HARITA – A Rural Resilience Initiative

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Introduction

This case study brief is on *Horn of Africa Risk Transfer for Adaptation* (HARITA), an innovative project that offers a risk management package for farmers in Tigray, the northern most state of Ethiopia. The project broke new ground in the fields of food security, climate change resiliency and micro-insurance by addressing the needs of smallholder producers through an unusual, yet effective mix of risk reduction, drought insurance and credit.

Given the impact drought has on the livelihoods of poor farmers, HARITA was designed to shield Ethiopian farmers from hunger and food insecurity. The programme helped farmers cope with adverse effects of climate variability on agriculture through various adaptation measures. Unlike traditional crop/weather insurance schemes,[1] HARITA incentivized insurance by allowing the poorest farmers to pay for the premium through labour. In addition, the programme included self-reinforcing risk reduction elements into its design, such as access to credit and cash/food for work.

HARITA proved to be a success, as the number of poor households taking out insurance grew from 200 in 2009 to 13,044 to 2011, while maintaining the same cost structure

Oxfam America began developing HARITA in 2007 in collaboration with a group of partners, including, among others, Swiss Re, the International Research Institute for Climate and Society (IRI), and the Relief Society of Tigray (REST).[2] The programme proved to be a success, as the number of poor households taking out insurance grew from 200 in 2009 to 1,300 in 2010 (Oxfam America, 2010). In 2011, the project managed to cover 13,044 households across 43 villages while maintaining the same cost structure – a 1,000 percent increase from the previous year (Oxfam America, 2011). The project's success has been widely cited in media, academic journals, development forums, reports and articles.[3] Based on the success of HARITA, the World Food Programme (WFP) and Oxfam America are partnering in a new project, which expands the coverage to four more countries. The successor project is called, Rural Resilience Initiative (R4).[4] This brief looks at the key features of HARITA whose innovative design has implications for addressing simultaneously issues related to hunger and food security, climate change adaptation, microcredit, index insurance and disaster risk reduction. The objectives of the programme have direct implications for the attainment of Millennium Development Goals 1 and 7, and indirectly affect the achievement of other Goals.

Situation Analysis

Approximately 85 percent of all Ethiopians are engaged in smallholder, rain-fed agriculture. Short-term climate variability as well as longer-term climate change threatens their livelihoods. Several studies show that the effects of climate change on Ethiopia could have serious consequences, including, among other things, extreme temperatures, extraordinary rainfall events and more intense and prolonged droughts and floods (IGAD and ICPAC, 2008). Adequate rainfall is especially important in the context of Ethiopia. The level of precipitation on the one hand, and gross domestic product (GDP) growth and agricultural GDP growth on the other hand, mirror one another closely (see figure 1).

The village of Adi Ha in the north of Ethiopia was chosen as the pilot location for the project for several reasons. First, the area comprises poor smallholder farmers whose livelihoods are dependent almost exclusively on agriculture and are affected by climate change. Second, the fact that the region is drought prone, crop/weather insurance can offer a win-win solution by potentially being commercially viable for the insurance provider while offering a degree of financial protection to farmers in case of drought. Third, the region remains extremely food insecure. Moreover, the reach of the local insurance companies is limited, as they tend to serve large and urban in-

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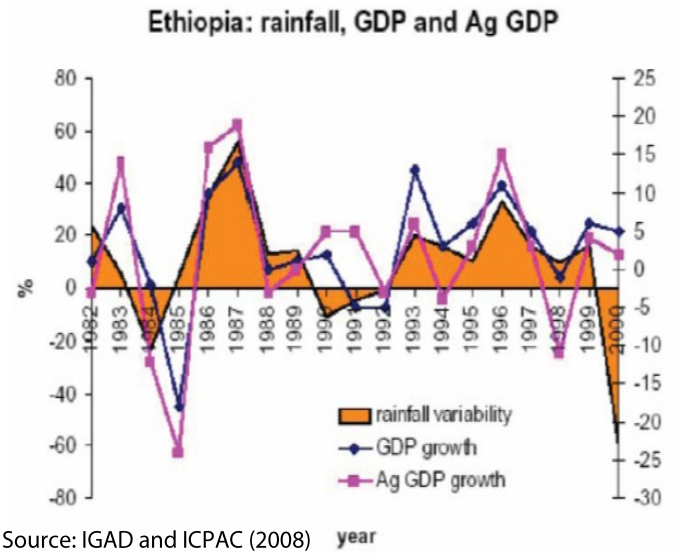
dustries. Consequently, the majority of Ethiopians lack access to and knowledge of insurance products.

