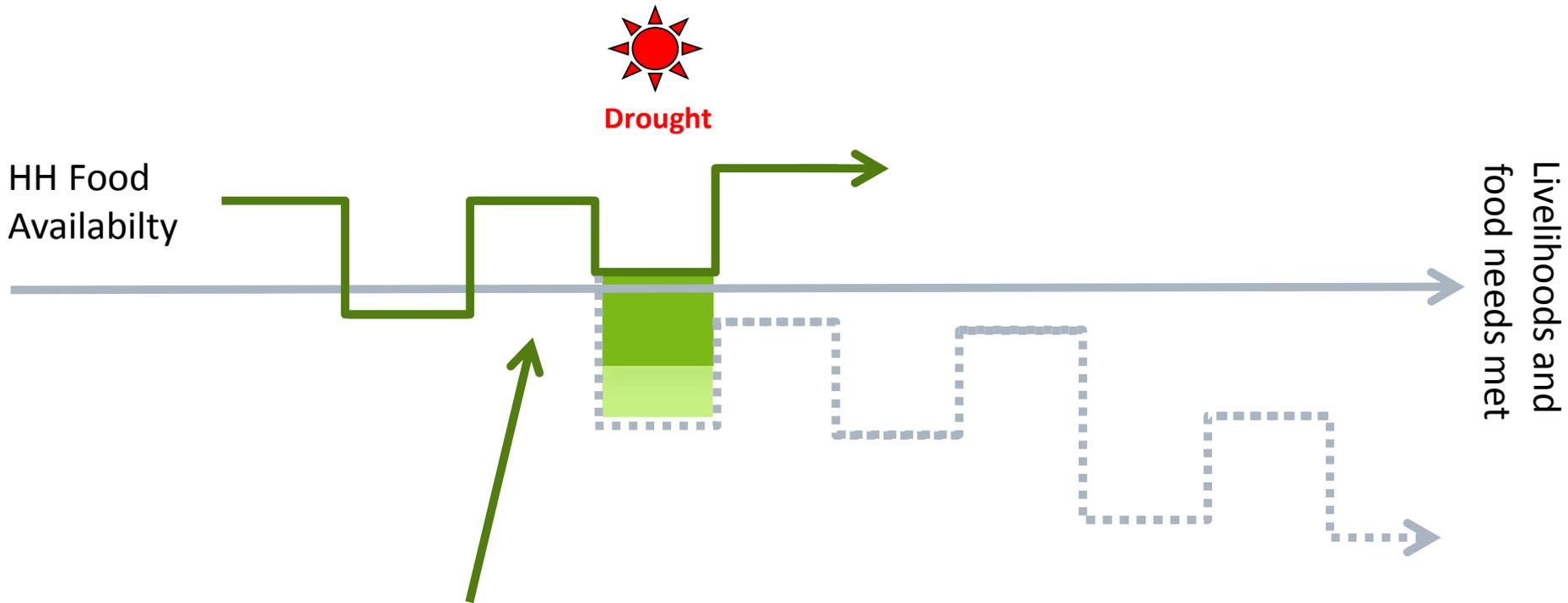
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Drought risk reduction – an irrigation system or soil conservation – limits impact of drought

