



FEED THE FUTURE

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

USAID CLIMATE RESILIENCE AND INDEX INSURANCE FOR SMALLHOLDER FARMERS IN THE DOMINICAN REPUBLIC

Background

For poor farmers in developing countries, an unpredictable climate presents a risk that can restrict options and limit growth and development. Smallholder farmers faced with unmitigated risk may shy away from risky, but potentially profitable, opportunities. Rather than costly and risky productive investments, they often use cheaper and less risky methods that have consistently lower yields. Farmers are often prevented from investing in up-front costs of improved technologies by lack of access to credit, or fear of taking out credit and being unable to repay the loan. This, in turn, limits growth opportunities.

Further, in response to a climate shock, such as drought, farmers may sell their assets in order to maintain their consumption or to pay back loans and risk being pushed further into poverty. However, offering risk management tools to farmers, or reducing the risk borne by farmers in investing in new productive opportunities, could help promote growth and development, and help smallholder farmers break free from poverty traps.

Project Summary

The Feed the Future Innovation Lab for Assets and Market Access is implementing a project in the Dominican Republic that aims to offer smallholder farmers tools to cope with climate risk and to improve their livelihoods. The program includes four complementary interventions:

- Develop access to climate and weather information: Several new weather stations are installed in order to give dairy producers better weather predictions so that they can better plan production choices.
- Implement “climate smart” agricultural practices: Demonstration plots that promote the use of risk mitigating technologies (water tanks, dwells, etc.) have been implemented in key areas to help farmers learn about safe production practices.
- Increase access to risk transfer mechanisms: The development of an index insurance product that indemnifies farmers in case of droughts will help them recover after a loss, and also help incentivize them to invest in better technologies that they used to shy away from because they perceived them as too risky.
- Increase access to credit for small producers: In order to invest in improved production technologies, farmers need credit. Using index insurance as a guarantee for lenders, the intervention strives to make loans more affordable to farmers and more secure to lenders.

Anticipated Impacts

This project will provide important information not only for a potential scale-up of these activities throughout the Dominican Republic, but also for the broader research, financial, and development communities interested in risk management, index insurance, and credit for smallholder farmers worldwide. Results from this study could help to inform project development and product design a variety of locations and for many different commodities.



PROJECT OVERVIEW

Lead PI

Michael Carter, UC Davis

Partners

REDDOM

Timeline

2013-2017

Funding

\$896,928

Region

Northwest Region

Key

Innovation

Index

Insurance

Commodity

Dairy



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