



LESSONS FOR EFFECTIVE RESILIENCE PROGRAMS:

a case study of the RAIN program in Ethiopia

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45 SW Ankeny Street
Portland, Oregon 97204

888.842.0842
mercycorps.org

PREPARED BY

SHANTI KLEIMAN

Leland Congressional Hunger Fellow

202.463.7384

skleiman@dc.mercycorps.org

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Somali Region, Ethiopia – Shanti Kleiman/Mercy Corps

FOREWORD

Communities inhabiting the Drylands of the Horn of Africa have lived with drought and volatile food price shocks for generations and been forced to adapt to survive.¹ Their adaptation strategies include growing drought tolerant crop varieties, harvesting rainwater and other soil and water conservation techniques, cereal-livestock barter and mobile livestock production systems. Despite the passage of time, many of these strategies continue to serve communities well, breaking down only where they are compromised by contemporary challenges: demographic change, inappropriate land management, conflict, globalization and ill-informed dryland policy and strategy processes.

In support of drought-affected communities, there are examples of timely and appropriate interventions that can be traced as far back as the time of the Pharaohs. In the Horn of Africa, there is little official documentation prior to the colonial era. This said however, research findings document the long-standing livestock-for-cereals trade between pastoral and agricultural communities that pre-dates the colonial era and has historically benefited drought affected pastoral communities.² More recently in the mid-1980s, the 'Drought Cycle Management' model was piloted in the pastoral areas of northern Kenya. Based on lessons learned in the 1800s on the Indian sub-continent, the model recognizes that drought is recurrent, and that a flexible and responsive planning approach facilitates appropriate intervention in the different phases of drought: normal, alert/alarm, emergency and recovery. The model integrates relief-recovery-rehabilitation-development.

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- 1 The term Drylands encompasses the region's arid, semi-arid and dry sub-humid grasslands and accounts for more than 70 per cent of the total land surface area.
 - 2 Pastoralists typically gained as much as 15 to 1 in the amount of calories in the exchange of a goat/ sheep for cereals.

The 'Drought Cycle Management' model was adopted as a planning tool in Ethiopia under the USAID-funded 'Pastoral Livelihoods Initiative' (USAID-PLI) in 2006. Assisted by Tufts University, implementing partners established a strong evidence-base in support of a flexible drought response that included: animal health, supplementary livestock feed, commercial and slaughter destocking and the stabilization of cereal prices. A number of these interventions were supported through a pilot Crisis Modifier facility. Lessons learned under USAID-PLI contributed to the development of 'Livestock Emergencies Guidelines and Standards' (www.livestock-emergency.net) and continue to inform the Disaster Risk Management - Agriculture Task Force³ (DRM ATF) drought management road maps. Elements of the model also inform the Government of Ethiopia's 'Productive Safety Net Programme' (PSNP), specifically the 'Contingency Funds' and 'Risk Financing' components.

Mercy Corps' Revitalizing Agricultural/Pastoral Incomes and New Markets (RAIN) project has picked up the baton of innovative dryland resilience-building work. The program capitalized on the multi-year flexible funding provided by USAID/OFDA to implement strategies that protect assets from drought disasters, while concurrently preventing food insecurity and promoting economic development. This case study details how the RAIN program was designed and adaptively managed to make this possible. This research therefore provides valuable insights to help end drought emergencies in the Horn of Africa,⁴ including the need for responsibilities and decision-making to be increasingly devolved from Brussels, London and Washington DC to the Horn of Africa and again on to local administrations and communities in the Drylands.

Finally, it should be remembered that the next drought is 'on the way' and whether it strikes this year or two years from now, strike it certainly will. Let us hope that at that time, all stakeholders are appropriately prepared, so that the impact may be mitigated and the unacceptably high cost of drought at the household, community, government and international community levels significantly reduced. This case study provides useful guidance and encouragement for those engaged in such work.

Adrian Cullis

Senior Programme Officer
Food and Agriculture Organization, Ethiopia.

3 The DRM ATF is one of several sectoral Task Forces that reports to the Disaster Risk Management and Food Security Section, Ministry of Agriculture in Ethiopia.

4 The Intergovernmental Authority on Development (IGAD) has launched the 'Drought Disasters Resilience and Sustainability Initiative' to end drought disasters in the Horn of Africa <http://IGAD.int>

EXECUTIVE SUMMARY

Purpose

Revitalizing Agricultural/Pastoral Incomes and New Markets (RAIN) was a three year, US\$17 million program that used humanitarian financing as a bridge for relief-to-development activities in the Somali and Oromia regions of Ethiopia. This study examines the implementation of RAIN, how novel elements of the program design fared in practice, and the key role that adaptive management played in maximizing program features. The purpose of this discussion is to provide donors and implementing partners with guidance for the design and management of future resilience programs.



Ethiopia — Joni Kabana for Mercy Corps

Background

RAIN emerged out of the 2007-2008 Horn food price crisis. Funded by the Office of Foreign Disaster Assistance (OFDA), the program used sustainable development strategies to improve the capacity of communities in the Somali and Oromia regions of Ethiopia to cope with cyclical risks and shocks. According to an OFDA representative, **“We wanted a more sustained intervention that would be resilient to the next shock.”** The resulting relief-to-development program design aimed to **protect** assets through diversification, **prevent** food insecurity through strengthening and diversifying livelihoods, and **promote** economic development. In addition, the funding mechanism itself, which was multi-year and provided complete budget flexibility, facilitated the emergence of activities that responded rapidly to changing conditions on the ground.

