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Building and Scaling a Cross-Sector Partnership: Oxfam America and Swiss Re Empower Farmers in Ethiopia

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Building and Scaling a Cross-Sector Partnership:
Oxfam America and Swiss Re Empower Farmers in Ethiopia

This is an abbreviated version of the case study. The full version is twenty-two pages total with five figures and two appendices that provide details regarding Oxfam's business model, their HARITA project in Ethiopia, and the reinsurance industry in general.
For the full case and teaching note, please go to: http://globalens.com/casedetail.aspx?cid=1429185

It was the cusp of a new fiscal year, and David Satterthwaite was thrilled with the progress of HARITA, Oxfam's project that worked with some of the world's poorest subsistence farmers in Ethiopia. He knew, however, that the most elusive challenge—scaling HARITA from a successful local project to a multi-country initiative—still lay ahead. As Oxfam America's new Senior Global Micro-Insurance Officer, Satterthwaite had inherited leadership of the project only one year prior, in early 2010, from Marjorie Victor Brans, his former colleague and the team lead for Horn of Africa[i] Risk[ii] Transfer for Adaptation[iii] (HARITA).

Since the project's inception in the fall of 2007, Oxfam had convened an impressive set of more than a dozen partners[1]—including Columbia University's International Research Institute for Climate and Society (IRI); the Relief Society of Tigray (REST), the largest NGO in Ethiopia; private Ethiopian insurer Nyala Insurance; Dedebit and Credit Savings Institution, the second-largest microfinance institution in Ethiopia; a local farmers' association; and various agencies of the Ethiopian government—to develop an innovative approach to help farmers deal with climate-related risk. This led to the creation of a novel, holistic risk management solution that packaged risk reduction activities (composting, water harvesting, etc.), risk transfer (micro-insurance), and prudent risk-taking (credit). Oxfam's goal in the HARITA project was to pilot what could become a scalable model that would empower farmers in developing countries around the globe to cope with the devastating effects of drought and other challenges associated with climate change.

i The **Horn of Africa** is a peninsula in East Africa that juts into the Arabian Sea. It contains the countries of Eritrea, Djibouti, Ethiopia, and Somalia.
ii **Risk** is "the probability that a situation will produce harm under specified conditions. It is a combination of two factors: the probability that an adverse event will occur, and the consequences of the adverse event. Risk encompasses impacts on human and natural systems, and arises from exposure and hazard." (Australian Greenhouse Office, 2003) as cited in Levina, Ellina, and Dennis Tirpak. *Adaptation to Climate Change: Key Terms. Organisation for Economic Co-operation and Development* (OECD), May 2006. Web. Accessed 4 Sept. 2011. <http://www.oecd.org/dataoecd/36/53/36736773.pdf>.
iii **Adaptation** refers to the process of humans developing and implementing strategies to moderate, cope with, and take advantage of the consequences of climatic events. It is different than **mitigation**, which refers to policies and behaviors implemented to avoid damages by reducing emissions. (Levina and Tirpak.)

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Of all the partners involved in the creation of this model, Satterthwaite was especially pleased that Oxfam had engaged Swiss Re, a leading global reinsurer. This marked a new milestone in Oxfam's growing effort to partner with the private sector on poverty reduction initiatives in base of the pyramid[iv] communities. But as the partnership continued to expand, it presented Oxfam with new, more formidable internal and external challenges.

In May 2009, the partners officially piloted HARITA in Adi Ha, a village located in the chronically food-insecure,[v] drought-prone northern region of Tigray, Ethiopia (see **Figure 1**). The HARITA model demonstrated initial success with the participation of 200 households in Adi Ha, and in 2010 the partners decided to expand into four new villages in the same region. Again, the results were impressive, with 1,300 households participating across the five villages. Now, at the beginning of 2011, Oxfam hoped to build on this momentum and take the next steps toward achieving an ambitious vision of scale. Oxfam's goal was to grow the project to reach 35-45 villages in Ethiopia (to serve a total of 10,000-13,000 households) and then initiate efforts to further expand in Ethiopia as well as explore entry into three new countries with smallholder farmers facing similar challenges.

