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DOMINICAN REPUBLIC

FACT SHEET: CLIMATE RESILIENCE AND INDEX INSURANCE PROJECT

PROJECT OBJECTIVE: To increase access of small-scale farmers to a broader menu of climate risk management tools, including a tailored insurance product for weather risks, complementary risk reduction activities, and improved quality and flow of usable climate information.

COUNTRY SITUATION: Agriculture is one of the main productive sectors of the Dominican Republic and the livestock sector currently contributes to about 4% of the gross domestic product. The growth potential for the agriculture sector depends on its ability to adapt to the changes and needs of external markets, and the continued expansion of the national economy to increase productivity, stay competitive and confront any catastrophic events caused by climate change. Nevertheless, the Dominican Republic is extremely vulnerable to climate change and faces various types of weather and climate events that periodically cause major damage to the agriculture sector. One way to mitigate these losses is through index insurance, where farmers can choose to insure their production against climate-related risks. With conventional agricultural insurance, payouts to farmers after a poor growing season or extreme weather event are based on actual assessment of crop or animal loss. Conventional insurance is primarily accessible to larger commercial producers and is very costly to administer for remote smallholder farmers and rural populations. Index insurance has lower administrative costs than conventional insurance because the payout is made when an index – such as wind speed or an amount of rainfall over a specified time period – falls above or below a predetermined threshold, so insurers do not have to travel to the field to verify losses.

OUR WORK

USAID is teaching dairy farmers in the Dominican Republic to implement good management practices through proactive measures such as storing water in lagoons and rotating pastures. To complement this

work, USAID is also working with Guy Carpenter & Company, LLC, University of California, Davis Index Insurance Innovation Initiative (I4), Swiss Re, and Columbia University International Research Institute for Climate and Society (IRI) to design innovative index insurance products that will allow dairy farmers to recover more quickly if severe winds or droughts damage their livestock. Index insurance can affordably protect small farmers against losses from climate shocks. USAID is training Dominican insurers to take over management of the insurance products, and work with the USAID-funded BASIS Assets and Market Access Innovation Lab to design an evaluation to show whether index insurance and complementary risk reduction measures improve climate resilience among the participating farmers.

EXPECTED RESULTS:

- 1,200 dairy farmers with an index insurance policy.
- An agreement with financial and insurance institutions to market the index insurance product in a sustainable manner established.
- 1,500 dairy farmers with increased capacity to adapt to the impacts of climate variability.
- Two agreements established with government entities to contribute climate information to the CLIMARED platform, a climate information online portal with real time climate and weather data from satellite imagery and local weather stations enabling users to make climate-informed decisions.
- 24 automatic weather stations in operation in targeted areas as part of CLIMARED.
- 2,000 stakeholders with access to climate information for decision making.

Duration: November 2012- November 2016

Budget: \$2.4 million

Implementing Partner: Fundación REDDOM



Photo by: REDDOM



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CONTACTS

MISSION

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