Despite this unique enabling environment, a year into the program, RAIN was on the verge of failing to fulfill its potential. The program struggled to implement its ‘protect’, ‘prevent’, and ‘promote’ activities in an integrated manner. A combination of unfamiliarity with multi-year, development-focused, humanitarian funding and mismatched expectations among both the implementing staff and local government officials impeded effective roll-out of market development strategies. Five years later, RAIN is perceived as an example of a program that successfully transitioned from traditional relief activities to market development, and gains achieved under RAIN are being continued through the 5-year Pastoralist Areas Resilience and Market Improvement (PRIME) program.⁵The findings within this document summarize lessons from this change in trajectory.

Methods

The study applies a mixed method approach to understand (1) to what extent the flexibility and length of the RAIN funding made a difference to the program’s emergency response and livelihoods development effectiveness; and (2) to what extent RAIN managers maximized potential advantages of the flexibility and length provided. Findings are based on interviews and focus groups with 50 key informants including RAIN senior managers, staff, consortium partners, Somali Region government officials, donors, and managers of peer programs.⁶ In addition, findings draw upon an organizational learning survey⁷ completed by 22 former RAIN and current RAIN Plus staff.

5 Key informant interviews with OFDA and USAID representatives.

6 Such as another precursor to resilience programs, the Pastoralists Livelihood Initiative.

7 Harvard business school learning organization survey (Garvin, Edmondson, & Gino, 2008)

Findings

- **Multi-Year Funding Enabled New Strategies to Mature** – Multi-year funding was critical to helping RAIN transform expectations for how humanitarian assistance can be delivered. The multi-year time frame allowed RAIN the opportunity to show government, staff, and partners the tangible results of market facilitation activities. Over the three-year period, market facilitation activities such as private investment forums, input supply trade fairs, loans to commercial livestock traders, and investment in the region's first microfinance institution (MFI) yielded concrete results. By the end of the program, government representatives went from obstructing market development activities to highlighting the success and good work of the RAIN program.
- **Flexible Funding Enabled Early Response** – In 2011, East Africa experienced a severe drought. Because complete budget flexibility was built into the program, RAIN was well positioned to respond quickly to the needs of drought-affected communities within RAIN's operational areas. From October 2010-March 2011, program managers increased investment in risk mitigation activities, such as cash for work and expanded community animal health networks, protecting development gains while responding effectively to immediate needs.⁸
- **Adaptive Management Maximized the Advantages of Flexible and Multi-Year Funding** – Managing complex resilience programs requires that managers adapt quickly to changing circumstances over the life of the program. During the three-year program, RAIN shifted away from linear management in which work plans were treated as an operation manual, to iterative management, frequently revisiting strategies and methods to achieve program goals. RAIN leadership worked to improve program effectiveness through two main strategies: (1) measuring progress and recognizing failure, and (2) adapting internal support systems to match program strategies.
- **Integration Between Programs Helped Save Development Gains** – In response to early warning reports predicting the 2011 drought, the RAIN team initiated response and preparedness activities in October 2010. However, by June 2011, at the peak of the drought, the team recognized that the significant staff time dedicated to emergency response was detracting from market development activities and reinforcing the perception that RAIN was a traditional humanitarian program. With OFDA approval, RAIN management responded by collaborating with Mercy Corp's Emergency Response Unit (ERU) to manage \$600,000 of the program portfolio. Four RAIN staff with previous humanitarian experience implemented drought response activities under the direct management of the ERU director while maintaining close collaboration with the RAIN team. This arrangement enabled the program to effectively manage risk in drought-affected districts, while continuing development activities.
- **Links from Relief to Development Enabled Continuity** – Communities in arid lands will continue to experience drought for the foreseeable future, however, with improved resilience, they will be able to more successfully adapt to environmental changes with reduced negative consequences at both the household and regional economy levels. Strategic use of humanitarian financing can transition communities that experience cyclical drought towards increased resilience. The global food price crisis, from which the call for proposals that resulted in RAIN emerged, required OFDA to adopt a different approach for grant delivery. OFDA sought to use RAIN to build a link between humanitarian and development programming. Deliberate and effective coordination between OFDA and USAID mission representatives resulted in a five-year USAID follow-on program, PRIME, that is directly building upon the gains made during RAIN.

8 <http://www.odihpn.org/humanitarian-exchange-magazine/issue-53/improving-drought-management-systems-in-the-horn-of-africa> (Cullis, 2012)

Conclusion

The RAIN program experience affirms the importance of multi-year and flexible funding as key program design features if progress in resilience building is to be supported in areas with high levels of structural and temporal vulnerability. These features enable management to respond effectively to changing circumstances in order to better meet the needs of communities and to create the necessary conditions for relief-to-development strategies to take hold. Finally, this study found that deliberate and effective coordination between donor agencies can ensure that development gains achieved during one program period are directly leveraged by subsequent programs, thereby increasing the effectiveness of resilience programs.



