



# FEED THE FUTURE

The U.S. Government's Global Hunger & Food Security Initiative



USAID East Africa Resilience Learning Project

## EARLY RESPONSE TO DROUGHT IN PASTORALIST AREAS: LESSONS FROM THE USAID CRISIS MODIFIER IN EAST AFRICA

November, 2015



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FROM THE AMERICAN PEOPLE





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Lessons from the USAID Crisis Modifier in East Africa**

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## **Disclaimer**

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## Acronyms

ALRMP	Arid Lands Resource Management Project
ARI	African Risk Initiative
ATF	Agricultural Task Force
ASCU	Agriculture Sector Coordination Unit
AU	African Union
DCM	Drought Cycle Management
DFID	Department for International Development
DPPA	Disaster Prevention and Preparedness Agency
DPPC	Disaster Prevention and Preparedness Committee
DRM	Disaster Risk Management
DRMFSS	Disaster Risk Management and Food Security Sector
ECHO	European Commission's Humanitarian Aid and Civil Protection Department
EDRP	Emergency Drought Recovery Project
EEWS	Ethiopian Early Warning System
EG&T	Economic Growth and Transformation
EU	European Union
FAO	Food and Agricultural Organization of the United Nations
FBF	Forecast-based Financing
FSCB	Food Security Coordination Bureau
GoE	Government of Ethiopia
GoK	Government of Kenya
GRAD	Graduation with Resilience to Achieve Sustainable Development
HSNP	Hunger Safety Net Programme
IFRC	International Federation of the Red Cross and Red Crescent Societies
IGAD	Inter Governmental Authority on Development
NDMA	National Drought Management Authority
NGO	Non Governmental Organization
NPDPC	National Policy on Disaster Prevention and Preparedness Committee
NPDPM	National Policy on Disaster Prevention and Preparedness Management
OFDA	Office for Foreign Disaster Assistance
PFIM	People First Impact Method
PLI	Pastoral Livelihoods Initiative
PRIME	Pastoralist Areas Resilience Improvement Through Market Expansion
PSNP	Productive Safety Nets Program
REGAL IR	Resilience and Economic Growth in the Arid Lands – Improving Resilience
RIMA	Resilience Index Measurement and Analysis
RLP	Resilience Learning Project
RRC	Relief and Rehabilitation Commission
SOMREP	Somalia Resilience Program
SOP	Standard Operating Procedure
START	System for Analysis Research and Training
UN	United Nations
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
WFP	United Nations World Food Program

## Executive Summary

The term “Crisis Modifier” is now used by various aid donors and programs in the Horn of Africa and more widely to encompass a range of mechanisms and relationships that aim to strengthen humanitarian programming within longer-term resilience programs. In pastoralist areas, Crisis Modifiers have a particular role in supporting early responses to drought.

In USAID/OFDA, the concept of the Crisis Modifier seemed to evolve more than 15 years ago during the Ethiopia-Eritrea conflict and involved the re-allocation of development funds towards emergency programming. However, the version of the Crisis Modifier which has been used by USAID/OFDA in pastoralist areas of the region since around 2009 takes a different form and involves:

- an agreement between OFDA in Washington DC and USAID missions whereby OFDA will fund humanitarian activities by a specific USAID resilience project, up to a funding cap of US\$500,000 per event, and up to a total amount of US\$1 million per year;
- a relatively rapid approval process based on a Crisis Modifier concept note submitted by the implementer of the USAID resilience project – most commonly an international NGO – followed by approvals by OFDA in-country and centrally according to pre-agreed timeframes;
- an understanding that Crisis Modifiers are intended for specific and rapid early responses, and that additional and more standard OFDA proposals, and more substantial funding, may be needed e.g. if a drought becomes protracted.

This report focuses on this version of the USAID/OFDA Crisis Modifier and deals mainly with experiences in pastoralist areas of the region since 2009.

### Key findings

- The Crisis Modifier is an important mechanism for supporting rapid, early response to drought in pastoralist areas, while also enabling coordination and coherence between the long-term resilience programs under USAID missions, and humanitarian activities under OFDA.
- The Crisis Modifier mechanism is generally well structured and described in the Memorandum of Understanding (MoU) between USAID missions and OFDA, although there is scope for improvement.
- The Crisis Modifier has been used in Ethiopia since 2009, with strong early use of the approach under the Pastoralist Livelihoods Initiative Phase II (PLI II) project in 2010 and 2011. The successor to PLI II was the Pastoralist Areas Resilience Improvement Through Market Expansion (PRIME) project from 2012. The first attempt by PRIME to activate the Crisis Modifier, in early 2014, was not successful but over time, OFDA report improvements in the activation process from July 2014 through to the time of the review.
- The Crisis Modifier has not yet been used in Kenya, but there is likely to be a need for its activation under REGAL IR at some point.
- Critically, the successful use of the Crisis Modifier depends on the organizational capacities and professional experience of implementing partners – both technically and administratively. Senior project managers with long-term experience of pastoralist areas and drought management show a far greater understanding of the Crisis Modifier and the activities that it might support.
- The relatively streamlined process for activating a Crisis Modifier could lead to rapid, early responses to drought i.e. improve the timeliness of response. However, there is very limited documentation to show if or how the Crisis Modifier has improved timeliness relative to standard proposals and awards from OFDA. Similarly, there is limited documentation on the

household-level impacts of activities under the Crisis Modifier relative to more traditional humanitarian activities.

- The Crisis Modifier is one option for funding humanitarian drought response, and the review compared the Crisis Modifier with some of the other approaches, as shown below.

Table I: Options for drought response funding in USAID resilience projects

Funding option	Pros	Cons
10 per cent variance agreement (USAID development funds)	<ul style="list-style-type: none"> <li>• Can be mobilized immediately</li> <li>• No USAID or OFDA approval needed</li> <li>• No concept note or proposal needed</li> <li>• No official government declaration of emergency needed</li> <li>• Non-competitive at country level</li> </ul>	<ul style="list-style-type: none"> <li>• No technical oversight by USAID or OFDA before implementation – concerns over quality and relevance of activities</li> <li>• Less budget available for development activities later on</li> <li>• Should entire 10 per cent of budget be used, limits flexibility later in the project – further budget changes require USAID approval</li> <li>• Not currently a standard arrangement in cooperative agreements for development projects; reasons for this are unclear</li> <li>• 10 per cent of total budget may be insufficient for emergency</li> </ul>
Crisis Modifier (OFDA)	<ul style="list-style-type: none"> <li>• Technical approval by OFDA in-country helps to ensure quality and relevance</li> <li>• Funds pre-assigned (but not guaranteed) by OFDA</li> <li>• Quicker approval relative to stand-alone proposal to OFDA or other humanitarian donors</li> <li>• Does not reduce budget for development activities across the overall project</li> </ul>	<ul style="list-style-type: none"> <li>• Staff time and skills needed for proposal development against OFDA guidelines</li> <li>• Budget ceiling/cap</li> <li>• Not currently a standard arrangement in cooperative agreements for development assistance</li> <li>• Some dependence on official declaration of emergency, unless standing declaration in place</li> </ul>
Stand-alone humanitarian (OFDA)	<ul style="list-style-type: none"> <li>• Technical approval by OFDA helps to ensure quality</li> <li>• No pre-determined budget ceiling</li> <li>• Does not reduce development budget or budget flexibility for development activities across the overall project</li> <li>• No direct link with development project needed</li> </ul>	<ul style="list-style-type: none"> <li>• Staff time and skills needed for proposal development against OFDA guidelines</li> <li>• Slower approval process e.g. needs full technical review in OFDA Washington DC.</li> <li>• More dependence on official declaration of emergency</li> <li>• More competition for funds e.g. in-country and due to crises in other countries or regions</li> </ul>
Re-allocation of development assistance funds within project (USAID development funds)	<ul style="list-style-type: none"> <li>• No new funding required</li> <li>• Technical justification for re-allocation can be approved by USAID AOR relatively quickly</li> </ul>	<ul style="list-style-type: none"> <li>• No technical oversight by OFDA – concerns over quality and relevance of activities</li> <li>• Less budget available for development activities later on – requires technical adjustment of the overall project</li> <li>• Substantial changes to project budget requires a formal modification to agreement – time consuming</li> </ul>