To catalyze this growth, Satterthwaite would need to secure a longer-term partnership with Swiss Re, which had been renewing its involvement with HARITA on a yearly basis since 2008. The following week he was scheduled to have a critical meeting at Swiss Re, organized by his counterpart Mark Way, Swiss Re's Director of Sustainability and Political Risk Management. Satterthwaite paced in his office as he brainstormed how to pitch an ambitious five-year plan and expanded partnership model to aggressively scale the HARITA project to Way. Equally challenging, Satterthwaite knew he would need to obtain support internally at Oxfam. Scaling a private sector partnership was a relatively new challenge for Oxfam, and he was concerned about how his colleagues might react to a more extensive relationship with the sector that some saw as part of the problem instead of part of the solution. Satterthwaite recognized that it would be critical to address the concerns of both Oxfam and Swiss Re if the expanded partnership were to succeed, but he wondered how best to present his vision in order to gain the support he needed.

Oxfam America

Founded in 1970, Oxfam America[vi] is an independent[vii] international relief and development organization that focuses on the needs of people in developing countries. Its mission is "to create lasting solutions to poverty, hunger, and social injustice,"[2] and it is one of the affiliates within the confederation Oxfam International, which was founded in Oxford in 1942 as a famine relief committee for World War II refugees in Greece. Oxfam International's 15 affiliates work together to serve local populations in over 90 countries. With eight offices around the world[viii] and total revenues exceeding $86 million (USD) in 2010, Oxfam America 1) saves lives by offering humanitarian aid, 2) campaigns for social justice, and 3) develops programs that help people overcome poverty. More specifically, its activities prioritize building organizations, fostering new and innovative ideas, and supporting initiatives in communities working their own ways out of poverty.[3]

Oxfam operates with the fundamental belief that locally informed, community driven solutions to poverty alleviation are the most sustainable, appropriate, and effective approaches. Consequently, the organization collaborates with local individuals and groups around the world who understand the intricacies

iv The Base-of-the-Pyramid (BoP) refers to the largest but poorest socio-economic group in the world or the approximately 4 billion people of the world who primarily transact in the informal and often have annual incomes of less than $3,000, adjusted for local purchasing power parity.

v The World Food Summit of 1996 defined **food security** as existing "when all people at all times have access to sufficient, safe, nutritious food to maintain a healthy and active life."

vi From this point forward in the case, **Oxfam** refers to Oxfam America, while **Oxfam International** refers to its parent confederation.

vii Oxfam America does not accept US government grants and instead relies almost exclusively on private funding, so as to remain independent of government foreign policy.

viii Boston, MA; Washington, DC; San Salvador, El Salvador; Lima, Peru; Addis Ababa, Ethiopia; Dakar, Senegal; Khartoum, Sudan; and Phnom Penh, Cambodia

of local challenges and who can sustain initiatives when Oxfam and its funding are no longer present. It also focuses on hiring local talent to staff its international offices. A critical component of Oxfam's culture is the rejection of the "north-south[ix] divide." In a 2010 report, the organization wrote, "The time now is ripe for a new development consensus that breaks with the failed policies of the past, allowing for active citizens and active states … In the 21st century, while global linkages mean that many countries face similar challenges, each country experiences those difficulties in different ways and needs to develop solutions that work in their national context."[4] Thus, for Oxfam, local groups in developing countries are more than valuable partners; they play a critical role in the creation and implementation of solutions to the world's most pressing problems. Oxfam's Deputy Advocacy and Campaigns Director Stephen Hale, blogged: "The further ahead one looks, the more important it will be for our global campaigns to secure the commitment and leadership of powerful countries in both north and south."[5]

In addition to a longstanding commitment to partnering with local leaders and organizations, Oxfam had recently begun more substantial collaborations with the private sector. Oxfam's engagement with the private sector had evolved from viewing private corporations as potential adversaries (for exploitative conduct) and donors (for humanitarian projects) to exploring how to work with them as partners in making Oxfam's efforts more effective and sustainable. As a result, the organization created a Private Sector Department (PSD) in 2005, headed by Chris Jochnick, a human rights attorney with significant field and Wall Street experience. PSD's mandate was "to channel the creativity, resources, and influence of the private sector to support Oxfam's broader mission of social justice and poverty alleviation"[6] because Oxfam saw the potential as well as the need to engage with private companies. As Jochnick described it:

> Our aim is to apply a rights-based, pragmatic approach to private sector engagement. We want to be savvy about corporate power, flexible in how we address it, and always looking to systemic change.

To help guide the organization through the new terrain of private sector engagement, PSD developed a "market systems approach" that positioned corporate collaborations as one important part of a broader agenda (see **Figure 2**).