Ethiopia – Joni Kabana for Mercy Corps

INTRODUCTION AND METHODOLOGY

A body of evidence is accumulating that demonstrates the cost effectiveness of early response and livelihoods development activities.⁹ Consequently, international donors such as DFID and USAID are increasingly applying these lessons by funding INGOs to implement **multi-year resilience programs with flexible funding**. Programs funded on these mechanisms are believed to be better able to meet households' basic needs while building their resilience to shocks.¹⁰ Revitalizing Agricultural/Pastoral Incomes and New Markets (RAIN), a three-year, US\$17 million program implemented by Mercy Corps and Save the Children in Ethiopia beginning in 2008, is an example of this type of program. RAIN specifically aimed to use humanitarian financing as a bridge for relief-to-development activities in the Somali and Oromia regions of Ethiopia. This study examines the implementation of RAIN, how novel elements of the program design fared in practice, and the key role that adaptive management played in maximizing program features. (See Figure 1). The purpose of this discussion is to provide donors and implementing partners with guidance for the design and management of future resilience programs.

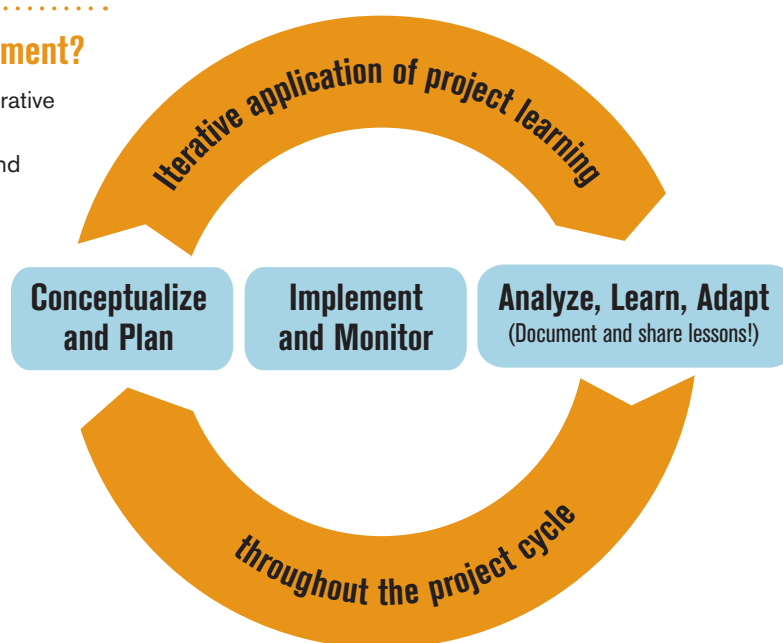
The study asks: a) to what extent did the flexibility and length of the RAIN funding make a difference to the program's emergency response and livelihoods development effectiveness, and b) to what extent did Mercy Corps effectively manage the program to maximize potential advantages of the flexibility and length provided? The research is based on a mixed-methods approach consisting of: i) a review of program documents including analysis of actual expenditures, organizational charts, email archives, and learning, design, and reporting documents; ii) a review of literature related to resilience, adaptive management, and peer program documents; iii) in-depth semi-structured interviews with 50 key informants, (5 focus groups and 31 individual interviews), consisting of senior managers, staff, consortium partners, regional level government officials, RAIN program authors, PLI II staff, and donors and; iv) an organizational learning survey¹¹ completed by 22 former and current RAIN staff. It is important to note that this learning document does not purport to be an impact evaluation; additional data and study will be required to fully evaluate whether the long-term sustainable outcome objectives of RAIN have been achieved.

FIGURE 1:

What is Adaptive Management?

Adaptive management is a collaborative learning-by-doing approach that integrates design, management, and monitoring to systematically test decision-making assumptions through continual adaptation and learning.

(Salafsky et al. 2001)



9 Ramalingam, Scriven, & Foley, n.d.)

10 (Venton, Fitzgibbon, Shitarek, Coulter, & Dooley, 2012)

11 Harvard business school learning organization survey (Garvin et al., 2008)

PROGRAM BACKGROUND:

New Mechanisms for a New Approach

The 2007-2008 global food price crisis demanded innovative approaches to emergency response, especially in regions prone to chronic drought.

OFDA recognized that programs that linked relief to sustainable development would be critical and that, “an increased resilience to shock is a fundamental step on the road to recovery and development.”¹²

The resulting Horn Food Price Crisis Response (HFPCR) call for proposals had three aims: (1)

Protect household assets, “by using a livelihoods and

integrated value chain approach,” (2) Diversify asset bases, “through both agricultural entrepreneurs and ex-pastoralists,” and (3) Develop market linkages, “and support the value chain approach.” Ultimately, four separate multi-year grants were awarded (see Table 1).

“We were combining the real time crisis of the food price crisis in 2008 with the realization that acutely affected areas also have chronic need. Now, this is one of the many precursors to what is called “Resilience.” Ethiopia, Kenya, and Uganda were all included in the call for proposal. We said we were looking for something a little different. That we want to target not the most vulnerable which is usual OFDA, but rather to catch the population that if there is one less shock it would shore up that population. We wanted a more sustained intervention that would be resilient to the next shock.”