## **Recommendations**

The report provides 15 recommendations, grouped around funding architecture, improving understanding of the Crisis Modifier, addressing organizational capacities of implementing partners, and coordination/convergence (section 7, page 27).

However, an over-arching recommendation is that USAID missions and OFDA produce a brief position paper that describes when and why each of the funding options in Table I above should be used in USAID resilience programs in pastoralist areas. As part of this process, there will be a need to clarify an option called the “10 per cent variance”, and the conditions under which USAID Agreement Officers include (or not) this arrangement in cooperative agreements with NGOs. This may need the inputs of senior Agreement Officers from USAID. A draft position paper could be an output of a regional workshop involving USAID missions, OFDA and Agreement Officers, during which the pros and cons of the funding options in Table I are validated or refined internally by USAID/OFDA, before sharing and discussion with partners.

# **I. Introduction**

## **I.1 The Crisis Modifier**

A long-recognized constraint to effective drought management in pastoralist areas of East Africa has been the delays in mobilizing resources for early drought response. Drought is a slow-onset crisis, often involving successive rain failures, and evolving over many months or even years. In general, drought early warning systems have evolved which provide adequate advance warning of drought and recent economic analyses have quantified the costs of late response.<sup>1</sup> Despite this, aid organizations still struggle to respond to drought until substantial asset losses have already occurred at community level, with related impacts on households during and after drought.

Within USAID, the Crisis Modifier is a funding mechanism designed to support a timely response to crises by USAID implementing partners who are already operational on the ground and running development projects. The Crisis Modifier in Ethiopia and Kenya now comprises an agreement with OFDA as an integral part of a typical cooperative agreement between USAID and a partner, and allowing access to OFDA funding, with a pre-agreed ceiling. Therefore, USAID view the Crisis Modifier as a novel way of harnessing humanitarian assistance under longer-term development programs. However, the Crisis Modifier is not the only mechanism used by USAID to create flexible funding within development projects in drought-prone areas. For example, a comparable “10 per cent variance” approach used by USAID in Ethiopia under the Pastoralist Livelihoods Initiative (PLI) in the mid-2000s, in which partners could move up to 10 per cent of total project budget towards emergency response without additional approvals from USAID.

Outside of USAID, comparable approaches to strengthen drought response pre-date the Crisis Modifier. For example, EU attempts to integrate development and humanitarian assistance date back to the idea of "linking relief, rehabilitation and development" in the 1980s and beyond. Similarly, as livelihoods thinking and approaches emerged in DFID in the late 1990s, national DFID Livelihoods Advisers had a dual mandate covering both development and humanitarian efforts in pastoral areas, as a means to harmonize DFID support. In NGOs, Oxfam GB development programs in some pastoral areas included a contingency fund, again allowing a shift of resources from development to drought response. In the governments of Ethiopia and Kenya, there is a long history of contingency funds for drought management.

## **I.2 The Crisis Modifier review**

As part of the USAID Feed the Future program globally, and linked to USAID Joint Planning Cell (JPC) in the Horn of Africa, three large-scale USAID-funded projects currently have the Crisis Modifier built into their project design. These are the Pastoralist Areas Resilience Improvement Through Market Expansion (PRIME) project in Ethiopia, the Graduation with Resilience to Achieve Sustainable Development (GRAD) in the highland agricultural areas of Ethiopia, and the Resilience and Economic Growth in the Arid Lands - Improving Resilience (REGAL-IR) project in Kenya. In 2014, USAID/OFDA also used a Crisis Modifier in the Oromiya Region of Ethiopia to provide livestock feed during drought, under a project implemented by CARE, and the Crisis Modifier was used twice under the PLI II program. The Crisis Modifier had not been used in Kenya up to the time of the review although there was an attempt to activate it by REGAL-IR.

In 2015 USAID requested the Resilience Learning Project to conduct a review of the Crisis Modifier in Ethiopia and Kenya, with the overall aim of assisting USAID to examine if and how to further adapt and institutionalize the approach in pastoralist areas. The specific objectives of the review were as follows:

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<sup>1</sup> Cabot-Venton et al. (2012).

- Document the history and development of the Crisis Modifier and related approaches in key donors (e.g. USAID, DFID, EU/ECHO, World Bank) and others (e.g. NGOs), with a focus on drought management and response in the Horn of Africa.
- Describe donor experiences and understanding of the Crisis Modifier, including perspectives on where it worked well and where it did not, with reasons. Describe how the Crisis Modifier has been used by USAID missions, and explain differences in levels of adoptions, if any.
- Describe the experiences of NGOs with using the Crisis Modifier, covering NGOs that seem to have responded quickly and positively vs. those which have not applied the Crisis Modifier.
- Summarize the impact of the Crisis Modifier, with particular emphasis on timeliness of early drought response, and the extent to which the Crisis Modifier has resulted in an earlier response than previous droughts. Also describe if and how funding caps have affected impacts.
- Based on the findings from the questions above, develop recommendations for institutionalizing the Crisis Modifier within USAID. Recommendations should cover both the technical aspects of drought management and response, and the administration of effective, early response (contracting, procurement etc.).

## 2. Methodology

This was a qualitative review based on two main activities:

1. A literature review focusing on the general background and history of drought management in Ethiopia and Kenya, the actors and practitioners involved, and the experiences of different countries with harmonizing development and humanitarian programming in pastoralist areas.
2. Key informant interviews with staff of USAID/OFDA, DFID and NGOs involved in using Crisis Modifiers, and aid practitioners with historical experience of approaches such as Drought Cycle Management, Crisis Modifiers and similar approaches. Twenty key informant interviews were conducted in Ethiopia (9), Kenya (9) and South Sudan (2) in September 2015.

During the review a severe drought was affecting northern parts of Somali Region and southern parts of Afar Region in Ethiopia. Therefore, key informants interviews in Ethiopia included discussion on how implementers were actually responding to the drought, and if and how the Crisis Modifier was being used in a real situation.

The main limitation of the review was the intent to examine the impact of the Crisis Modifier in terms of more timely response and livelihoods impacts, but limited documentation of the added value of the Crisis Modifier in Ethiopia relative to “typical” livelihoods-based drought interventions, without a Crisis Modifier. This limitation was compounded by a high turnover of agency staff, such that individuals who may have recalled events and decision-making, were not available.