R4 Rural Resilience Model

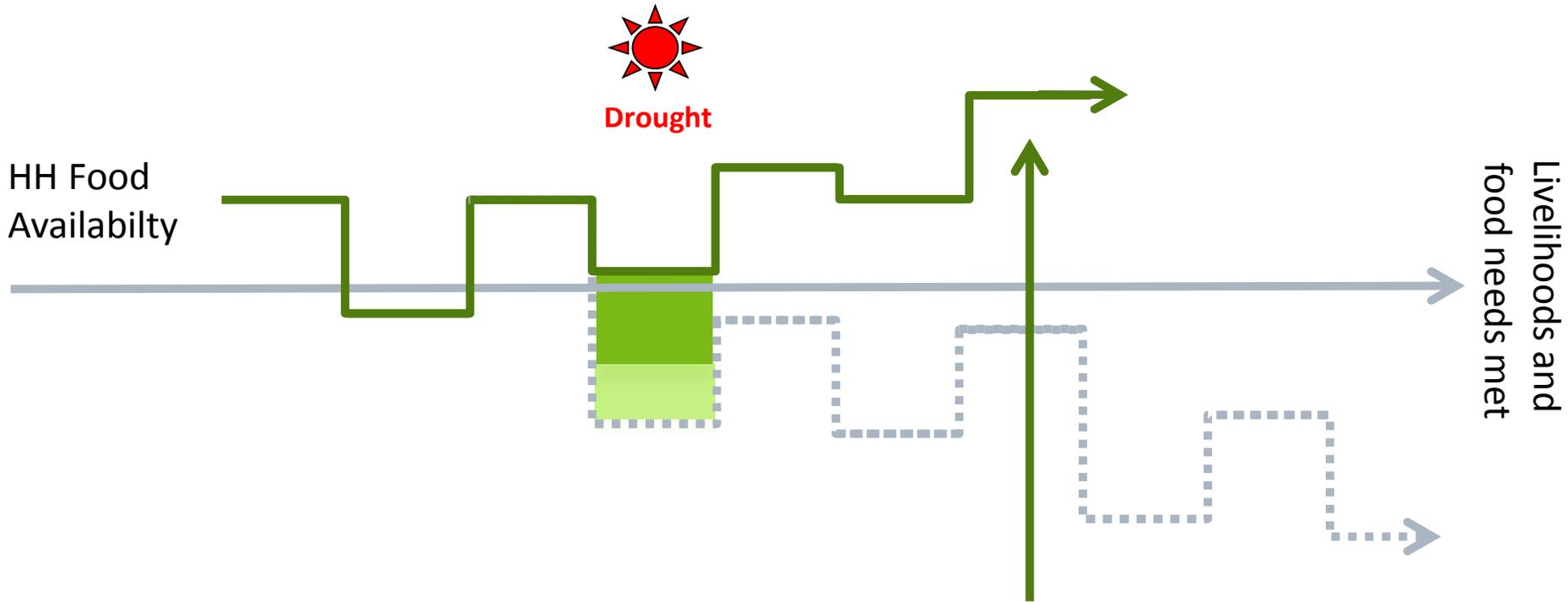
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**Insurance for Assets policy pay-out
helps meet needs during the drought**