Swiss Re

Swiss Reinsurance Company Ltd. is a leading global reinsurer and part of the Swiss Re group of companies. It operates through offices in more than 20 countries and has approximately 10,000 employees. Founded in Zurich, Switzerland, in 1863, Swiss Re offers financial services products that enable risk-taking essential to enterprise. The company's traditional reinsurance products, related services for property and casualty insurance, and life and health insurance businesses are complemented by insurance-based corporate finance solutions and supplementary services for comprehensive risk management. In 2010, it generated $19.7 billion (USD) in total revenues. The company's mission is "to be the leading player in the wholesale reinsurance industry" as well as to be known as an innovator and thought leader.[7]

"Wholesale" refers to the fact that Swiss Re does not sell its products and services directly to individual consumers. Instead, its clients are large direct insurers, corporate clients, public-sector clients, and pension funds.[8] "Reinsurance" refers to insurance for insurance companies or the "transfer of part of the hazards or risks that a direct insurer assumes by way of insurance contract or legal provision on behalf of an insured, to a second insurance carrier, the reinsurer, who has no direct contractual relationship with the insured."[9] Review **Appendix 1** for a visual representation of the transfer of risks from individual consumers, to director insurers, to reinsurers.

ix **North** refers collectively to the developed, wealthy countries of the world, while **south** refers collectively to the poorer developing countries of the world.

In addition to the financial strength that reinsurance companies provide, reinsurers like Swiss Re offer valuable intellectual capital to direct insurers, helping them to improve the effectiveness of their operations as well as acting as trusted advisors on product and contract design. Because reinsurers typically carry a highly diversified portfolio on a global scale, they are well equipped with both a broad and deep understanding of a wide variety of insurance markets and have superior data about a wide range of insured populations.[11]

Climate Change and Ethiopia

Climate change—shifts in weather patterns, rising sea levels, an intensification of climate volatility and extremes, and a general warming of the earth's surface temperature—touches all corners of the globe.[15] Yet despite climate change's ubiquitous nature, most analysts agree that developing countries are most likely to be profoundly affected, due to their low economic status and absence of insurance and other protective measures.[16] "While least responsible for climate change, poor people [within the developing world] bear the brunt of its impacts," Oxfam's Satterthwaite explained.[17]

Conservative estimates suggest that if significant efforts aren't made in developing countries to improve livelihoods and build resilience to unpredictable weather, over the next decade 100 million additional people will become food-insecure due in part to the impacts of climate change.[18] Further, according to the Economics of Climate Adaptation working group, if nothing is done to help developing countries deal with climate threats, annual expected losses could reach the equivalent of approximately 19% of gross domestic product by 2030.[19]

Ethiopia

Ethiopia has a population of over 80 million, 14 million of whom were food-insecure in 2009.[20] The country was ranked 171st out of 182 countries in the UN Development Program's 2009 human development ranking. With 85% of the population dependent on agriculture and 98% of crops dependent upon seasonal rains, droughts have tremendous impacts on Ethiopia's economy.[21] Previously occurring about once every decade, drought now afflicts the region as frequently as every couple of years,[22] posing new challenges for a country that already faced significant climate stress. Over 90 districts (or 2 million households) in Ethiopia are categorized as drought-prone.[23] Increased weather volatility and the subsequent uncertainty it fosters jeopardize not only the wellbeing of individuals but Ethiopia's progress as a nation. In fact, the country's macro-economic growth mirrors increases and decreases in precipitation.[24]

Insurance in the Developing World

> Without insurance, poor farmers who experience drought might run through all their savings, fall into debt, or sell their livestock and other valuables—often to ruinous results. In contrast, insured farmers will be more resilient to those shocks. They'll be in a better position to take out small loans that could help them make big improvements in their next harvest—loans for things like high-yield seeds.[27]
>
> Mengesha Gebremichael, REST
> Manager on HARITA

Risks associated with climate change increase the potential for losses. In 2008, natural catastrophes and man-made disasters took 240,500 lives worldwide and caused losses of approximately $207 billion (USD), as estimated by Swiss Re. From the perspective of financial losses, this constitutes a new window of opportunity for the insurance sector. Currently, increasing financial losses associated with severe weather are mainly borne by governments and individuals. If insurance were made more widely available, especially in poor communities, then more losses could be transferred to the insurance sector and thus to capital markets.