### 3. Drought and Early Response in Pastoralist Areas

To a large degree, the use of the Crisis Modifier as a means to support early response to drought has its roots in the Drought Cycle Management (DCM) approach. Whilst DCM originated mainly in Kenya, a parallel process took place in Ethiopia using similar models.

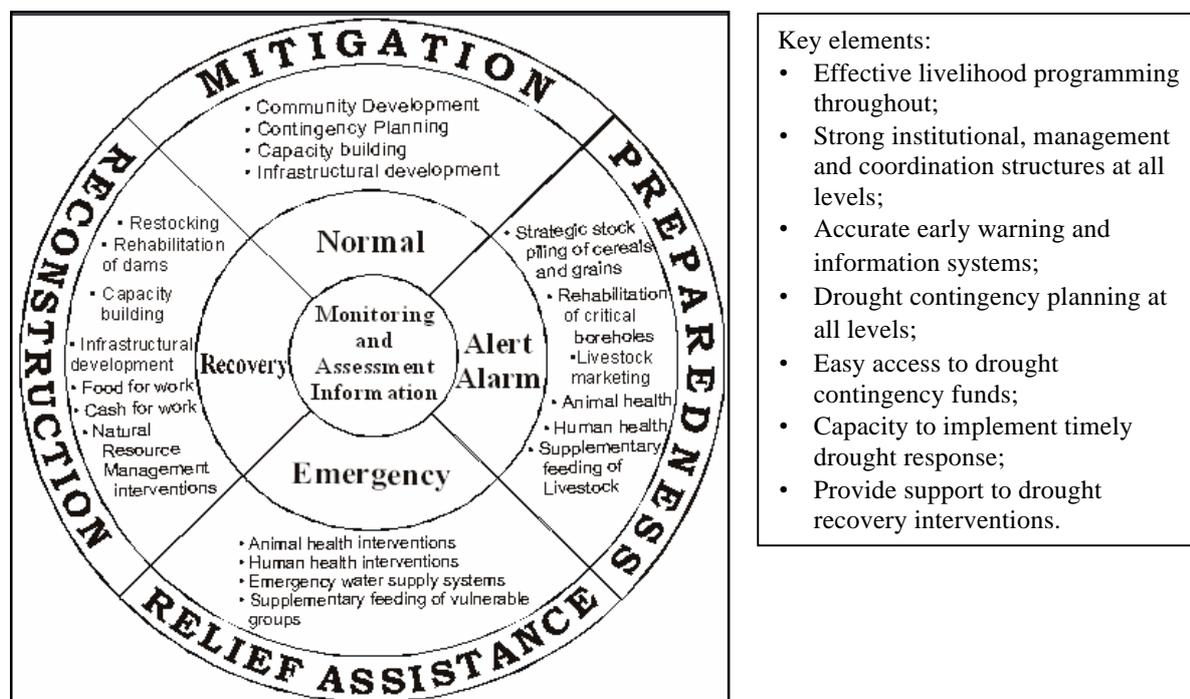
#### 3.1 Drought Cycle Management in Kenya

Drought Cycle Management originated in the Turkana Rehabilitation Project in Kenya in the early 1980s, funded by the European Union (EU) and the governments of the Netherlands and Norway. The concept drew on a realization that development and emergency responses to drought were being handled as very separate issues, and were uncoordinated. The DCM model assumed that a successful response to drought required governments, agencies and donors to assimilate the development and emergency responses of their programs. To advance this idea in practical terms, the model used four phases of a typical drought viz. normal, alert, emergency and recovery, and assigned different activities to each of these phases as shown in Figure 1 below. This early version of the model clearly shows:

- conventional development activities under mitigation;
- a mix of development and early relief work under preparedness;
- typical emergency interventions under relief assistance;
- rehabilitation and development activities under reconstruction.

This was probably the first time that both development and emergency activities had been included in a single drought management framework in east Africa. Also, DCM had strong livelihoods support elements many years before livelihoods-based approaches to humanitarian response became normalized in guidelines such as Sphere<sup>2</sup> and the Livestock Emergency Guidelines and Standards.<sup>3</sup> In other words, DCM included the protection of livestock assets, support to local services and markets, and the rebuilding of assets after drought.

Figure 1: An early illustration of the Drought Cycle Management model



<sup>2</sup> <http://www.sphereproject.org/>

<sup>3</sup> <http://www.livestock-emergency.net>

Drawing on the experiences of the Emergency Drought Recovery Project and building on elements of DCM, the Arid Lands Resource Management Project (ALRMP) aimed to institutionalize drought management in Kenya. Designed as a project of the Government of Kenya and located in the Office of the President, the ALRMP was funded by the World Bank, but received additional technical and financial support from the EU and other development partners. The project ran for seven years from 1996 to 2003, and emphasized community development and district-level capacity to manage drought. The project activities were categorized as: “drought management” to allow effective management of all phases of a drought (using the DCM phases of preparedness, mitigation, rapid reaction, and recovery), “marketing and infrastructure”, “community development”, and “implementation support component”.

For the first time in Kenya, the ALRMP represented a shift in drought management in pastoralist areas from UN agencies, donors and NGOs to central government. However, the process of normalizing DCM in government structures and systems was far from straightforward. Although the World Bank’s final evaluation of the project gave an overall rating of “satisfactory”, it also noted some challenges that are now directly relevant to the Crisis Modifier (The World Bank, 2005).

- The late implementation of many drought interventions – this was due mainly to weak drought monitoring systems and poor preparedness, with the latter including ineffective contingency plans, and weak implementation capacity. Agencies with their own contingency or emergency response funds were able to intervene earlier than those without access to such funds.
- The project was hindered by rigid planning systems and cumbersome financial procedures among key ministries and some UN coordinating agencies; in some districts, this was compounded by limited implementation capacity, in terms of both geographical coverage and technical expertise.
- Effective livelihoods interventions require effective coordination, but the key problem with the coordination system under ALRMP was its fragmentation, with separate coordination structures for drought response (handled by the Office of the President-Special Programmes) and long-term development issues handled by the Agriculture Sector Coordination Unit. This division created major challenges to coordination of drought management and food security initiatives under the project.
- Response was still poor – largely because of the continued failure to institutionalize contingency finance within the drought management system.

Moving forward ten years, the Government of Kenya’s guiding *Vision 2030* strategy includes a commitment and program to *End Drought Emergencies*.<sup>4</sup> The National Drought Management Authority (NDMA) leads the program and the current policies draw heavily on DCM thinking and therefore, are a marked shift from a previous government emphasis on preparing to respond to drought emergencies. The practical implications are significant. It provides a platform for long-term planning and action, as well as a mechanism for solid coordination across Government and with all other stakeholders. It is a systems approach. It is a strong move towards how climatic issues are managed by developed economies and countries where developmental processes (private and public) adjust to and manage changing conditions ensuring continuity of economic and developmental process and without the emergency of “emergency” conditions (e.g. a drought in California).