R4 Rural Resilience Model

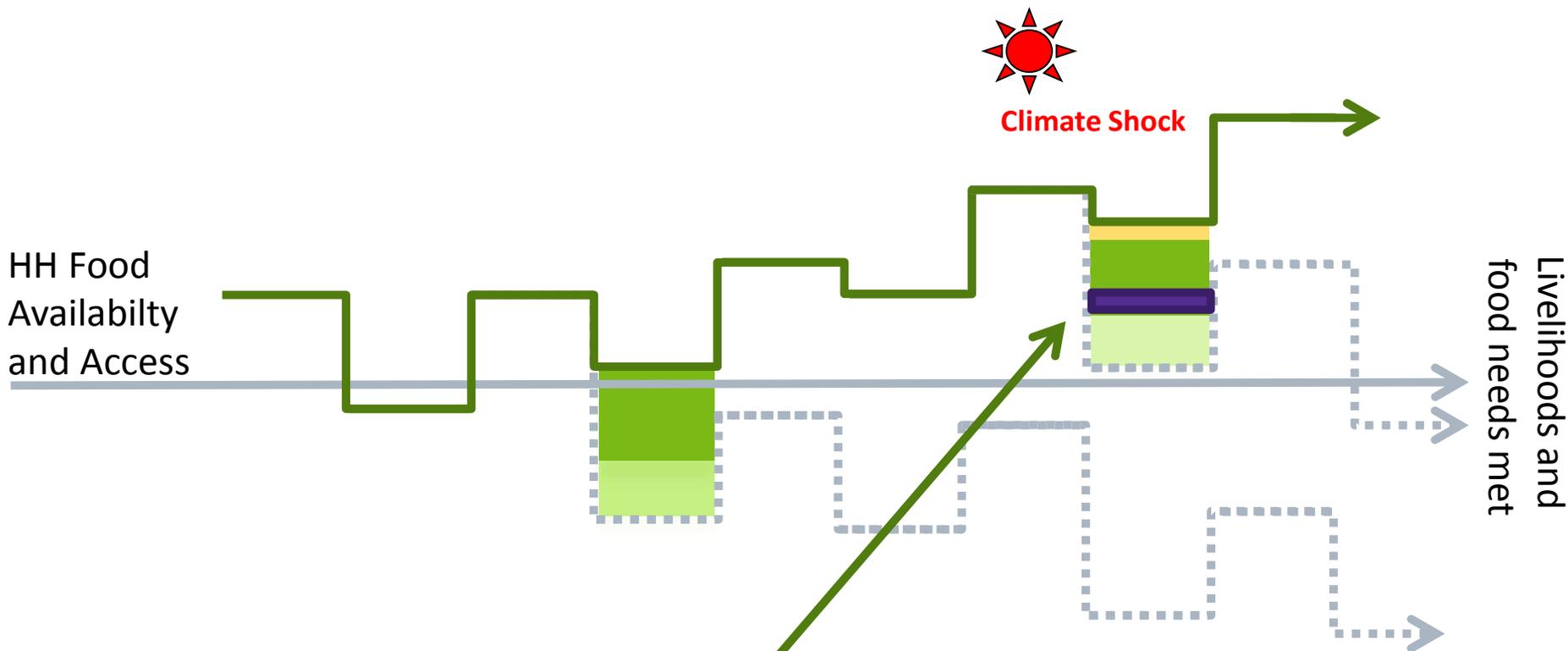
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Access to credit allows increased productivity, diversification and ability to save, protected by insurance

R4 Rural Resilience Model

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R4 provides a resilient set of risk management tools to protect household's food security while enabling farmers to make productive investments

Progress

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R4 Rural Resilience Initiative Accomplishments

Payouts			 \$ 17,000	 \$ 320,000	 \$ 24,000	 \$ 38,000	
Value of Premiums	 \$ 2,500	 \$ 27,000	 \$ 215,000	 \$ 275,000	 \$ 283,000	 \$ 306,000	
Total sum insured	 \$ 10,200	 \$ 73,000	 \$ 940,000	 \$ 1,3m	 \$ 1,2m	 \$ 1,5m	
Farmers insured	 200	 1,300	 13,000	 18,000	 20,000	 26,000	 31,000
	2009	2010	2011	2012	2013	2014	2015
Countries	Ethiopia	Ethiopia	Ethiopia	Ethiopia Senegal	Ethiopia Senegal	Ethiopia Senegal	Ethiopia Malawi Senegal Zambia

Lessons from Ethiopia

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Insured farmers:

- Save 123% more than uninsured
- In one cluster, increased their grain reserves 254% more than uninsured
- Invest more in productive assets - buy 25% more oxen and invest in seeds, and fertilizer

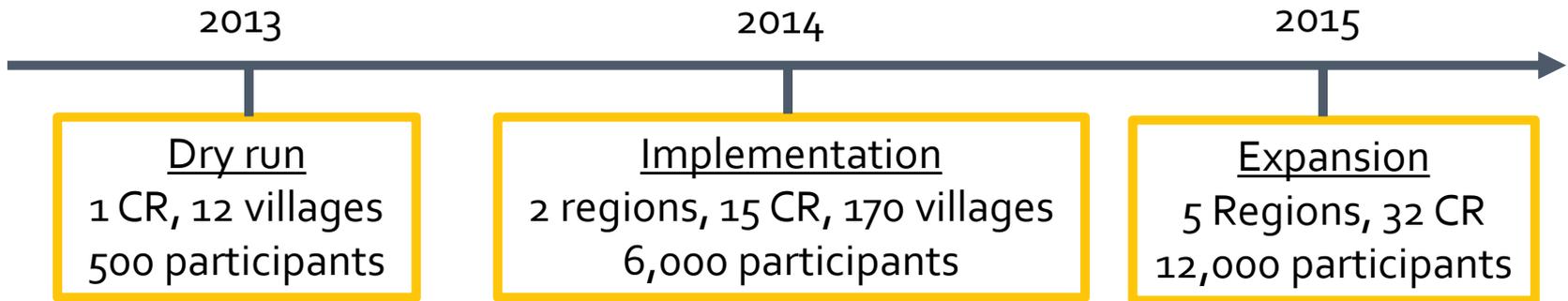
Women in particular:

- Stopped sharecropping their land
- Increased spending on hired labor and oxen
- Increased use of improved seeds and compost



Senegal: Progress and lessons

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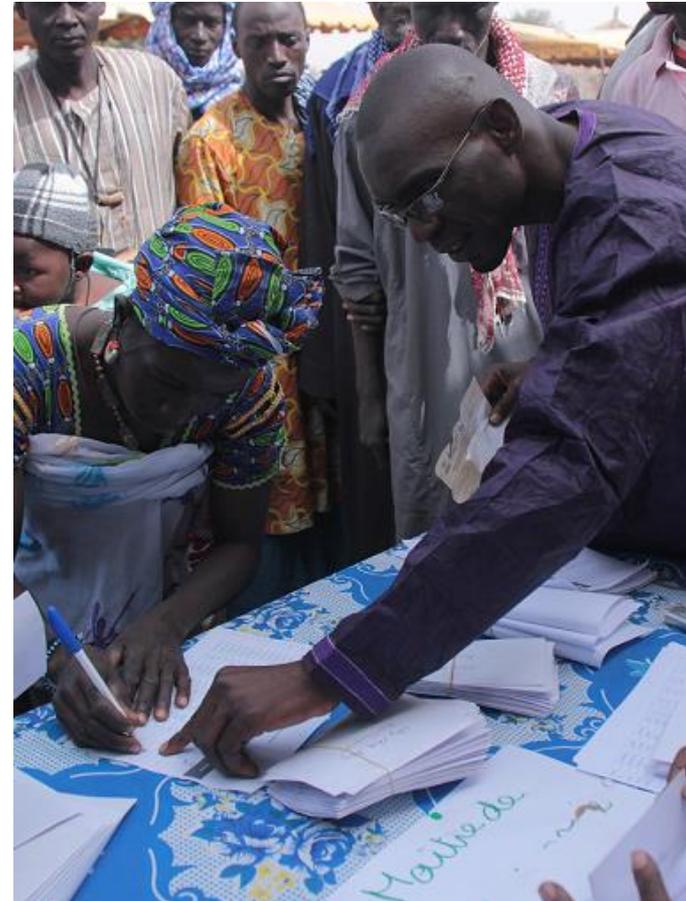
Lessons:

1. Insurance
2. Gender
3. Financial access



1. Insurance

- The business case for insurance companies to enter the market and make investments requires more products
- A continuous improvement of the index is critical
- Delivery channels are key
- People understand the importance of R4's integrated approach



“Even if insurance has not triggered this year, I can see how R4 is benefitting the village through the assets we built and the saving groups”.

Farmer in Kouthiacoto

2. Gender

Results:

- Increased **access** to land, seeds and water for irrigation and drinking
- **Better skills** in numeracy, literacy and business
- **More time** to dedicate to children or small business (e.g. less time needed to fetch water)
- **More confidence** in ability to feed children, pay school fees and expenses through financial gains from surplus crop sales.

Best practices:

- **Equal participation** of men and women in community planning and management committees
- **Activities which explicitly target women.**
- **Inclusion of men** in activities traditionally reserved to women such as the savings groups.



3. Financial access

- The risk reserves and prudent risk taking components respond to a growing financial access need
- Crucial to link savings groups to more formal financial institutions
- Training is key
- **How do farmers use their savings?** Purchase agricultural equipment (especially men), initial investment for petty trade (particularly women), also to purchase seeds and fertilizers



Questions?

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The U.S. Government's Global Hunger and Food Security Initiative

Managing Risk for Resilience and Agricultural Growth

Lena Heron, BFS/MPI

April 2015



Objective:

Index insurance products are available and effective instruments for promoting inclusive, agricultural growth and building the resilience of vulnerable households to climate-related shocks in targeted developing countries.