Ethiopia is a prime illustration of this unrealized potential. In 2009, Ethiopian insurers served almost exclusively large companies and wealthy households in urban areas, with fewer than 300,000 clients in a country of 79 million inhabitants.[29] About "85% of the population of Ethiopia is farmers, but the insurance companies only function in big cities. So much of the capital in Ethiopia is not yet insured," explained Gebremichael of REST.[30] Oxfam elaborated on this fact in a 2007-2009 report: "While insurers recognize that their risks are overly concentrated in urban centers, they struggle to identify cost-effective means to reach the majority of Ethiopians, who are predominantly poor and financially illiterate."[31] Further, the Geneva Association, a leading international insurance economics think tank on insurance and risk management issues, cited poor data on weather trends, inadequate regulatory frameworks, high claims adjustments costs, moral hazard,[x] and the lack of financial means to pay premiums as barriers to the implementation of traditional insurance tools in the developing world. In 2007, however, a new cross-sector partnership began whose project was determined to overcome these challenges.

Unlikely Bedfellows: A Partnership Is Born

In April 2007 the CERES annual conference on corporate sustainability was off to a great start, and members of Oxfam's PSD were excited to explore new opportunities. Marjorie Victor Brans, now Oxfam's Senior Policy Advisor, had just transitioned to PSD from Oxfam's Major Gifts Department, and she was eager to bolster PSD's reputation within Oxfam. At that time, Oxfam had been hearing from agricultural partners in the developing world that there was a growing need for innovative approaches to help farmers mitigate risks associated with climate change and food security. In fact Abera Tola, the regional director of Oxfam's Ethiopia office, had been thinking about the possibilities of crop micro-insurance for farmers.

At the conference Victor Brans had just listened to a panel discussion during which Way had spoken about climate change and poverty in terms far more sympathetic and sophisticated than almost any other corporate representative she had met. He spoke of the fact that earlier that year he and colleagues within Swiss Re's central Sustainability and Political Risk Management Unit, including Senior Climate Change Advisor Andreas Spiegel, had partnered with the Clinton Global Initiative on a Climate Adaptation Development Program (CADP). The goal of CADP was to develop a commercial market for innovative financial risk transfer instruments that provided financial protection against weather risks for approximately 600,000 people in Africa. "We were supporting the development of a product for people who have no access to insurance and who are seriously impacted by climate change," explained Spiegel.[32] Swiss Re was developing these instruments in Mali, Kenya, and Ethiopia.[33]

After the conference, Victor Brans began to ponder if, though unprecedented for Oxfam, a collaboration with a large private insurance company might be a game-changing, complementary approach to Oxfam's poverty alleviation work as well as set an example for other development organizations. Swiss Re had already identified climate change adaptation as a strategic priority, despite the fact that almost every other large insurer was solely interested in carbon emissions mitigation or wasn't focused on climate change at all. Victor Brans sensed that the two organizations' interests might truly align, but how could she convince Way that a pioneering partnership with Oxfam wouldn't expose Swiss Re to unpredictable risks with uncertain benefits? After all, this partnership would be relatively new territory for Swiss Re, a company whose work with non-profits had historically focused on organizations such as the Red Cross and other "safe" philanthropic projects in the arts and sports within its native Switzerland. She knew that the company's philanthropic Corporate Citizenship unit was increasingly sponsoring socially oriented risk management

x **Moral hazard** is when a party insulated from risk behaves differently from how it would behave if it were fully exposed to the risk. For example, with traditional crop insurance, a farmer might allow crop failure (e.g. by not working toward adequate crop production) in order to benefit from an insurance payout even though the crop failure was intentional. (HARITA Project Report: November 2007–December 2009. Oxfam America, 2010. Web. 29 Aug. 2011. <http://www.oxfamamerica.org/publications/harita-project-report-nov07-dec09>.

projects around the globe, but none had involved micro-insurance in particular. She also recognized that truly attracting Swiss Re's interest would require developing a business-oriented partnership.

Beyond all of these considerations, how would others at Oxfam react? Victor Brans recalled her colleagues' general sentiments toward the private sector:

> Many staff members were conditioned to believe that a large multinational corporation could only engage with poor people by exploiting them, and many thought that the creation of the [PSD] department was a sign that Oxfam was selling out. I even recall one colleague at the water cooler asking me, 'How's life on the dark side?'[34]

She knew that staff at Oxfam would also be concerned about preserving the organization's right to publicly criticize and censure companies that it thought could do more in terms of social responsibility. For example, in the past when Oxfam had endorsed a corporate initiative of McDonald's to serve more fair trade coffee, it still retained the right to criticize the company for other practices.