– OFDA Representative

TABLE 1:

OFDA multi-year awards resulting from the Horn Food Price Crisis Response (APS)

Country	Lead Agency	Project Name	Award Amount (\$)
Ethiopia	Mercy Corps	Revitalizing Agricultural/Pastoral Incomes and New Markets (RAIN)	16.9 Million
Ethiopia	Food for the Hungry	“Market-led Recovery and Enhancement Program (MLREP)”	3.7 Million
Kenya	Food for the Hungry	“Arid and Marginal Lands Recovery Consortium [ARC]”	15 Million
Uganda	Mercy Corps	“Horn Food Price Crisis for Uganda”	5 Million

The Horn Food Price Crisis Response (HFPCR) call for proposal, was unique in two significant ways: (1) it aimed to connect communities to market opportunities, financing, and livelihood diversification, whereas OFDA usually financed disaster assistance programs; and (2) it was designed to be a multi-year year cooperative agreement, which is much longer than OFDA’s typical three month to one year programs. The award also used 100% line item flexibility, which means that funding was not tied to specific activities, but could be adapted to activities and budgets over the life of the program to best achieve program goals. This flexibility is typical of OFDA awards, which require notification and concept note approval only for a change in award scope or objective. However, the **combination of flexible humanitarian funding together with multi-year financing** was a new opportunity for implementing organizations that provided the perfect testing ground for innovation and adaptive programs.

12 USAID/DCHA/OFDA ANNUAL PROGRAM STATEMENT (APS) FY-2009 Horn Food Price Crisis Response for Ethiopia (OFDA FY-09-002-APS)

The RAIN project design process involved people with decades of experience working on relief and livelihoods programming in Ethiopia and who had contact or involvement with the Pastoralist Livelihoods Initiative (PLI I) and The Productive Safety Nets Program (PSNP).¹³ The overall goal of the final RAIN program design was to increase household resilience to shocks in a strategic cluster of connected districts in the Somali Region and East Hararghe within three years.¹⁴ The RAIN program framework included three response strategies: (1) **protect** vulnerable and food insecure households and improve preparedness; (2) **prevent** food insecurity through strengthened and diversified livelihoods; and (3) **promote** efficient market-based businesses, local economic development, and economic integration.

A BRIEF CHRONOLOGY OF RAIN

Many of the senior managers, staff, partners, and donors interviewed for this study, segmented the RAIN program into three distinct phases. In the first phase, and with some overlap into the second phase, delivering on the relief-to-development vision of the RAIN design was a challenge. Most local government and implementing staff were unfamiliar with a program like RAIN that had humanitarian financing with strong development objectives. The innovative aspects of the program were initially confusing to many involved and it took time for both internal and external expectations to adjust. As a result, for the first 1.5 years of RAIN, the program did not sufficiently emphasize the market development aspects of the program design.

The second phase of the program began when Mercy Corps recognized that RAIN was not meeting its developmental objectives and brought on a new Chief of Party. Further, Mercy Corps found that the program was not delivering quality relief and livelihoods activities. An external Tufts University learning study on cash for work programs confirmed that the program was underperforming (Catley & Napier, 2010). The new leadership re-organized the program beginning with revising budgets, restructuring staffing, reviewing the proposal with the team to draw out appropriate activities, and generating a market development strategy.

The third phase of RAIN accelerated the learning from the first two phases of the program. Early investments, such as establishing the first Islamic microfinance institution in the Somali Region and working with Somali livestock traders to improve market linkages in the region, showed strong returns. The successes in the third phase compounded, laying a strong foundation for Pastoralist Areas Resilience and Market Improvement (PRIME), USAID's five-year, \$48 million follow-on resilience program that would continue RAIN's work. By the end of the third phase, government officials who were initially skeptical of the program's value, supported the relief-to-development strategy, and emphasized the need for more programs with integrated humanitarian and development design.¹⁵

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“Our goal is to make our partners competitive for development awards. It has a huge impact on the continuity of these activities. RAIN is a test case mission. We want to do this with every partner we are working with. We’ve been pushing the envelope. The issue is bringing as much development funding into vulnerable areas, so we [OFDA] don’t have to be there.”

– OFDA representative

13 PLI I and PSNP are two precedents to resilience programming in Ethiopia, which had strong influence on the RAIN program design.

14 Mercy Corps RAIN operational woredas (districts) in the Somali Region: Degehabur, Aware, Gashamo, Degehamado (Degehabur Zone); Gursum Somali, Awbere, Kebri Bayah (Jijiga Zone). Mercy Corps RAIN operational woredas in the Oromia Region: Gursum Oromiya, Babile, Midega (East Hararghe Zone). SAVE operational woredas in the Somali Region: Ayisha, Dambel, Shinile, Mieso, Afdem, Erer (Shinile Zone); Jijiga, Babile Somali, Harshin (Jijiga Zone).

15 Key informant interviews.

FINDINGS

Three key donor-led design features provided the enabling mechanism for adaptation at each stage of RAIN: (1) flexible funding, (2) multi-year funding, and (3) the relief-to-development program design. Each allowed managers to transition RAIN to become a more effective resilience program.

Multi-Year Funding Enabled New Strategies to Mature

Multi-year funding gave RAIN management the time and opportunity to show government, staff, and partners the tangible results of market facilitation activities. During 2010, when RAIN leadership recognized that the program was struggling to meet its developmental objectives, the team responded by restructuring work plans, budgets, and staffing structures. However, the Somali government did not approach the program with the same flexibility embedded in the program design. While RAIN wanted to promote loans rather than business grants, cut out ineffective cash-for-work activities in the Somali region, and find more appropriate temporary employment options, the government saw these changes as a breach of contract.