### **3.2 Drought response and management in Ethiopia**

In 1973 the Relief and Rehabilitation Commission (RRC) was established in Ethiopia as the first disaster management agency and initially, had a mandate to provide relief assistance to drought-affected people in Wollo and Tigray in the Ethiopian highlands. Later the Commission was merged and re-organized with the Awash Valley Development Authorities, and the mandate of relief and rehabilitation was expanded to include support to settlement programs. The RRC focused on food

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<sup>4</sup> <http://ndma.go.ke/index.php/ending-drought-emergencies>

assistance and it assessed food needs against Ethiopia's food balance and the number of people at risk, and identified vulnerable areas. Ethiopia's first early warning system was set up in the RRC in 1977.

After the fall of the Mengistu regime in Ethiopia in 1993, the Transitional Government of Ethiopia launched its National Policy on Disaster Prevention and Management, leading to the transition of the RRC into the Disaster Prevention and Preparedness Commission (DPCC) in 1995. These developments reflected a major change in thinking and strategy by the government of Ethiopia, as the concept of linking relief and development became far more prominent. For example, the new policy recognized the importance of safeguarding livestock assets in pastoralist areas during drought. In the policy, each district was required to respond to drought by preparing an action plan describing interventions to save livestock, including the supply of feed and water, veterinary inputs, livestock purchase centers, and mobile abattoirs. In common with DCM in Kenya, the Ethiopia policy aimed to protect livestock assets and support market-based responses, but many years before the emergence of the language of livelihoods-based approaches. At the same time, the policy was not widely implemented and food aid continued to be the main response to drought in pastoralist areas.

In 2004 the DPCC was renamed the Disaster Prevention and Preparedness Agency (DPPA). The new agency had a far more restricted mandate to handle acute emergencies, and was no longer responsible for addressing the underlying causes of disasters. Instead, the newly created Food Security Coordination Bureau (FSCB) was mandated to address national food security issues, and later led Ethiopia's Productive Safety Nets Program (PSNP). At the institutional level, the DPPA was responsible for transitory vulnerability, while FSCB dealt with chronic vulnerability. However, in practice this distinction between chronic and transitory vulnerability was not clear-cut.

Further changes took place in 2008 with the creation of the Disaster Risk Management and Food Security Sector (DRMFSS), which combined early warning, disaster response and food security tasks under one federal government entity. As the name implies, the DRMFSS emphasized the notion of managing disaster risks and therefore, positioning droughts as events to be expected and mitigated. In other words, disaster risk management has much in common with DCM. The DRMFSS approach includes the use of vulnerability profiles to assist policy makers, planners, practitioners, and communities to design appropriate, targeted risk reduction and awareness, disaster management, and development of programs.<sup>5</sup> The federal DRMFSS structures were replicated in all regions of the country to support coordination and implementation.

## **4. Resilience, Crisis Modifiers and Related Approaches in USAID and OFDA**

### **4.1 Selected approaches "pre-resilience"**

#### **4.1.1 The Crisis Modifier in Eritrea**

The exact origins of the term "Crisis Modifier" in USAID or OFDA are difficult to locate but the term appears 15 years ago in relation to USAID/OFDA responses during the Ethiopia-Eritrea conflict in 2000. A post-response review workshop in mid-2001 noted that, "*OFDA resources were supplemented (under "crisis modifier") by funds re-allocated in advance by mission*" (USAID/OFDA, 2001). No other details could be found, but "Crisis Modifier" then appeared soon afterwards in USAID/Eritrea documents, and was seen as a mechanism to divert development funds towards humanitarian assistance in a context of a complex environment involving conflict with Ethiopia, large-

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<sup>5</sup> At the time of the review, a major El-Nino related drought was emerging across various highland areas of Ethiopia. There was also a severe drought affecting parts of northern Somali Region and southern Afar Region. Although Ethiopia's early warning system has often performed well, in 2015 some analysts were suggesting that the droughts in the highlands and lowlands had not been adequately predicted or reported.

scale displacement and drought:

*“Eritrea is a crisis-prone country and the FY 1997 Country Development Strategy or Investment Strategy acknowledged this fact. A Crisis Modifier was created in the strategy whereby development resources would be reprogrammed to join with Agency humanitarian assistance resources to meet humanitarian crises in Eritrea. It was anticipated that during the five-year life of the strategy, Eritrea would suffer the effects of a severe drought or might host refugees from the adjoining countries. To meet such crises, the Mission would temporarily divert a portion of its development resources, suspending its development objective, to meet the humanitarian crisis.*

*The Crisis Modifier depends on two trigger points: a) the extent and severity of the drought that is now entering its second year, and b) the estimated impact upon Eritrea of a massive influx of refugees. The Crisis Modifier could equally be triggered by a significant increase in the number of internally displaced persons due to the war. Absent these conditions, a regional drought and influx of refugees from Sudan could create a situation of such desperation that enactment of the Crisis Modifier would be necessary. During such a period, each of the Mission’s strategic objectives would be temporarily modified and progress towards achieving expected developmental results would have to be curtailed.”*

This account shows that the Crisis Modifier in Eritrea at this time was positioned as a mechanism to support a major re-orientation of development assistance and a large-scale humanitarian effort. This differs from the current use of Crisis Modifier in Ethiopia, for example, where the intention is to use modest resources from OFDA to support early response and with an understanding that larger, stand-alone humanitarian projects and funding may be needed.

#### **4.1.2 The “10 per cent variance” mechanism in the Pastoralist Livelihoods Initiative (Phase I), Ethiopia (2005-2008)**

The first phase of the USAID Pastoralist Livelihoods Initiative (PLI I) in Ethiopia started in late 2005 and aimed to, “Mitigate the impact of drought and other shocks by sustainably improving preparedness, livelihoods and incomes of pastoralists”.<sup>6</sup> The program was funded by the USAID Famine Fund and involved cooperative agreements with: Save the Children US, IRC, Save the Children UK, CARE and Mercy Corps for field-level implementation; ACIDI/VOCA to develop livestock market infrastructure and services; Save the Children UK to support early warning; Tufts University for technical, learning and policy support. The total budget was US\$ 29.2 million.

The start of PLI I coincided with the onset of severe drought in Borana and Somali areas of Ethiopia. To support early response, good practice and coordination within PLI, two areas were relevant to the later development of the Crisis Modifier in Ethiopia:

- a guideline on livelihoods-based drought response was released in early 2006<sup>7</sup>, followed by raising awareness among USAID and NGOs through coordination meetings convened by USAID; notably, the guideline used a combination of DCM and livelihoods thinking to propose different types of intervention at different stages of the drought;
- USAID’s cooperative agreements with NGOs included a “10 per cent variance” arrangement whereby up to 10 per cent of their total budget could be re-assigned without further approval from USAID; this raised the possibility of up to US\$1.23 million being used for drought response without needing to raise additional funds.<sup>8</sup> If an NGO needed more than 10 per cent of project funds for emergency response, a separate concept note was required. Two further points are relevant:
  - The inclusion of the 10 per cent variance in PLI I was based on discussions between USAID technical advisers and the USAID contract officer, during which the former emphasized the importance of the program’s capacity to respond to drought.

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<sup>6</sup> Leyland and Van’t Klooster (2005).

<sup>7</sup> Akliilu et al. (2006).