As word of the potential Oxfam-Swiss Re collaboration spread, and given Victor Brans' background in Major Gifts, many colleagues at Oxfam were even confused about whether a potential partnership with Swiss Re was intended to be a simple fundraising effort or a serious, programmatic initiative. To make matters more challenging, PSD had a short track record and lacked relationships with the program staff at Oxfam, who were uncertain of the department's mission and scope of authority in dealing with companies.

As the organizations got to know one another on a deeper level, Swiss Re began to see Oxfam's potential as an invaluable resource in the pursuit of its climate change strategy. The company recognized that its client base was primarily in wealthy countries and wealthy areas and that it could do more in terms of helping society at large manage risk more effectively. A project with Oxfam would allow Swiss Re to explore the feasibility of risk transfer products in the context of the developing world.

Oxfam was also aware that in order to effectively engage a corporate partner that had the technical expertise to build financial tools around the globe, it would need to demonstrate its value and dependability. "We, as the social organization and the one leading this project, [had] to bring something to the table that allows our partners to be successful in the marketplace," Satterthwaite later explained.[39]

The organizations agreed to an initial partnership based on developing a pilot project that would serve subsistence farmers in the village of Adi Ha, Ethiopia. Oxfam would play a leadership role in convening the necessary parties, designing the pilot, and undertaking much of the substantive work. The partnership agreement ensured that Oxfam would retain its independence as an advocate and that all intellectual property generated through the collaboration would be made publicly available—both important points for Oxfam. Swiss Re would serve as a technical advisor and funder, and the pilot would involve a combination of teams at Swiss Re, the Corporate Citizenship unit (Swiss Re's philanthropic unit), the Global Partnerships unit, the Sustainability and Political Risk Management unit, and the Environmental and Commodity Markets unit. Due partly to the fact that funding for the pilot project would come from the Corporate Citizenship unit, at the onset of the partnership, the project had a philanthropic feel to it, but the ultimate aims were clearly fixed on market building.

The HARITA Project[42]

Horn of Africa Risk Transfer for Adaptation was a project involving Oxfam America, Swiss Re, and over a dozen local and international partners (see **Appendix 2** for a complete list of partners and their roles). The goal of HARITA was the following: "to develop a scalable, rights-based model for empowering communities

in Ethiopia to adapt to climate variability and change by piloting an insurance instrument and integrated risk-reduction measures as part of a holistic approach to risk management."

2007-2008: Development of the Pilot

The groundwork for HARITA began in the fall of 2007 in the drought-prone village of Adi Ha, Ethiopia. Led by the Oxfam Ethiopia office, local partner REST and Columbia's IRI visited Adi Ha to evaluate the potential for micro-insurance and gauge the local community's interest. Gebremichael, the REST manager on the HARITA project, explained:

> What we did was an initial demand assessment. Our research used focus groups and interviews with local people. Really, it was a discussion with the whole community about their problems, and farmers said they had an interest in risk transfer.[43]

In winter of 2007, Oxfam then commissioned a more in-depth independent demand study supported by the Micro Insurance Association of the Netherlands, the Development of Humane Action Foundation of India, the Center for Research on Environmental Decisions, and Addis Ababa University. Finally, in May 2008 Oxfam launched the HARITA Design Team—the task force officially charged with designing and implementing the HARITA pilot. Supporting the Design Team were international technical advisors IRI and Swiss Re.

Central to the Design Team's strategy was its farmer-centric approach to product development. Due to the absence of a micro-insurance agricultural market, past pilot projects of this sort had been driven by large multilateral organizations using top-down product development approaches. In other words, they were focused on the technical challenges of developing a product: They needed to prove that a simple insurance plan could be developed in a developing country, solve a number of technical issues, and convince insurers to try to reach poor farmers. Swiss Re had been instrumental in helping to solve these types of supply-side technical issues in prior pilots.

By the time HARITA was being developed, many of the supply-side challenges had been solved. Products had been developed and sold in certain parts of the world, and insurers wanted to experiment further. The problem then became the demand side—convincing farmers to buy insurance. This was where many prior pilots had failed. Many had experienced very low uptake rates, and funders began to believe that farmers simply did not want insurance. HARITA set out to challenge this conclusion by designing a product that would actually be attractive from the customers' point of view.