Over time, as market facilitation activities (including private investment forums, input supply trade fairs, loans to commercial livestock traders, and microfinance investment) yielded concrete results, some Somali Region government representatives changed from being vocal critics of market development activities, to promoting these types of activities within the RAIN program. The longer time frame also helped program staff to overcome resistance to approaches such as beneficiary cost sharing and market facilitation. By contrast, during interviews, most staff identified value chain development approaches as the most important skills gained during their work with the program.

“Having a multiyear program creates a window of opportunity to learn from achievements and failure so that you can build. One thing that changed was the linking with private sector even in emergency response programs, which is different and changes the course.”

– RAIN Senior Manager

Voices from Key Informants: **Changing Perspectives and Approaches**

“The new ideas would not have come [if the program were not multi-year]. Three years itself is not enough. Developing actors takes time – we spent the first years changing the minds of the actors – and now it is the real implementation. The most important works remains now. Whatever ideas we are including in PRIME – that idea was created by RAIN.”

– RAIN Manager

“RAIN was one of the most successful programs in the region. Donors come only when there are emergencies. We spend huge capital on emergency interventions, but don’t spend much in non-emergency periods. We acknowledge the development work that RAIN is doing. We support this idea [multi-year relief to development programs].”

– Somali Government

“The RAIN model was about providing a framework for learning. It took a markets approach, a value chain approach. [It worked with] long time government partners and said, “No free hand outs, no free drugs,” people didn’t value NGOs as bringing transformative change. This was a big challenge. It was a struggle from the beginning to have an NGO try to do things differently from others. The government would ask, “how many wells are you going to drill? How many livestock will you vaccinate? “It took a long time.”

– Donor OFDA/USAID

“The value chain approach in RAIN was new for me. I saw how other NGOs were doing unnecessary activities. When I saw the business model, it was interesting. I learned the business development approach. Instead of donors giving money [grants] or some kind of product, you make business linkages and contribute to community development. [This idea] changed the course of my profession. I am fully engaged in development.”

– RAIN Staff

Flexible Funding Enabled Early Response

In 2011, East Africa experienced severe drought. RAIN was well positioned to respond quickly to the needs of drought-affected communities within RAIN's operational areas. Program managers increased investment in risk mitigation activities such as cash for work and the support for networks of community animal health workers. The 100% budget flexibility allowed staff to act on initial community assessments and respond in time to lessen the impact of the oncoming drought. By the end of February 2011, RAIN had already infused over \$1 million dollars into communities for protection and prevention activities, with the bulk of spending supporting animal health strengthening, cash for work, rangeland protection and management, and income generating groups. By the peak of the drought in June 2011, the program had built or rehabilitated over 32 million liters of water storage through cash for work activities that transferred an estimated \$500,000 to pastoralist and agro pastoralist households.¹⁶

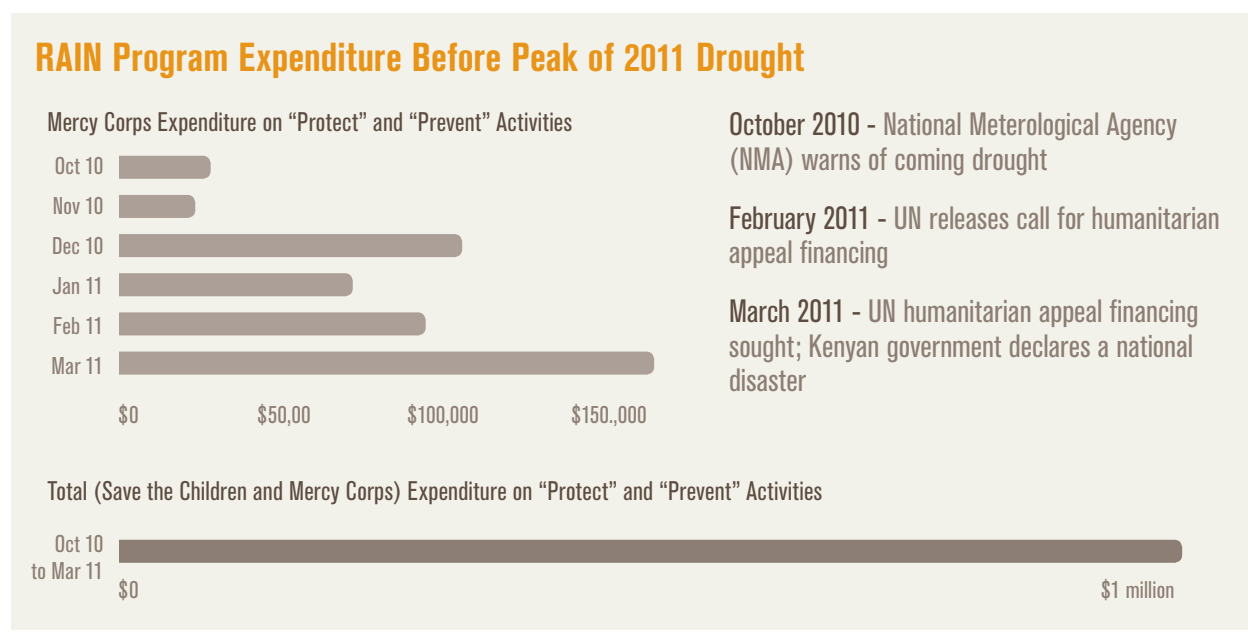
Below, Figure 1 illustrates the program's early emergency response to the oncoming drought. It shows that RAIN program expenditures were able to respond to early warning information from October 2010-February 2011, complimenting UN humanitarian funding that became available in February 2011. In comparison, most organizations responding to the drought would have to use core funds from their organizations, receive private financing, or wait for valuable UN humanitarian appeal financing to come through, a process that averages 49 days.¹⁷

“I think we did emergency well throughout. [In] 2010/11 we were able to do activities before an emergency was formally declared. With our ongoing activities we were able to mitigate or even reduce the impact of emergencies.”