<sup>8</sup> The total budget review for the NGO implementers in PLI I was approximately US\$ 12.3 million.

- The Famine Fund was managed by USAID Ethiopia in the same way as typical development assistance funds – there was nothing different about the Famine Fund itself which enabled the use of 10 per cent variance relative to typical development funds.

Although the 10 per cent variance arrangement was viewed by some PLI actors as a novel approach, this kind of funding flexibility had long been an option in USAID Assistance awards and was provided for under US Government supplemental regulation 22 CFR 226.25(f) – Revision of Budget and Program Plans, later overhauled to 2 CFR 200.308-(e) - Revision of Budget and Program Plans:

**22 CFR 226.25 - (f)**

*USAID may, at its option, restrict the transfer of funds among direct cost categories or programs, functions and activities for awards in which the Federal share of the project exceeds \$100,000 and the cumulative amount of such transfers exceeds or is expected to exceed 10 percent of the total budget as last approved by the USAID Agreement Officer. USAID shall not permit a transfer that would cause any Federal appropriation or part thereof to be used for purposes other than those consistent with the original intent of the appropriation.*

**2 CFR 200.308- (e)**

*(e) The Federal awarding agency may, at its option, restrict the transfer of funds among direct cost categories or programs, functions and activities for Federal awards in which the Federal share of the project exceeds the Simplified Acquisition Threshold and the cumulative amount of such transfers exceeds or is expected to exceed 10 percent of the total budget as last approved by the Federal awarding agency. The Federal awarding agency cannot permit a transfer that would cause any Federal appropriation to be used for purposes other than those consistent with the appropriation.*

Under the budget section of the award, the USAID Agreement Officer could provide express leeway for the NGO to vary the budget up to 10 per cent within the scope of the project. However, during the review we were not able to clarify the specific conditions or issues that determined when and how an Agreement Officer would enable the 10 per cent variance. We return to this point under the recommendations section of the report (see section 7).

In early 2006, various drought response activities were implemented by PLI I NGOs in southern Ethiopia, followed by a series of impact assessments and benefit-cost analyses. One outcome of this work was a clear finding that commercial destocking led to very high returns in terms of livelihoods impacts and benefit-cost<sup>9</sup>, but there was also a need to continue to promote and further institutionalize DCM and livelihoods-based approaches. The program then supported the Ministry of Agriculture and Rural Development in Ethiopia to develop and publish national guidelines for livelihoods support to pastoralist during drought.<sup>10</sup> These guidelines expanded the PLI I guidelines of 2006, but also used DCM and livelihoods approaches as the basis for drought management.

However, it was also evident that the livestock drought interventions by PLI I in 2006 using the 10 per cent variance were particularly rapid. For example, CARE reported conducting its initial drought assessment in Dire woreda in December 2005 but did not start livestock feed supplementation until mid-February or March 2006. Their impact assessment concluded that, “*The program started after high mortality of livestock; the timeliness of future responses has to be considered*”.<sup>11</sup> It was difficult to pinpoint the exact causes of the delayed response although informants felt that senior project managers in CARE were initially reluctant to divert resources and effort away from their original PLI work plan of development activities.

<sup>9</sup> As exemplified by the use of commercial destocking by PLI I and an estimated benefit-cost of 41:1 in southern Ethiopia (Abebe et al., 2008).

<sup>10</sup> MoARD (2008); the process for developing the guidelines involved over 60 participants from government, NGOs, UN agencies, research institutes, donors and the private sector.

<sup>11</sup> Demeke (2007).

#### **4.1.3 The Crisis Modifier in Pastoralist Livelihoods Initiative Phase II, Ethiopia, 2009-2012**

The second phase of PLI, from 2009, was funded using regular development assistance funds and had a far lower budget than PLI I of US\$ 10 million. Although PLI I had used the 10 per cent variance arrangement this approach was not carried forwards into PLI II. Instead, it was agreed that OFDA would “top up” PLI II with US\$1 million per year, and this additional funding mechanism was called the “Crisis Modifier”. According to former USAID and NGO staff in Ethiopia, the Crisis Modifier was characterized by:

- Early response to a crisis or emerging crisis - activation once the alert or alarm phase of a drought was reached in the case of agricultural and livestock interventions; use of LEGS as a guide for livestock support;
- Rapid intervention - teams were to be operational on the ground one to two weeks from activation;
- “No blame” working environment - this required a more rational way engaging in the chronic crises, endemic in Ethiopia, where there was always a risk that an early intervention took place but the situation did not actually evolve into an emergency;
- Protect the development gains of the project - rather than use the Crisis Modifier for a “full scale” emergency intervention.

In addition, using an existing NGO in an area was thought to be not only faster, but more cost effective than establishing or funding a new NGO, especially in places where there were no current OFDA programs.

The Crisis Modifier aimed to address internal barriers within USAID, such as access to finance and certain humanitarian criteria, which could impede timely and appropriate responses. Clearly, unlike the 10 per cent variance arrangement in PLI I, the Crisis Modifier gave OFDA far more control over the use of funds for drought response. Over time, it has become more widely used in funding agreements with NGOs, and has been deployed various times in Ethiopia in response to localized crises.

Although PLI II was designed before resilience became an important concept among aid actors, it was an early example of the use of Crisis Modifiers, and the experiences were relatively well documented. In particular, the mid-term evaluation of PLI II in mid-2012 provided detailed information on the use of Crisis Modifiers<sup>12</sup>, as did two case studies prepared by Save the Children US (and annexed to the mid-term evaluation report).<sup>13</sup>

At the design stage, the intent was to use the Crisis Modifier to support early livelihoods-based drought responses such as commercial destocking, livestock feed supplementation and veterinary care, and using the principles of DCM. By the mid-point of the project, drought had affected southern Ethiopia in 2010 and the northeast in 2011, and Crisis Modifiers were used by PLI II in each case. In total OFDA responded with US\$ 2.1 million of funding in 2011, including an initial US\$500,000 as a Crisis Modifier in February 2011 to help protect PLI beneficiaries from the early impacts of intensifying drought conditions. It was reported that approximately 30 per cent of PLI II beneficiaries (61,500 individuals) were assisted by the Crisis Modifier, and:

- 2,200 livestock and 1,100 households benefitted from a supplementary feed program in three districts of Somali and Oromiya regions, resulting in 10,500 additional litres of milk for 300 households; a further 3,200 livestock were reached by other partners;
- 2,300 households received income or an increased protein (meat) intake from slaughter destocking;

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<sup>12</sup> Stockton et al. (2012).

<sup>13</sup> It seems that a final evaluation of PLI II was not conducted and therefore independent evaluation of the project is limited to the mid-term evaluation.

- the body condition of 52,000 livestock in Oromiya was improved through veterinary services, including treatment for internal parasites and other diseases.