The lack of formal insurance for smallholder farmers leaves a gap in farmers' risk management strategies. Protected by insurance, farmers are able to take planned risks, such as purchase improved seed varieties, and the gains resulting from credit-based investments made during wet (good) years could be significantly greater than the losses incurred from failure during dry (bad) years. Without the ability to transfer risk, it is not surprising that Yesuf and Bluffstone (2007) found that more than 50 percent of Ethiopian farmers were "severely or extremely risk averse" in contrast to their counterparts in Asia and other parts of Africa, who exhibited a moderate-to-intermediate risk aversion.

Figure 1: Rainfall and GDP growth move together in Ethiopia, 1982-2000



Source: IGAD and ICPAC (2008)

Description of Project

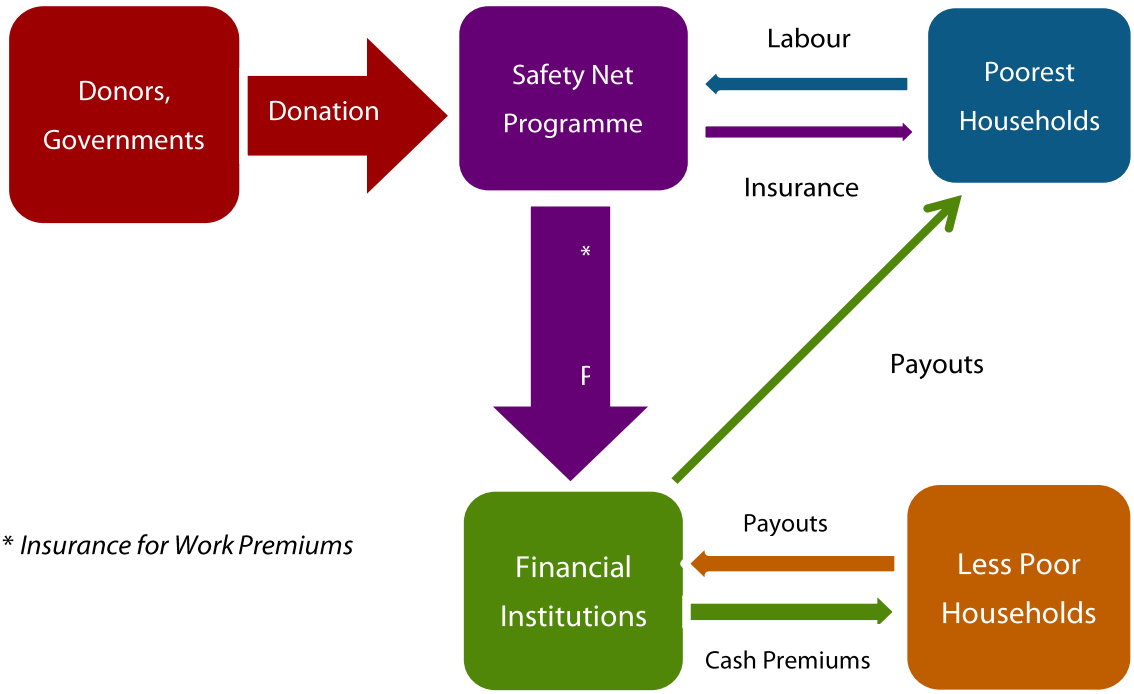
HARITA offers a risk management package that includes an insurance-for-work component (see figure 2). The poorest households are able to obtain crop insurance in exchange for labour. The relatively better off households are not eligible for the work-for-insurance option and paid in cash for the insurance premium.[5] The poorest households work through the government's **Productive Safety Net Program** (PNSP)[6] to obtain insurance; that is, premiums are paid on their behalf to the financial institutions through the government's safety net programme.

The types of labour activities farmers from the poorest households typically carry out in exchange for insurance are community-identified disaster risk reduction practices. Some examples are: (i) system of crop intensification; (ii) spate irrigation; (iii) agroforestry; (iv) soil fertility management (compost making); (v) seed cleaning; and (vi) planting of tress and grasses. In this arrangement, farmers are able to benefit even when there is no payout; the risk reduction measures benefit them even during years in which rainfall levels are adequate.

The poorest households are able to obtain crop insurance in exchange for labour.

The design of the programme is replicable and can be tailored to adapt to different cultural norms. In addition to a risk transfer component in the form of insurance-for-work, HARITA offers risk reduction (cash /food for work) and risk taking (microcredit) elements. R4 is expected to go one step further to include a risk reserve (savings) component. Farmers will be able to bundle insurance with credit and savings. Credit increases purchasing power, allowing farmers to access fertilizer, seeds and other inputs, while savings

Figure 2: Government Safety Net Programme with HARITA project



* *Insurance for Work Premiums*

will provide a buffer during not-so-good years and against unexpected shocks.

