InsuResilience GlobalPartnership

Sectoral Community on Integrated Resilience Approaches in Agriculture

The Sectoral Community (SC) explores opportunities for integrating risk transfer and risk reduction interventions in the agricultural sector. The term 'Integrated Approaches' refers to models and solutions that apply principles and ideas of comprehensive risk management, resulting in an efficient split of project impacts between ex-ante risk reduction (e.g. through adaptive farming practices) and cost-effective transfer of residual risks (e.g. through crop insurance). Following a series of meetings and presentations the SC is issuing the following guidance for those designing projects and developing proposals for integrated resilience approaches in agriculture and those funding these:

Recommendations from the SC for project developers and funders

A) For designers and developers:

1. **What are the resilience objectives?** Start by identifying stakeholder needs and capacity for action and clarify the intended resilience benefits of a project: Resilience has many dimensions and it is important to specify what the objectives are in order to consider which risk management activities (or combinations thereof) may be suitable.)[1] For example the resilience needs of farmers are likely to differ according to their local circumstances, skills and crop practices.
2. **Which risk management activities?** A range of risk management activities might be suitable to address the identified needs. These options need to be appraised, taking into account trade-offs and interactions among different risk-management components to come up with an integrated strategy. For example risk financing and insurance should only absorb residual risks that could not be mitigated *cost-effectively* through other measures.
3. **Options costing and risk-layering:** Use economic risk modelling tools to identify cost-effective risk prevention and reduction options and their trade-offs. These tools (e.g. ECA) can help determine a point at which risk reduction becomes prohibitively expensive, and risk financing proves more feasible. On that basis, risk-finance instruments and other risk management activities can be identified and combined following a risk layering approach.
4. **Seek input and feedback from** a wide array of stakeholders on the identified options in accordance with their respective functions, capacities and areas of expertise. Typically, these might include government planning bodies, government service providers such as extension services, the private sector, civil society and development agencies to ensure effective and efficient use of knowledge and resources.
5. **Build on existing evidence and established best practice** when designing and developing projects (such as the Resilience+ concept, or IFAD's insurance toolkit and related resources). For an effective combination of risk management components, consider developing a strategy to enable farmers and others along agricultural value chains to autonomously invest in risk prevention and reduction through improved agronomic practices, based on the security that risk finance tools provide.

[1] (including risk prevention/reduction, retention, transfer and resilient recovery).

B) For funders when inviting funding proposals and making investment decisions:

1. **Identify the integration** of Risk Prevention and Reduction, Preparedness, Financial Protection and Risk Transfer and Resilient Recovery **as an investment objective**.
2. Consider **how best to achieve resilience objectives cost-effectively when making investment decisions**: integration can be achieved within individual investments (project level) and across portfolios (portfolio level) i.e., to fund projects from multiple of these areas.
3. **Enable and incentivize the use of sound economic risk modelling** (--> see A.2 and A.3), for instance by supporting access to data, tools and technical capacity during proposal development. One way of doing so is to introduce staggered funding through where seed funding for proposal development is made available, with financial resources released upon application though a first-step concept note.
4. When appraising funding proposals **consider unintended consequences (harm) and trade-offs, in particular with wider food security and sustainability goals** such as the SDGs. Specifically, project impacts on biodiversity goals and climate-smart agricultural practices/ carbon sequestration potentials should be explicitly assessed, for instance by disclosure requirements/ risk assessments for project proposals. Those developing funding proposals should be required to assess and report these impacts and then mitigate in order to secure funding. Funders should seek external advice and support where necessary for proper assessment.
5. Follow a **principles-based approach** and aim to translate existing relevant best practices and principles from both climate-smart agriculture and CDRFI into programming and investment decision-making. This might comprise requiring or incentivizing project developers to adhere to the recommendations above ('A') and further established principles, such as those summarized by MCII (2022), including the InsuResilience Pro-Poor Principles.

Examples & further guidance:

- ECA (Economics of Climate Adaptation)
- Resilience+
- IFAD's insurance toolkit
- MCII (2022)
- InsuResilience Pro-Poor Principles.