Risk Transfer: Contribution to FTF Objectives

Increased Inclusive, Agricultural-Sector Growth

- Improving access to both the supply of and demand for agricultural finance.
- Increasing adoption of technology, such as fertilizers, improved seeds, etc.
- Increased investment by producers.

Increased Resilience of Vulnerable HHs and Communities

- Reduce negative coping strategies (such as consuming fewer meals).
- Improve timing of response; reducing asset depletion.
- Increase investment and improve aspirations.



Evidence of Impact: Investment

- Mali—Insured farmers expanded the area planted to the more lucrative crop by 20%; and their use of improved seed was 28% higher than uninsured farmers. (Gurkinger, 2011)
- Ghana—Insured farmers invest significantly more (20+%) on cultivation (i.e., improved seed, etc.) (Karlan, 2012)
- In Kenya—Insured pastoralists increase investment in livestock through vet services resulting in higher per TLU income from milk. (Barrett, 2014)



Evidence of Impact: Coping

- In Kenya—insured households are 25% less likely to reduce the numbers of meals consumed per day after a major drought (43% less likely among more vulnerable households).
- The likelihood of distress livestock sales was 36% lower among insured households; (64% lower among modestly better-off households (those with more than 8.4 TLU)).



BFS Risk and Insurance Portfolio

Index Insurance
Innovation Initiative (I4)

An R&D activity; mobilizing top development economists for innovation, learning, and evidence.

Global Action Network on
Agricultural Index Insurance

A community of practice; promoting standards and developing solutions to persistent constraints.

Agricultural Insurance
Development Program

Supporting the development of effective public-private partnerships to scale agricultural insurance.

Climate Resilient Maize with Index
Insurance

Integrates insurance into seed scaling activity.

African Risk Capacity (ARC)

Market-mediated, sovereign risk pooling for African governments.

National Agricultural Sector Risk
Assessments

Quantifies production, market and policy risks to agricultural sector GDP and prioritizes solution options.



Agricultural Insurance Development Project

- Implementer: World Bank
- Supporting the development of effective public-private partnerships to advance the scaling on agricultural insurance.
- Advising/building capacity of governments to use insurance instruments to achieve development and resilience objectives.

In Kenya

- GoK has budgeted of over KShs 150 million (\$1.6m) for livestock and crop insurance over the financial year 2014-15.
- Private sector will implement program.

In Bangladesh

- Each year on average, disasters cost the country approximately 2.4% of GDP.
- AIDP focus: (1) crop insurance linked to credit; (2) dairy livestock; (3) artisanal fisheries and shrimp; and (4) agricultural insurance for the most vulnerable farmers.



Climate Resilient Maize with Index Insurance

- Insurance will be optimized for climate-resilient maize varieties—reducing cost of insurance and expanding drought protection of seeds;
- Expected outcomes: increased adoption of improved seeds; increased investment, resilience and inclusive growth.

Highlights

- An I4 activity
- In collaboration with CIMMYT, local private sector seed and insurance companies
- In Tanzania and Mozambique
- Rigorous impact evaluation—productivity, incomes, women's empowerment, nutrition and education



Mission Programming: Senegal

- Insurance integrated into Mission's PCE (value chain) and Yaajende (resilience) programs.
- Strong "ag insurance for development" community with the PPP insurance company in lead.

- ### One-day Ag Insurance Workshop
- General Secretary—MinAg and Mission Director open workshop.
 - Nearly 60 government, private sector, NGO and program reps discuss how to advance ag insurance markets
 - Identifying constraints, charting way forward



Caveats and Challenges

- Design for impact—quality of insurance contracts;
- Outreach and education for informed consumers;
- Integrate insurance into existing distribution channels—and get the incentives right;
- Role of public sector
 - Level and targeting of subsidies
 - Supporting market infrastructure—DATA!
 - Integration into development and resilience strategies



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The U.S. Government's Global Hunger and Food Security Initiative

Thank you!

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