According to the mid-term evaluation it was this set of activities that was most appreciated by government authorities, and by the recipient communities themselves as the PLI II NGOs were directly transferring tangible assets to the recipient communities in a time of need. The case study describing livestock supplementary feed provided an indication of impact viz. mortality of only 1 per cent in cattle receiving the feed. However, some informants suggested that the responses could have been earlier, and the evaluation report recommended the use of benefit-cost analysis during the design of Crisis Modifier activities to estimate the relative cost-effectiveness of different options. Although not stated explicitly in the report, the implication was that early support to commercial destocking would probably lead to a far higher benefit-cost relative to supplementary feeding, while also recognizing that commercial destocking was not always feasible.<sup>14</sup>

Looking specifically at early response, the Crisis Modifier was intended to support an earlier response relative to past funding arrangements, in which implementers had to prepare an emergency proposal and source new funding from donors such as OFDA, ECHO or the UNOCHA Humanitarian Response Fund. Therefore, a key measure of the effectiveness of the Crisis Modifier is timeliness i.e. did the Crisis Modifier lead to an earlier response relative to the more conventional funding alternatives? There was no documentation on this question, and up to five years after the activities were implemented, it was difficult to assess with any accuracy. Similarly, timely response partly depends on common agreement on the triggers to be used, and there seemed to be limited documentation of this under PLI II.

In PLI II the Crisis Modifier was also used to support market access during drought in the conflict-affected Mieso-Mullo area of eastern Ethiopia, by facilitating dialogue between conflicting groups and enabling passage by pastoralists to a livestock market. In turn, this meant that a small-scale commercial destocking activity became possible using two local livestock marketing groups.<sup>15</sup> While some good local impacts were reported, again, less clear was the timeliness of the work and whether the Crisis Modifier enabled a quicker response than other funding options.

## 4.2 The Crisis Modifier in USAID Resilience Projects

USAID defines resilience to recurrent crisis as, “... the ability of people, households, communities, countries, and systems to mitigate, adapt to, and recover from shocks and stresses in a manner that reduces chronic vulnerability and facilitates inclusive growth”.<sup>16</sup> In general, resilience programming has emphasized development – whether transformative or modifications to traditional rural livelihoods – which it is assumed will make people resilient to future crises. However, within USAID and some other donors, resilience definitions and strategies draw heavily on the sustainable livelihoods framework and livelihoods approaches. In areas subject to recurrent crises, the livelihoods framework clearly shows the importance of integrated development and humanitarian programs and policies, and likewise, resilience has been a powerful way of challenging the protracted divides between humanitarian and development sectors. Similarly, there are clear overlaps between humanitarian programs with livelihoods objectives and those with resilience objectives. In both cases, the intent to protect assets, support local markets and services, and assist rapid recovery, are often evident. It follows that early, livelihoods-based response to drought fits well with resilience approaches. USAID-funded programs and projects in pastoralist areas of the region that have included a Crisis Modifier, funded by OFDA, are described below.

<sup>14</sup> Impact assessment and benefit-cost analyses from PLI I support this and showed a benefit-cost for commercial destocking of 4:1 (Abebe et al., 2008) relative to supplementary feeding of 1.6:1 to 1.9:1 (Bekele and Tsehaye, 2008).

<sup>15</sup> See Case Study no. 9 in Stockton et al. (2012).

<sup>16</sup> <https://scms.usaid.gov/sites/default/files/documents/1867/06.30.2015per cent20-per cent20Resilienceper cent20Factper cent20Sheet.pdf>

#### 4.2.1 Pastoralist Areas Resilience Improvement Through Market Expansion Project (PRIME), Ethiopia

The Crisis Modifier was included in the five-year PRIME project from 2012, and as the name of the project implies, resilience was a guiding theme. The project involves a cooperative agreement to Mercy Corps (MC) as the lead agency, and has nine consortium partners. The project budget is approximately US\$53 million and the Crisis Modifier is limited to US\$1 million per year and US\$500,000 per modifier.

##### Use of the Crisis Modifier by PRIME in 2014

An initial attempt to activate the Crisis Modifier by PRIME took place in early to mid-2014 and centered on a water proposal. The concept note was reviewed by OFDA in Washington DC and required clarifications. It seemed that in part, there was confusion over the relevance of the proposal to livestock whereas in fact, the work was targeting water supply for livestock. This Crisis Modifier was not activated.

A successful activation of the Crisis Modifier took place in July 2014, and a detailed timeline of events is provided below. This illustrates some of the administrative and technical realities of early response using the Crisis Modifier, and, at the same time as handling a separate, stand-alone proposal to OFDA. In this case, the need on the ground was initially estimated at US\$2 million - far higher than the Crisis Modifier ceiling of \$0.5 million – and so OFDA suggested that a stand-alone proposal should also be developed. Of interest is that the Crisis Modifier process was relatively smooth and rapid, and it was the more standard OFDA stand-alone proposal that seemed to create administrative problems for the implementer.

##### **Timeline of Crisis Modifier activation, PRIME, Ethiopia 2014<sup>17</sup>**

Date	Activity
24-Jun-14	Mercy Corps (MC) discussed with OFDA concerns about drought and impending request for the Crisis Modifier.
	PRIME discussed the situation and potential need for the Crisis Modifier; OFDA proposed and held a Nairobi/Addis call, with inclusion of USAID EG&T in Addis Ababa.
	MC explores emergency fodder assistance to vulnerable households in targeted districts of Liben and Borena, and agrees to prepare a concept note for USAID/OFDA for activation of the PRIME Crisis Modifier.
11-Jul-14	MC send draft concept note to OFDA/Ethiopia (copying EG&T) for < US\$2 million.
	Concept note also sent to OFDA/Washington – based on previous experience for pre-review.
14-Jul-14	OFDA Addis submits its comments to EG&T.
	OFDA/Washington informs OFDA/Ethiopia and mission that due to cap in MOU, the Crisis Modifier activation cannot exceed US\$500,000.
16-Jul-14	EG&T provide comments on concept note to OFDA and MC. Discussions at mission between EG&T, Front Office, and OFDA on how to navigate the Crisis Modifier cap. OFDA/Washington suggests MC submit separate, stand alone proposal to cover areas/needs beyond the Crisis Modifier cap. The stand-alone proposal to be submitted in early August for review and processing before the end of the financial year. They also state drafts can be shared with technical reviewers before official submission to speed up review, which could possibly be expedited. OFDA reviewed the CM concept note from PRIME and provided comment.
17-Jul-14	Decision is made at mission to advise MC to prioritize one area for Crisis Modifier activation below \$500,000, with the possibility of a stand alone proposal up to US\$1,000,000 (amount

<sup>17</sup> Timeline provided by OFDA in Addis Ababa. Note that this timeline differs from the account of the 2014 Crisis Modifier in the mid-term evaluation of PRIME (White et al., 2015), which in common with the implementer, appears to confuse the Crisis Modifier in Borena and its impacts, with the stand-alone PRIME proposal to OFDA for Liben and Afar.

