

# Rural Resilience Initiative (R4)

Piloted as: Horn of Africa Risk Transfer for Adaptation (HARITA)



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## Project Background

**Location:** Africa, Ethiopia, Tigray

**Date project established:** 7/1/2008

For the 1.3 billion people living on less than a dollar a day who depend on agriculture for their livelihoods, vulnerability to weather-related shocks is a constant threat to security and well-being. As climate change drives an increase in the frequency and intensity of natural hazards, the challenges faced by food-insecure communities struggling to improve their lives and livelihoods will also increase. The question of how to build rural resilience for climate change adaptation is critical for addressing global poverty.

In response to these challenges, Oxfam America, Swiss Re and their partners developed a holistic risk management framework to enable poor farmers in the drought-prone northern state of Tigray in Ethiopia to strengthen their food and income security through a combination of community climate resilience projects (risk reduction), insurance (risk transfer), microcredit ("prudent" risk taking), and savings (risk reserves): the Horn of Africa Risk Transfer for Adaptation (HARITA) project.

HARITA brought together a network of partners including Ethiopian farmers, the Relief Society of Tigray (REST), Nyala Insurance Share Company, Africa Insurance Company, Dedit Credit and Savings Institution (DECSI), Mekelle University, the Tigray Regional Food Security Coordination Office and the Tigray Cooperative Promotion Office, the International Research Institute for Climate and Society (IRI), Swiss Re and Oxfam America. The project is funded by the Rockefeller Foundation and Swiss Re.

Existing approaches to providing drought insurance to the poorest have not been effective due to high administrative costs and the inability of cash-poor smallholders to afford premiums. In conversations with farmers, they themselves suggested a solution – they could pay for insurance with their labor. Oxfam America worked with the Relief Society of Tigray, the Tigray Regional Food Security Coordination Office and the Tigray Cooperative Promotion Office – to build an “insurance-

for-work” program on top of the government’s “food- and cash-for-work” Productive Safety Net Program (PSNP), a well-established program that serves eight million chronically food-insecure households in Ethiopia. The Ethiopian National Meteorological Agency also played a strong role in supporting weather data collection and analysis for the weather index insurance.

The resulting innovation allows cash-poor farmers the option to work for their insurance premiums by engaging in community-identified projects to reduce risk and build climate resilience, such as improved irrigation or soil management. In the event of a seasonal drought, insurance payouts are triggered automatically when rainfall drops below a pre-determined threshold, enabling farmers to afford the seeds and inputs necessary to plant in the following season and protecting them from having to sell off productive assets to survive. In partnership with local microfinance institutions, the model allows farmers the option to bundle insurance with credit and savings.

More prosperous farmers will pay their insurance premiums in cash. Over time, as the poorest farmers become more prosperous, they can "graduate" from the need to pay through labor, and begin paying in cash, helping to ensure the project's commercial viability and long-term success.

## Mitigation and/or Adaptation

HARITA is an integrated approach to risk management. The financial package is a tool for individual farmers to adapt to climate change (discussed in this section), and the risk reduction projects provide social benefits to the broader community (discussed in the following section). Taken together, these services protect farmers from the consequences of climate-related disasters.

The benefit of the project is illustrated by a statement from Gebru Kahsay, a 52-year-old farmer in Tigray who depends on rain to grow teff, a staple grain. "According to my belief, this insurance is important to protect us from migrating in a drought in search of food," says Kahsay.

Oxfam America funds and oversees an impact monitoring, evaluation and learning (IMEL) plan to assess the impacts of HARITA and to improve its delivery as it expands. We use a rigorous mixed methods approach that combines quantitative surveys and qualitative focus groups and interviews. In 2011, the IMEL team will continue an ongoing evaluation of 400 households in eight villages in Tigray, Ethiopia, with five program villages and three control villages.

The evaluation explores how effective the HARITA approach is in improving resilience to risk under different conditions. With regard to the financial package as a tool for climate change adaptation, the evaluation addresses such questions as:

- What are the impacts of index insurance on farmers’ risk management and production decisions and livelihoods, including decisions related to credit and savings?
- Who benefits, who does not benefit, and under what conditions do benefits occur or not occur, and why?