Thus, a critical component of the Design Team was the inclusion of five Adi Ha community members, elected by their peers, who helped the partner organizations accurately identify farmers' vulnerabilities and challenges. "The community members were deeply involved in designing the product and the evolution of the project, which was very important. Designing *should* be done always at the local level," said Gebremichael.[44] In addition, the Design Team gathered more information about the community through a community-wide Participatory Capacity and Vulnerability Assessment as well as a focus group of 21 local farmers, on which it tested educational workshops on climate change, financial literacy, and insurance. Gebremichael explained:

> Whenever you come in with new innovation [like index insurance], the community needs to have trust in you. … and an important contribution of the Relief Society of Tigray is that we already had that trust from the community. Even now, we travel to Adi Ha and have monthly meetings with community farmer representatives.[45]

Finally, IRI and Swiss Re worked together to draft a prototype weather index insurance contract. IRI conducted experimental economic risk simulations followed by focus group discussions with farmers in order to thoroughly understand farmers' preferences for key elements of insurance contracts (e.g. coverage levels and frequency of payout). Farmers' input turned out to be invaluable to the creation of the pilot. In fact,

one of the HARITA pilot's central innovations was suggested by a farmer—to allow the poorest farmers to pay for insurance premiums with their only asset, labor. This became known as the "insurance-for-work arrangement." Swiss Re's Environmental and Commodity Markets (ECM) unit then used its expertise to structure the insurance solution. As Spiegel explained:

> ECM helped IRI to develop these indices, to actually structure the insurance solution. And what we needed in order to do that was to have the weather data, the on-the-ground data, and the satellite data, which IRI had access to. Then we needed to link that information to yields and losses on the agricultural side so that you can find the times when the impact of droughts is most detrimental to the agricultural industry. From that you come up with a parametric index-based solution.[46]

The result of pilot program development was a holistic risk management framework, manifested in an insurance product called the *Wahisna* (which means "protection" or "collateral") package.

Through the Wahisna package, farmers were purchasing index[xi] insurance. Index insurance provided a guaranteed payout to a farmer (a fixed amount that was predetermined in the insurance policy) if a predefined weather event occurred during a specified timeframe. In the product development phase of the HARITA pilot, it was determined by consensus that an early end to the rainfall season was the largest threat to teff, Ethiopia's staple grain and the only crop originally covered by the Wahisna package. Thus, if between August and October—a critical window of time in teff's growth cycle—the rainfall in Adi Ha didn't surpass the trigger value of 105 millimeters, the Wahisna insurance policy would be paid out to the farmer. See **Figure 4** to understand some of the specific benefits of index insurance.

Though index insurance helped to overcome many challenges in the Ethiopian marketplace, developing an accurate index was a challenge. This process typically required 30 years of high-quality data on daily precipitation, a luxury the Design Team simply did not have. Poor communities in developing countries are often located very far from the weather stations (a costly resource) that have long and reliable records. Such was the case in Adi Ha, which had only seven years of reliable rainfall data. To compensate for this, IRI explored a combination of new techniques to enhance the sparse datasets it had. It incorporated satellite imagery, rainfall simulators, and statistical tools that took into account information from the existing weather stations closest to Adi Ha. IRI also trained 21 local farmers in weather data collection so that they could become a reliable local source of data on Adi Ha moving forward. IRI's approach and data were evaluated and accepted by both Swiss Re and Nyala Insurance.

2009: HARITA Pilot Is Officially Launched

After over a year of preparation, the official two-day kickoff of the HARITA pilot project in Adi Ha occurred on May 28-29, 2009. Six hundred farmers attended project enrollment activities, and 200 (or 20% of the households in Adi Ha) signed up for the Wahisna package. This doubled HARITA's ambitious 100-household enrollment goal.

The take-up rate for HARITA's innovative micro-insurance product was 34%, when taking into account the number of households who purchased insurance versus the number of households who knew about and understood the Wahisna product. This rate closely approached the global take-up rate for microcredit, a product that had existed much longer and had had adequate time to improve and evolve. This success was greatly encouraging for the HARITA partners. Of those who enrolled for the Wahisna package, 65% were participants in the Productive Safety Net Program and were thus categorized as chronically food insecure, and 38% were female-headed households. These were two of the most vulnerable groups in Ethiopia, and their take-up rates highlighted that the insurance-for-work arrangement could challenge the conventional

xi **Index** refers to the fact that the insurance is based on a proxy for loss and an objectively verifiable measure of weather.

belief that the poorest people of the world were uninsurable.