	based on available OFDA funds).
18-Jul-14	MC accepts to prioritize Borena for the Crisis Modifier, and prepare separate proposal for Afar and Liben. It is explained to MC that the separate proposal must fit all of OFDA Guidelines for Proposals, including all supporting documents.
24-Jul-14	Revised proposal for Crisis Modifier due, but not submitted by MC
25-Jul-14	Revised Crisis Modifier proposal submitted for Borena; sent to Washington OFDA the same day.
26-Jul-14	<b>OFDA approves the Crisis Modifier award for Borena Zone</b> and provides the fundsite to EG&T through a cable.
1-Aug-14	Deadline for Liben and Afar stand alone proposal submission
1-Aug-14	Advice given to MC on the preparation of the stand alone proposal, with emphasis on all supporting documents necessary.
6-Aug-14	Revised proposal submitted and planned to start on 8/25/2014; budget US\$1 million; proposal omits the safety and security plan, which is a standard requirement of an OFDA proposal.
7-Aug-14	It is emphasized to MC again that all processes and documents for standard OFDA proposal are required as per OFDA's Proposal Guidelines
7-Aug-14	Draft of MC proposal shared with OFDA/Washington for informal technical review (as suggested by DC, to avoid later technical issues and delays). OFDA/Washington responds that two technical reviewers have no comments.
8-Aug-14	Following review, OFDA and EG&T respond to MC with questions/comments, including those from OFDA/Washington technical staff.
14-Aug-14	It is emphasized to MC again, through e-mail, that the proposal for Liben/Afar is not formally part of the Crisis Modifier, but a stand-alone proposal requiring all supporting documents in OFDA's Guidelines for Proposals.
15-Aug-14	MC responds to review questions and provides additional supporting documents.
15-Aug-14	MC HQ submits stand alone proposal to OFDA Washington DC, referring to the proposal as part of the Crisis Modifier mechanism.
18-Aug-14	MC advised by OFDA Washington to submit a stand-alone proposal; not as part of CM; also advise MC to provide all supporting documents for the stand-alone proposal.
22-Aug-14	Borena Zone Agriculture Task Force reports problem of pasture and water in Borena, and that animal feed is distributed only by government.
29-Aug-14	MC Afar and Somali (Liben) stand alone proposal resubmitted to OFDA/Washington
29-Aug-14	Following mission to Afar, OCHA informally informs USAID of negative perceptions of PRIME/USAID due to inaction to protect livestock from drought.
2-Sept-14	OFDA/Washington advises that review of MC proposal will not be expedited, but the regular timeline applied (5 business days for technical review), although a draft had been shared with technical reviewers earlier.
8-Sept-14	OFDA technical review of MC proposal not completed within the 5-day timeframe as per policy, giving rise to concerns about whether it can be reviewed and processed by the end of the financial year.
8-Sept-14	OFDA/Ethiopia Program Officer e-mails East and Central Africa Team Leader about the hold up in review of the stand alone proposal; Mission Director also e-mails OFDA Director about concerns regarding the Crisis Modifier.
11 Sep-14	Review of MC stand alone proposal carried out by OFDA/Washington
12-Sep-14	<b>OFDA Washington issues Pre-Approval Letter (PAL) for Afar and Liben</b> interventions to MC.
16-Sep-14	MC expresses concern about the amount of the PAL of US\$200,000, or 20per cent of total budget – which is standard for PALs. OFDA in Addis Ababa inquires with Washington about possibility of a higher PAL, which is negative, but with reassurance grant will be processed by end of month. EG&T clarifies that MC should move ahead with EG&T PRIME funds while waiting for OFDA funds. It is also not clear why MC need over US\$800,000 for procurement when it is using a voucher system, in which payment is made following beneficiary voucher exchanges i.e. towards the end of interventions, not before.
17-Sep-14	OFDA reassures regarding grant agreement processing by end of month.
29-Sep-14	OFDA/Washington finishes grant processing, making full US\$1 million available; MC communicates activities will begin in Afar soon.
14-Oct-14	OFDA Addis Ababa and EGT meet with the PRIME CoP. It becomes apparent targeting had not

	begun for Liben (Somali Region), while voucher exchanges (for feed and fodder) in Afar were scheduled for late October. Delays in Afar are attributed to inability to begin procurement earlier due to the amount of the PAL. Liben delays were attributed to staffing issues.
17-Oct-14	CARE Emergency Coordinator observes that with the onset of rains (and flooding) in Zone 3 of Afar, feed and fodder support may be less relevant, and suggests potential re-targeting of the assistance for households losing access to pasture due to floods.
20-Oct-14	OFDA meets with PRIME team (CoP is out of country) to discuss progress. Activities appear to have progressed well in Borena, under the Crisis Modifier. For Afar, it is clear the magnitude of flooding will hamper the roll out of feed and fodder distributions planned for late October, under the stand alone proposal. The question of the relevance of feed and fodder with the rains is raised.
25-27 Oct-14	OFDA visits Zone 3 in Afar to observe the pasture situation in targeted areas with the onset of rains, as well as flooding. It is clear that feed and fodder is still needed, but with questions as to whether concentrate should be held for the coming long dry season. The visit confirms that fodder suppliers will be paid following voucher exchanges, bringing into question why earlier there was a hold-up for "procurement".
31-Oct-14	OFDA and EG&T meet with MC to discuss the situation in Afar, and it is decided feed and fodder assistance should move forward as planned.
15-Nov-14	Activities on the ground in Afar are completed.
30-Nov-14	Activities in Liben are completed.
15-Dec-14	MC holds an after-action review including OFDA, CARE, its own staff, etc. It becomes clear during discussion that at the time the PAL for the stand-alone grant was issued, part of PRIME leadership struggled internally with internal management over whether it could proceed with interventions with a PAL.

#### Use of the Crisis Modifier by PRIME to October 2015

Relative to 2015, OFDA reported a stronger process for activating Crisis Modifiers in 2015. Discussions started in January, leading to an understanding that a Crisis Modifier might be needed if the spring (*gu*) rains failed. A Crisis Modifier was then activated in May 2015, with livestock feed and fodder distribution provided to 7000 households in Afar in June 2015. OFDA and EGT/USAID in Addis Ababa regarded this as a textbook example of how the Crisis Modifier should be used, and the support was then extended through October, and expanded to include Sitti Zone in Somali Region. However, this additional support was not a Crisis Modifier using OFDA funds (as the amount available under the Crisis Modifier had already been used), but a reallocation of development/resilience funds within PRIME. A concern expressed during the review was that with continuing drought and with no rain expected until March 2016, further livestock support would be needed.

#### **4.2.2 Graduation with Resilience to Achieve Sustainable Development (GRAD), Ethiopia**

The GRAD project is not a pastoralist areas project but was included in the review as some of the experiences are relevant to the future use of the Crisis Modifier. The goal of GRAD is to assist poor, rural households who are currently receiving support from the Government of Ethiopia's Productive Safety Net Programme (PSNP) to achieve self-sufficiency and "graduate" from the PSNP. Overall, GRAD aims to reach roughly 375,000 people in four regions where PSNP operates: Oromiya, Amhara, Tigray and Southern Nations, Nationalities and People's Region (SNNPR).

This is a five-year project funded by USAID at over US\$23 million, and which aims to use market driven approaches to work in food insecure and climate-vulnerable areas to diversify livelihoods, build assets, raise income and enable them to withstand climate and other shocks. The project intends to improve household productive skills, nutritional intake and climate change adaptation practices while focusing on women's empowerment and their aspirations to graduate from the PSNP. CARE is responsible for the overall management of a consortium of implementers, as well as project implementation in SNNPR. In the other regions, GRAD is implemented by Catholic Relief

Services (CRF) in Oromiya, Relief Society of Tigray (REST) in Tigray and by the Organization for Relief and Development (ORDA) in Amhara.