Although it is too early in the project cycle to make a definitive assessment of the overall effectiveness of the model, the results of prior seasons are promising.

## Social Benefits

The labor used to pay for weather index insurance is contributed towards community-identified projects to reduce risk and build climate resilience, such as improved irrigation or soil management. Farmers identify these activities through community-driven participatory capacity and vulnerability assessments.

In 2010, eligible farmers contributed their labor towards the following risk reduction projects in five villages: five runoff diversion structures for spate irrigation were constructed, with over 8,000 meters of diverting canal and 265 hectares of land irrigated; 15,000 trees were planted; 2,000 meters of erosion-preventing trenches were constructed; 600 compost-making pits were prepared, and 700 farmers and over 40 local leaders and extension agents were trained on composting practices.

The impact monitoring, evaluation and learning (IMEL) plan discussed above also pertains to measurement of social benefits. With regard to community risk reduction activities, the evaluation addresses such questions as:

- Which risk reduction activities were implemented? When and where?
- How do the implemented risk reduction activities relate to the particular needs of participating farmers and their villages?

## Potential for Scaling-up of project

HARITA represents a dynamic public-private partnership in action, with groundbreaking innovations in integrated risk management and service delivery. In its three years of delivery in Ethiopia, HARITA has shown promising results for replication. The project has scaled from two hundred households in one village in 2009 enrolled in the financial package, to over 13,000 enrolled households in 43 villages in 2011 – directly affecting approximately 75,000 people.

Early results demonstrate that the HARITA model can effectively reach vulnerable families, who had once been viewed as uninsurable. In the 2010 season, 39 percent of the households that purchased the insurance were female-headed and 83 percent were participants of the Productive Safety Net Program (PSNP). With such rapid growth, HARITA holds the potential for much larger scale within Ethiopia and in other countries.

HARITA's success led, in 2010, to an agreement by Oxfam America and the World Food Programme (WFP) to take the HARITA model to a multi-national scale by launching, as equal partners, a joint project, the Rural Resilience Initiative (or "R4," for Risk Reduction – Prudent Risk Taking – Risk Transfer – Risk Reserves). R4 will operate across four countries – Ethiopia, Senegal, and two more in the developing world – uniting Oxfam America's HARITA model and WFP's extensive network of safety nets and cash-for-work programs, in close coordination with local partners and government agencies. Under R4, WFP programs will operate as "insurance-for-work" for the poorest of the participating farmers, leveraging this core HARITA innovation to build a profitable market for small-scale agricultural insurance at commercial scale. In Ethiopia, Oxfam America will continue to operate in partnership with the Relief Society of Tigray.

The R4 Rural Resilience Initiative is a strategic collaboration between the World Food Programme and Oxfam America. Each partner has its own sponsors: WFP is sponsored by USAID, and Oxfam America by Swiss Re and the Rockefeller Foundation.

From a donor perspective, the R4 model doubles investment value: while a certain dollar amount of aid could be used in "traditional" development programs either to pay an insurance premium or to pay farmers to carry out risk reduction measures, in this project, the same amount of money yields

insurance and risk reduction simultaneously.

### **Potential for Replication of project**

R4 is a strategic collaboration to build upon HARITA's success in Ethiopia and replicate the model in other countries. The mission of R4 is to achieve rural resilience by enabling adaptation to climate risk through a community oriented, risk management focused, and market-based approach that supports the most vulnerable people to graduate from food insecurity and escape the poverty trap.

R4 provides a replicable and scalable model for building resilience, using existing government-owned and -led productive safety nets to reduce disaster risk and as a delivery mechanism to expand insurance and other financial services to create an enabling environment for pro-poor market growth. By working in diverse microclimates, R4 allows insurance companies to diversify risk and open up new markets. This will attract additional insurance and reinsurance companies to the agricultural market in developing countries. In turn, farmers will benefit from an increasingly broad array of insurance products from which to choose and competitive pricing that should bring down premium rates over time. Founded on the principles of collaboration and mutual support by the public and private sectors, farmer-owned agricultural cooperatives, and intergovernmental organizations, R4 focuses on long-term, sustainable solutions to reduce poverty and hunger by building rural resiliency.