– MC Senior Manager

FIGURE 1: Shows RAIN expenditures during the 2011 drought.

Source: RAIN program budget vs. actual (BVA) records.



¹⁶ Quarterly reports and Mercy Corps and Save the Children budgets.

¹⁷ (Inter-Agency Standing Committee (IASC), 2012)

Adaptive Management Maximized the Advantages of Flexible and Multi-year Funding

Managing complex resilience programs requires that managers adapt quickly to changing circumstances over the life of the program. Flexible, long-term funding provides managers with more opportunity to adapt and multiple years with which to take a more iterative approach to change. During the three-year program period, RAIN shifted away from linear management to iterative management, frequently revisiting strategies and methods to achieve programs goals. Creating a culture of learning required behavior changes among the RAIN team and their partners. RAIN leadership adapted to improve program effectiveness in two key ways: (1) measuring progress and embracing failure and (2) adapting internal administrative support systems to match program strategies.

Measuring Progress and Embracing Failure

Willingness to admit failure and encouraging constructive disagreement was characteristic of the management style after the first year of RAIN. Leadership took an active role in building an environment in which staff felt comfortable taking responsible risks and trying new ideas.¹⁸ According to one staff member, “The good thing in RAIN is that we had room to innovate - and all the time we [were] doing that.”

In September 2010, Mercy Corps and Tufts held a joint presentation, which USAID, OFDA, and other partners attended. The event focused on a Tufts learning study of the Cash for Work (CfW) activities in the first year of RAIN. The Tufts study found that RAIN CfW activities were not effective.¹⁹ During the presentation, Mercy Corps management admitted the shortcomings of the CfW activities, and had an open discussion with Tufts and donors on how improvements could be made going forward. An OFDA key informant recalls, “RAIN leadership said, ‘We’re failing here and need to change course! They admitted failure during the big presentation. I was really impressed. They gave honest feedback. We don’t get candid feedback from all partners. We appreciate honesty more than anything.’”

Although OFDA was the donor for RAIN, USAID representatives were watching the program closely and attended the event. A USAID key informant said, “The test for me is - do you embrace the learning or get defensive? And RAIN leadership embraced the learning. That creates an innovative mindset, which we also had in PLI I.” RAIN leadership’s willingness to publicly and candidly discuss failure impressed donors; it set the tone for how the RAIN team would approach learning going forward, and yielded lessons that improved the quality of the RAIN program. Both management and donors remember this as a major turning point for RAIN’s performance. A flexible design meant that this event could be used as a catalyst for significant realignment of strategy and budgets, while multi-year funding provided the time necessary for these changes to be implemented and produce results.

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“When talking about innovation – it’s about the evolution of a program. It’s about asking, “What’s working, what’s not, how do we find out?” It’s about the staff knowing they won’t get in trouble for having an opinion different from the manager. Create an environment where staff come in with ideas and pass info from the field up.”

– MC Senior Manager

¹⁸ Key informant interviews and learning survey results

¹⁹ Catley, A., & Napier, A. (2010)

Adaptation of procurement and finance systems to match market development approaches

The Horn Food Price Crisis call for proposal and RAIN program design emphasized livelihood diversification and a market development trajectory as the core strategy for building resilience in RAIN operational areas. One of the biggest internal stumbling blocks for incorporating market facilitation approaches into RAIN was that Mercy Corps Ethiopia's financial and procurement protocols were not adapted to accept activities outside of traditional activities like grants or distribution of goods. Managers worked with support staff to adapt existing systems to accept cost sharing and loans. As the finance and procurement teams became more familiar with the purpose, process, and outcomes of RAIN development activities, and as program staff took the time to better understand what rules could and could not be modified, it became easier to adapt administrative support system protocols to meet program needs.

Early RAIN seed fairs are good examples of this. While seed fairs are not a new concept in development, Mercy Corps internal finance and procurement systems were not conducive to supporting the economic development team's implementation strategy. The seed fairs were intended to link suppliers in the capital to local vendors, expanding market channels and ultimately increasing access to quality seed for farmers in the region. While they were widely regarded as successful, they required Mercy Corps to serve as an intermediary and were, therefore, not sustainable. As one manager expressed, "They were ring fenced. People could go in, but cash was not allowed. There was no cost share. People were given coupons and they could only use their coupons for payment. This meant that as people wanted to buy more seed, they weren't allowed to."

Based on this experience, RAIN leadership decided to try a different approach in a subsequent fair for the sale of seed storage bags. The manufacturer would sell agricultural input supplies (in this case seed storage bags) to the trader, who would then sell directly to consumer. The customer could pay with a combination of cash and vouchers and the trader would redeem the coupon through the RAIN program. This method would yield more valuable information about local demand to both traders and Mercy Corps. For example, farmers could choose to not use all the vouchers, or could pay full price for additional supplies. The approach was facilitative, focusing on strengthening relationships between farmers and vendors, while reducing risk for wholesalers to travel long distances to build relationships in new markets.

