R4 Rural Resilience Initiative
An Integrated Risk Management Approach

Building food secure communities resilient to drought

Drought Risk Financing Landscape:

- Forecast based financing
- Parametric Insurance (Macro)
- Parametric Insurance (Micro)
- Donor support
- Domestic and External Credit
- Budget reallocations

Adapted from Ghesquiere and Mahul (2010)
R4 - An Integrated Risk Management Approach

**Risk Reduction**
- Meet immediate food needs
- Improve natural resource base, agricultural practices and productivity

**Risk Transfer**
- Prevent resorting to negative coping mechanisms and ensure faster recovery
- Stimulate investments and productivity

**Risk Reserves**
- Buffer against short term needs and idiosyncratic shocks

**Prudent Risk taking**
- Livelihood diversification, access to credit

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Droughts and Livelihood Decline

**HH Food Availability**

**Livelihoods and food needs met**

Major drought has immediate and long term impacts on household livelihoods
R4 - An Integrated Risk Management Approach

Drought risk reduction – soil and water conservation, Conservation Agriculture – limits impact of drought

Insurance pay-outs help meet household needs, reduce negative coping strategies such as sale of productive assets
Livelihoods and food needs met

Investments (possibly induced by improved access to credit) improve productivity, diversification and ability to save, protected by insurance

Risk reduction, insurance and savings provide a resilient set of risk management tools to protect household food and income security while enabling their capacity to invest
Impacts

**Ethiopia**
- Savings doubled compared to those without any insurance
- Invested more in seeds, fertilizer and productive assets, such as plough oxen
- Grain reserves tripled, in some villages
- Largest gains in female-headed households

**Senegal**
- After 2 years of bad harvests, R4 farmers maintained their food security level (FCS)
- Women experience increased access to land, seeds and water

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**R4 Achievements**

<table>
<thead>
<tr>
<th>Countries</th>
<th>Farmers insured</th>
<th>Value of premiums</th>
<th>Total sum insured</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethiopia</td>
<td>200</td>
<td>$1,500</td>
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<tr>
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<td>$781,000</td>
<td>$5.1m</td>
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</tbody>
</table>

Where are we?

Reach 500,000 farmers by 2020

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Sequencing and Impact Pathway
Case of Malawi

Linkages and Collective Engagement For Drought Risk Management
Building food secure communities resilient to droughts

How to get there?

• Integrate into national safety net systems;
• Linkage with other drought risk financing tools;
• Support the creation of more effective indices;
• Create effective and diversified distribution mechanisms;
• Generate evidence base of impact and cost effectiveness