HARITA was first tested with the full range institutional partners in the village of Adi Ha, Tigray in 2009. The initial target was to enrol 100 households for insurance; however, 200 households purchased insurance, far exceeding expectations. The initial success led to the expansion of the project to four additional villages in Tigray in 2010. Post expansion, the take up rate increased by 9 percent and 1,108 additional households purchased insurance. In 2011, the coverage was extended to 13,044 households across 43 villages and "more than 8,000 farmers were educated about insurance" (Oxfam America, 2011, p. 5). These results demonstrate that (i) the HARITA model can effectively reach vulnerable families, who were previously viewed as uninsurable, and that (ii) the model is scalable and can potentially be replicated and tailored to suit the needs of smallholder farmer communities.

One of the insurance options offered by the project was the Wahisna package, under which poor farmers obtained crop insurance in exchange for labour. As farmers built assets and improved their livelihoods they graduated from the PSNP-supported package by paying directly for the insurance premium in cash. By the end of 2009, some 35 percent of the enrollees were paying with cash. This group was comprised of farmers that did not qualify for the PSNP work-for-insurance Washisna package, as their earnings were above the threshold. As the Harita Project Report November 2007-December 2009 mentions "adjusted for landholding, farmers paid (in cash or labor) an average of 138 Ethiopian Birr in premiums (US$7.20), approximately 1.8 times the minimum option. The minimum purchase was 76 Birr ($4.24), and the maximum was 229 Birr ($12.78)."

The report also highlights some of the earlier successes of the project. In terms of targeting, "65 percent of the households buying insurance [were] chronically food insecure" and "additionally, about 38 percent of enrollees were female-headed households" (Oxfam America, 2010). A considerable amount of ground work was undertaken that ensured an inclusive and participatory process. Some activities were demand and needs assessments, vulnerability mapping, establishing community focus groups, conducting surveys and simulation activities to determine product preferences, capacity-building to encourage participation and regular education and financial literacy workshops to ensure that communities understood the benefits of insurance. Also, HARITA staff worked closely with the communities to customize the insurance product to better suit their needs.

Much of the success in the Adi Ha pilot was attributed to the high level of trust established between project partners and farmers, the impressive marketing efforts and the high level of community involvement in building the product.

Challenges and Lessons learned

As the project looks to expand to other countries, WFP and Oxfam America are focusing on the need to be sensitive to the preferences of farmers, as predilections are likely to differ from one community to the next. This touches upon the intangible, yet crucial, aspect of building trust between the microinsurer and its community of clients. Oxfam America and its partners had strived for active and regular community participation, which, in turn, led to improvements in services and products during the project cycle in the case of HARITA. At the same, time conducting education and financial literacy workshops helped communities better understand the benefits of the risk management services being offered.

It does, however, appear that there is a trade-off between personalized products and long term scalability and sustainability (cost-efficiency) of such products. While some degree of customization is important to ensure uptake and demand, too much would have efficiency implications, thus negatively affecting sustainability. Therefore, Oxfam America should seek to strike a balance between customization and efficiency/sustainability in the future.

In the case of Ethiopia, PNSP has played a pivotal role vis-à-vis social protection[7], as it ensured coordination and alignment between government, donors/non-governmental organizations and financial institutions. The programme was able to successfully achieve several objectives (food security and risk management services) without being overwhelmed. More importantly, it provided a convenient delivery platform for insurance. It is therefore important that the right local government and non-government partners be identified (and be well co-ordinated) early in the process in order to overcome capacity and other potential implementation constraints.

"65 percent of the households buying insurance [were] chronically food insecure and 38 percent of enrollees were female-headed households"

A microinsurance programme requires scale, namely a large number of clients, for it to be commercially viable. It would be prudent that during a pilot phase sufficient seed funding be available to kick start the process until demand for the product expands to the point of it being financially self-reliant. Without such external funding microinsurance products are unlikely to be sustainable on their own, especially if the coverage is limited to a small region. It is therefore important that initial funding be available along with a host of willing partners, including government. Also, a long-run strategy of expansion needs to be built into the programme, which identifies additional communities should the project be expanded. The developers of HARITA appeared to have been cognizant of these issues.

Weather index insurance providers need to base their

coverage on accurate measurements of levels and changes in rainfall; this can be a real challenge. The project successfully overcame measurement issues by installing automated ground-based weather stations that validated satellite estimates of rainfall. In addition, selected pilot farmers were given a rain gauge for independent monitoring.

A useful innovation of the project was to offer a bundle of services that targeted different risks/vulnerabilities. HARITA provided not only an insurance-for-work component, but also credit and cash/food for work. Usually projects that offer one product are not able to adequately compensate for the multiple vulnerabilities poor farmers face. By offering a package of services, HARITA targeted different vulnerabilities faced by poor farmers.