However, RAIN leadership encountered administrative barriers to this new facilitation strategy. Procurement system procedures specify that any commodity Mercy Corps pays for must physically be registered at the warehouse through a goods received form (GRA). Eventually program, procurement, and finance systems developed a compromise – the coupons would be considered the "goods" that Mercy Corps was purchasing. Larger input supply products like seeds, seed storage bags, or irrigation equipment would not have to physically be received in the Mercy Corps storeroom and then be redistributed. According to a senior Mercy Corps staff member:

"The solution took two months to push through. Procurement was involved, and because of compliance, finance was involved. We succeeded because program was unwilling to compromise on strategy...Now when we have done similar activities there has not been a problem – just improving the programs aspect and not the procurement aspect. The key was not letting the issue die when people said 'this is too different, it won't work.'"

This small internal administrative systems roadblock cost the program staff time and nearly caused the program to miss the seed storage season. However, management persisted in making changes that caused internal systems to be more suited to the facilitative management approaches demanded by resilience programs.

Integration Between Programs Helped Save Development Gains

As a result of the 2011 drought forecast, the RAIN team began to intensify “protect” and “prevent” activities as early as October 2010. However, by June 2011, the RAIN team found that it was devoting an increasing amount of staff time to emergency response, reinforcing the perception that RAIN was a traditional humanitarian program. RAIN management recognized that changing this perception was central to achieving program objectives. Accordingly, RAIN staff submitted a concept note to OFDA requesting that \$600,000 of the program budget be realigned and used for a contingency fund to meet the needs of RAIN’s emergency water sanitation and hygiene (WASH) activities. RAIN leadership also requested permission to assign the direct management of the WASH activities to Mercy Corps Ethiopia’s Emergency Response Unit (ERU).²⁰ The head of the ERU would assume responsibility for the Emergency Contingency Fund, integrating RAIN’s emergency WASH activities with the rest of the agency’s emergency portfolio while maintaining close collaboration with the RAIN economic development team.

OFDA approved the concept note 48 hours after it was submitted and, from June 2011 to February 2012, four RAIN staff worked directly under the ERU manager to deliver emergency response, while simultaneously providing a link to RAIN recovery activities. This strategic decision was intended to help reach communities more effectively through integration of emergency programming in overlapping geographies; to clarify roles to government and staff; to free RAIN staff and management to focus on development interventions; and to better operate as an integrated resilience team, jointly managing emergency, recovery, and economic development in districts that were affected differently by the drought, and enabling the program to protect development gains through risk management instead of perpetual crisis response.²¹

“The contingency fund was enormously helpful for immediate response. There was no delay between us being able to officially formulate the team [RAIN Emergency Response Unit] and implementation. From then on, it was full on. We could just run. It was enormously helpful. Usually, we know what we need to do but don’t have the funds to do it. It was the perfect scenario. Our people knew the community, knew the needs, and the community knew them. It would have been hard to have those things together if we hadn’t been working in these areas for two years because of RAIN. I can’t imagine anything better for emergency response than we had at that time. [And it was helpful] to managers that they didn’t have to change focus from market development.”

– MC Senior Manager

Links from Relief to Development Enabled Continuity

The global food price crisis from which the Horn Food Price Crisis call for proposal emerged, required OFDA to adopt a different approach for grant delivery. OFDA used this opportunity to strategically hand off gains under RAIN to a 5-year USAID follow-on intervention called the Pastoralist Areas Resilience and Market Improvement (PRIME) program.

20 The ERU was an independent unit within Mercy Corps Ethiopia that managed nutrition and WASH emergency grants, which were usually short 3-6 month grants.

21 (Catley et al., 2007; Disaster Emergency Response Committee, Response to Crisis in East Africa—Ethiopia Real-Time Evaluation Report, 2012) (Disaster Emergency Response Committee, Response to Crisis in East Africa—Ethiopia Real-Time Evaluation Report, 2012)



Agro-vet pharmacists, Somali Region, Ethiopia – Shanti Kleiman/Mercy Corps

In its third year RAIN made significant progress in becoming the market-oriented program it set out to be,²² but many of its gains were tenuous. For example, the Somali MFI had just opened its doors in December 2011, but the client base was still small; similarly, there was private sector interest in creating a regional milk processing facility, but there were no firm investment commitments. Regardless of which implementing agency was ultimately awarded PRIME, if there was a significant gap between the end of RAIN and the start of PRIME, this progress could be stymied. OFDA mission representatives had a clear vision of using humanitarian financing to maintain programmatic momentum in shock-prone areas making the transition to sustainable development. Bolstered by new Joint Planning Cells²³ and strong professional relationships, OFDA and USAID representatives shared a common understanding of the importance of continuity between relief and development programs, and helped RAIN and PRIME fit together logically and sequentially. As a result, even in a tight fiscal environment, OFDA representatives succeeded in getting RAIN a \$4 million, 11 month cost extension that overlapped with the start of PRIME. This type of smooth transition between humanitarian and development financing is the exception rather than the norm, but the experience of RAIN shows that it is possible to strategically use humanitarian financing to transition communities experiencing cyclical drought towards sustainable development.