Equipped with the learnings and inspired by the successes of its first year, the HARITA project garnered continued commitment from its linchpin funder, Swiss Re.

Building a Stronger Cross-Sector Relationship: From Climate Risk to Food Security

In September of 2010, leaders from Oxfam and Swiss Re were in New York for the UN General Assembly and Clinton Global Initiative annual meetings. Ray Offenheiser (President of Oxfam America) led Oxfam's side, while Pierre Ozendo (CEO of Swiss Re's North America operations) and Walter Bell (Chairman of Swiss Re's North America operations) headed Swiss Re's delegation to the sessions. Over the previous few months, Oxfam and Swiss Re had been developing the outline for a broad, comprehensive partnership with the World Food Programme,[xii] and the two organizations shared a new sense of momentum and potential. It was an opportune time for a meeting among the organization's top leaders in the Swiss Re Manhattan office, recalled Satterthwaite.

After some discussion about the HARITA project and its results, a more open comment about the effects of climate change on poor farmers prompted an animated discussion of global food systems and the price volatility and challenges that farmers face.

Scaling Up: Can the HARITA Model Go Global?

With an increased confidence in the alignment between Oxfam and Swiss Re and the bold goal to pursue a much more ambitious vision of scale in 2011, Satterthwaite hoped to secure a five year, $1.5-million commitment from Swiss Re for HARITA's newest iteration, the R4 Rural Resilience Initiative. HARITA's name would evolve to R4 because the vision for the new initiative's ultimate goal was to expand to serve countries beyond the Horn of Africa, and the holistic risk management approach would incorporate a fourth R (building upon risk reduction, risk transfer, and risk taking): risk reserves. Risk reserves focused on encouraging farmers to save in order to build their community's capital and smooth their income during volatile times. As R4, the project's next step was to scale up to reach over 35 villages in Ethiopia. From there, Satterthwaite hoped to expand and begin operations in three more countries.

The prospect of moving from a relatively modest pilot project to a multi-country initiative stood to be a major turning point for both parties. An aggressive expansion proposal would certainly draw greater attention internally from Swiss Re's business units. Indeed, the increase in resources, the longer-term commitment, and the opportunity to reinsure a growing number of policies that would emerge from a scaled-up effort would create a major change in the level of Swiss Re's engagement in the initiative. For the holistic risk management package to become commercially viable, it would need to expand substantially beyond the relatively small population served under HARITA's current scope. Thus, Swiss Re had to decide whether it wanted to limit HARITA to the status of a productive corporate sustainability initiative or move forward by integrating R4 more closely into its business strategy.

At the same time, Oxfam needed to determine whether or not the benefits of forming an extensive partnership with a company in the private sector outweighed the potential risks. Clearly, deeper engagement with Swiss Re would provide more resources and further support for a financially viable and scalable business model. This expanded relationship, however, would also draw more internal attention and scrutiny. Satterthwaithe remembered talking to Victor Brans about the initial resistance she faced in launching the pilot project. The level of scale he was now proposing might well generate renewed concern within Oxfam

xii The **World Food Programme** is the largest humanitarian organization addressing hunger worldwide. It keeps approximately 100 million people in 75 countries from starvation through its food-and-cash-for-work infrastructure.

about this type of cross-sector collaboration and how it fit within the organization's overall mission and deep-seated beliefs about development. Beyond that, scaling had its own unique management challenges. Satterthwaite remembered what he had learned from the local partners in Ethiopia and what they anticipated the challenges around scaling would be. As Gebremichael explained:

> Trust is very important. So, when we think about expanding, we will need to find other good local partners, and this can be a challenge. We need to understand everything on a local level. You need to understand each community's real problem. If it's flooding, you need to offer flood insurance, not tell them to buy index insurance. It is also costly to do a research-oriented local analysis and capacity building to educate farmers at each new place.[54]

Satterthwaite knew that strong local partners would be essential to expansion. Further, he pondered the evolving value proposition—what were the changes in opportunities and risks as the project moved from pilot to scale? Indeed, going from pilot to scale was a game changer in many ways. To build a stronger cross-sector partnership between Oxfam and Swiss Re, Satterthwaite needed to understand the new value proposition and how best to present a compelling vision that addressed the concerns that both organizations were sure to raise. He settled into his chair and began to craft his notes for the meeting.

Notes

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