Potential Areas of Improvement

Index insurance is designed to give a payout if rainfall levels are below a certain threshold (classified as "dry" or 'very dry" in the case of HARITA). However, there may be instances when rainfall is just above the threshold amount, and hence not triggering a financial payout. Under this scenario, farmers may still face drought-like conditions without a payout. Although Oxfam America and its partners, including the International Research Institute for Climate and Society, have been working closely with farmers to continually develop their crop insurance product, more work needs to be done in this area to customize the product further to better meet the needs of the farmers.

Also, the frequency of the payout seems to be a contested issue; most farmers prefer frequent payouts, with 93 percent of them selecting the dry option, which offered more frequent payouts even though it was more expensive (International Research Institute for Climate and Society, 2010, p. 9). Payout frequency should be renegotiated at appropriate intervals during the project cycle to ensure that both the financial provider and the beneficiaries are satisfied.

While the HARITA design did encourage farmers to engage in productive activities, it can perhaps integrate this element more fully into future project design. The idea would be to help smallholder farmers build a secure asset and income base so that they graduate from poverty and become more resilient. The farmers participated in community-identified disaster risk reduction activities, which, in turn, helped to build their productive capacities. However, production-related activities (non-agriculture as well) can be more fully integrated into the design. By increasing productive capacities of households, more farmers are likely to purchase insurance with cash, which, in turn, would help make the project more self-sustaining.

The prices offered to farmers for their crops have a critical impact on their livelihoods. Future projects can include additional services, such as real-time market information on prices, connecting farmers with consumers and building a network of farmer associations. Such initiatives would help smallholder farmers secure a better price for their produce.

The HARITA project also could have used appropriate technology, where applicable, such as mobile phones for delivering cash, making insurance payments and providing credit. This would offer a cost effective and efficient way to deliver services. WFP and Oxfam America have picked up on this and will be using mobile phones for financial services and crowdsourcing[8] in R4.

Conclusion

The HARITA project is a good illustration of how resilience of communities can be built through the provision of risk management services. One aspect that clearly emerges is the need to work closely with local communities (in this case, farmers) to determine demands so that products can be tailored to address specific needs. Also, the value and use to the community of any new product must be clearly understood. This can be accomplished through training, literacy workshops and advocacy. Oxfam America, along with its local and international partners, successfully conceived, launched, and implemented a risk management package that benefited smallholder farmers in the north of Ethiopia. It made these farmers more food secure and better able to adapt to the effects of climate change, and created an enabling and supportive environment for farmers to graduate from persistent vulnerability and poverty.

Achieving scale is important if a product such as microinsurance is to be profitable and self-sustaining. Therefore, relatively quick expansion in coverage is a key indicator of potential future sustainability. Once a project, such as HARITA, becomes financially sustainable and continues to address needs, it is worthwhile for the respective government to adopt it as part of its national development plan.

Finally, HARITA and its successor, R4, are designed to address several risks and vulnerabilities through its activities. This is consistent with the approach of the United Nations Regional Thematic Group on Poverty and hunger, which views poverty and hunger as multi-dimensional issues to be addressed through several channels. HARITA offers an innovative way of addressing some of the pressing concerns, especially for vulnerable and food insecure farmers that often lack access to services and resources to guard against risks to their livelihoods.

Endnotes

[1]For a critique of programmes that mainly focus on microinsurance, including crop/index-insurance, refer to Banerjee A.V., and Duflo, E. (2011), *Poor Economics, A Radical Rethinking of the Way to Fight Global Poverty,* Public Affairs: New York, pp. 147-155.

[2]Local Partners included local communities, the local farmers cooperative, and Regional / National partners included Africa In Africa Insurance Company, Dedebit Credit and Savings Institution (DECSI), Ethiopian National Meteorological Agency (NMA), Institute for Sustainable Development (ISD), Mekelle University, Nyala Insurance Share Company, Relief Society of Tigray (REST), Productive Safety Net

[3]For a comprehensive listing of citations refer to http://www.oxfamamerica.org/files/harita-media-citations/view

[4]The main partner is WFP.

[5]The majority of insured households have been poor and paid for insurance premiums through labor. In 2009, out of the 200 households that purchased insurance, about 80 percent paid with through labor and the rest through cash payments. In 2010, when those purchasing insurance jumped to 1300, approximately 85 percent paid through labor.

[6]PNSP is a well-established, government social protection programme serving 8 million chronically food insecure households. Programme costs are approximately $500 million annually.

[7]PNSP is a well-established government programme that serves eight million chronically food-insecure households.

[8]Crowdsourcing is a way to collect data and information through SMS text messages. So, for example, data on rainfall can be accessed via mobile phones.

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Disclaimer

The views and recommendations expressed are those of the author and do not necessarily represent those of the United Nations or its Member States.

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