“It was a competitive process. Irrespective of the awardee, PRIME would continue with the work of RAIN. In pastoral areas you can’t just come in with money and treat it like the highland. It takes a long time to understand clan dynamics, trade routes, and market dynamics. It takes a long time to build up networks. RAIN was really a learning program for PRIME; all those networks have already been set up.”

– USAID Staff

22 Quarterly reports and key informant interviews

23 For a description of Joint Planning Cells see: <http://www.usaid.gov/resilience/joint-planning-cells>

CONCLUSIONS AND RECOMMENDATIONS

The RAIN program experience affirms the importance of multi-year flexible funding as an important program design feature if progress in resilience building is to be supported. It also highlights the need for adaptive management to translate flexible humanitarian funding mechanisms into effective practice, and demonstrates the value of the strategic use of humanitarian funding as an entry point for longer-term development investments in shock-prone areas. The following recommendations are intended for resilience program implementers (country offices and field teams) and donors designing resilience programs.

Recommendations for Resilience Program Implementers

Promote collaboration between development and emergency teams. Hire people who understand both humanitarian and market facilitation work and develop a plan for who manages relief interventions.

In the case of RAIN, it worked well to have the Emergency Response Unit and RAIN teams work together to manage the emergency portfolio during the 2011 drought. This arrangement resulted in effective emergency response while development activities continued in less severely affected communities. Clear roles and responsibilities are essential, but siloed work can be detrimental to the overall program goals.

Embed contingency funds for crisis response into development programs. Successful early response in places with cyclical emergencies requires contingency funding with triggers that are clearly understood and based on government led roadmaps produced through a functional early warning system.

Ideally contingency funding is embedded within an award, as was the case for RAIN, or is preapproved and accessible within 48 hours of an early warning trigger. If public donor funds do not include contingency funding, consider using privately raised funds to protect development activities in regions vulnerable to cyclical shocks.

Create a supportive organizational culture to identify and learn from failure. Learning organizations encourage constructive discussion of failure and use specific tools to identify problem areas in order to adapt more effectively to changing conditions.

Tools like sustainable livelihoods frameworks, gender analysis, the Drought Cycle Management Model, the Emergency Market Mapping and Analysis toolkit, and results chains, help guide adaptive decision-making. Tracking progress and openly discussing challenges helps management and staff to adapt in the right direction; ultimately this practice allowed RAIN to succeed.

Produce short-term, tangible results while laying the groundwork for longer-term market facilitation approaches to succeed. Changing expectations about the traditional role of humanitarian assistance takes time and counter examples that the political context may not permit.

RAIN leadership recognized that in order to succeed, the completion of short-term activities with visible outputs was necessary to create political space to pursue crucial market facilitation approaches that take longer to yield concrete outcomes. Awareness of this political dynamic facilitated the transition of some local government officials from opponents to supporters of RAIN activities.

Emphasize the critical value of communication in programs with embedded flexibility. Government officials, implementing partners, and organizational staff may not be accustomed to adaptive management in the context of a humanitarian grant, which, in the absence of regular, clear communication, can lead to breakdowns or roadblocks.

Poorly communicated or last minute changes made relationship management difficult for RAIN staff working with government officials, implementing partners and community members. Regular meetings and quarterly work plans were recognized as essential to balancing adaptability with clear communication.

Review procurement, finance, and human resource systems to ensure they are in sync with market development strategies. All of the benefits of flexible, multi-year funding or humanitarian-to-development strategies can be undone by policies and procedures that are not appropriately flexible.

A review of the Ethiopia RAIN program revealed that several support systems were out of step with market development programming strategies. Compromises in this specific program were found, but it is important for organizations to conduct policy reviews in advance to ensure that country teams have the appropriate systems in place to effectively implement program strategy.

Recommendations For Donors

Provide more multi-year funding with the budget flexibility to promote relief to development strategies and to better manage risks posed by cyclical shocks. Resilience programs can be supported by either humanitarian or development funding streams. For humanitarian donors, resilience funding could look similar to RAIN with multi-year, flexible funding, and a relief-to-development design. For development donors, resilience funding would include contingency funding or similar mechanisms that allow managers to protect development gains from risks posed by both slow and sudden onset shocks.

Work beyond program cycles and office/agency boundaries to leverage humanitarian financing for resilience outcomes. Mission directors should implement transition strategies to help bridge relief-to-development programs, thereby strengthening resilience in the long term. One of the keys to RAIN's success is that OFDA worked closely with USAID to develop a follow-on program (PRIME) that picked up where RAIN left off.

Set aside no less than \$100,000 in contingency funds for immediate release to development programs upon early warning system trigger. The experience of RAIN during the 2011 drought demonstrates that immediately available contingency funds are critical to protecting development gains through early response. Much like OFDA's current authority to immediately provide up to USD\$50,000 in initial relief assistance to the U.S embassy or USAID mission in an affected country, immediate assistance to programs applying for contingency funding (also known as a crisis modifier) will speed response to early warning triggers in the gap between funding request and delivery. This mission level contingency funding would be an important compliment to crisis modifiers built into multi-year development programs.

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Key Informants

Donors (OFDA and USAID) – 4 representatives.

Somali Regional State Government – 2 representatives

Mercy Corps RAIN staff and senior management – 38 people were interviewed individually, surveyed, or participated in focus groups.

Save the Children staff and management (RAIN and PLI II) – 6 people were interviewed individually, surveyed, or participated in focus groups.