GRAD is an unusual example of the Crisis Modifier because the implementers were asked by USAID to build a Crisis Modifier into the project well after the project started. GRAD described the potential scenarios of various responses, these were shared with OFDA Washington, and were considered a set of permissible activities.

With failure of the *belg* rains in 2015 the project decided to activate the Crisis Modifier while recognizing uncertainty over whether an emergency situation actually existed. The SNNPR regional government apparently declined the interventions under the Crisis Modifier whereas the zonal government in Gurage received it well. The proposal was adapted to local government requirements.

According to the Crisis Modifier MoU all attempts would be made to review the proposal by a committee chaired by the NGO submitting the proposal, and on the day of receipt by OFDA. Assuming that the proposal was approved in country, OFDA in Addis Ababa would then submit the proposal to OFDA/Washington for final approval, and by close of business on the same day as the review; OFDA/Washington was to review and make a decision no later than the day following the submission.

During the review, informants felt that the approval process was very drawn out. For example, it took more than a week to get acknowledgement from OFDA on the initial submission, and then a further four days to review the proposal (the MoU specified a decision within a day). An additional three weeks were then needed to complete all the paperwork. GRAD felt that additional information requested by OFDA was far too detailed, and the project had limited capacity to undertake the detailed assessments required. At the same time OFDA felt that the Crisis Modifier concept note did not explain the development gains of the activity. OFDA required hard evidence of a large scale crisis and despite the “tool box” of activities designed, pushed GRAD for market based solutions. GRAD staff had limited experience in voucher schemes and felt the volumes of seed available locally were very small and insufficient to meet the needs. The Crisis Modifier was activated in July 2015.<sup>18</sup>

#### **4.2.3 Resilience and Economic Growth in the Arid Lands – Improving Resilience (REGAL IR), Kenya**

REGAL-IR was designed to decrease vulnerability, build resilience, and stimulate growth in selected pastoralist areas of Kenya and the REGAL consortium was born out of the food hike prices in 2007. The goal is to work with pastoral and transitional communities to reduce hunger and poverty, increase social stability, and build strong foundations for economic growth and environmental resilience. Focus areas include diversification of livelihood opportunities, community management of natural resources, improving livestock market access, disaster risk reduction, and improving nutritional outcomes. ADESO is the lead agency for the REGAL IR.

A Crisis Modifier is built into the project document of REGAL IR and ADESO attempted to activate it in late 2013. However, the proposal included water trucking and was rejected by OFDA. OFDA considered that ADESO was mixing up activities and proposing interventions that did not reflect their development work nor protect the development gains of the project.

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<sup>18</sup> At the time of finalizing this review report, GRAD had activated the Crisis Modifier again in December 2015 for livestock support in Tigray Region.

#### **4.2.4 Somali Resilience Program**

The Somalia Resilience Program (SomReP) is the main USAID-funded resilience program in Somalia and consortium members developed a crisis modifier system for their resilience program in early 2014. The initial Crisis Modifier in the program was an early response approach, premised on typical Somalia food insecurity/famine indicators. This Crisis Modifier was used in mid-2014 in response to drought concerns in specific, isolated parts of the country; in July 2014, the consortium received US\$770,000 to implement early actions. In addition the SomReP partners internally funded approximately US\$2.5 million of the early activities by modifying activities and realigning the budgets.

A second version of the crisis modifier system, based on the experience in 2014 and learning from the famine of 2011, was then developed. SomReP's Crisis Modifier System v2 builds the sound conceptual foundation and design of the first version: a pre-set menu of actions triggered by objective early warning information and linked into a decision making and funding framework. The most important change in the second version has been to step outside of the humanitarian famine early warning and response norms to define early actions in terms of resilience building. The second version also draws a clear line between Somalia's existing famine or food security early warning systems and SomReP's need to act before those systems identify crisis and in ways that promote the long-term growth and transformation. Notions of early warning and early action for SomReP are fundamentally different. The early warning component, its indicators and triggers may be related to existing food security information systems, but serve fundamentally different purposes.

This version of the Crisis Modifier differs from the Crisis Modifier design in Ethiopia and Kenya because 80 per cent of the funding was derived from 10 per cent program flexible funding, and the remaining 20 per cent funding was sourced not through OFDA but through other donors. The second iteration used a scaling-up approach for both basic services and productive sector activities, and aimed for effective links between the humanitarian and developmental actions. However, funding cuts left the new design on the shelf and it was not incorporated into programming.

## **5. Emerging approaches in other donors and programs**

### **5.1 EC/ECHO joint programming in Ethiopia and Kenya**

Globally, EC/ECHO have committed to “converging” their humanitarian and development actions. As with USAID/OFDA, the process began in Ethiopia with the EU Commission and ECHO offices planning together, agreeing to invest in the same geographic areas, and supporting collaboration between implementing partners. This collaboration between the EU Commission and ECHO office began in 2013 and was framed as a “resilience initiative”, combining development and humanitarian actions. In this joint effort, the concept of crisis modification has three facets:

- it is assumed that a crisis will be modified as a result of EU-funded development activities i.e. the beneficiaries of these activities will not fall into the drought-affected populations in need of emergency assistance;
- the program will reallocate funds to undertake traditional, drought crisis responses, in a more timely manner to “modify the crisis”;
- program support to the government's Productive Safety Net Programme (PSNP) in pastoralist areas.

However, to September 2015 it seems that crisis modification has had a relatively low profile in the joint program, with implementers reporting that the “crisis modifier” has not received much attention by them, the EU or ECHO. There was an assumption that in the next drought crisis they would be asked to re-allocate funds towards traditional drought responses. Lastly, as this joint program evolves it increasingly centers its planning around key government initiatives (e.g. the PSNP)

and coordination fora, thereby enabling the Commission and ECHO to “converge” their work with government and other bi-lateral investments, including those of USAID and OFDA.

In Kenya, the Commission and ECHO offices do not have a joint program but work to align their investments through the ASAL Donor’s Group, co-hosted by the Government of Kenya/NDMA. USAID/OFDA and USAID Kenya also participate in this forum. The ASAL Donor Group is seen as an important mechanism to better align government and bilateral investments in the drylands, and to discuss changing humanitarian conditions in these areas. Within EU or ECHO programming specifically, there is no pre-defined crisis modifier plans. Rather, the assumptions made by implementing partners in Kenya are similar to those in Ethiopia, traditional, drought responses will be funded by a budgetary reallocation.

Both of these initiatives seem to be challenged by some Commission and ECHO staff in Brussels, who argue that traditional development and humanitarian approaches should be pursued, and this was reported to hinder collaboration in Ethiopia and Kenya.

## 5.2 Department for International Development (UK)

Recent DFID approaches to humanitarian funding include substantial support to multi-year humanitarian programs in 21 countries, which include a contingency budget amounting to approximately 10 to 30 per cent of total program budget, depending on country. In late 2015 the total DFID commitment to these programs was UK£1.6 billion (approximately US\$24 billion); excluding Syria, the amount was UK£1 billion (approximately US\$ 1.5 billion), with an average contingency across countries of 12 per cent of program budget. The DFID multi-year approach is underpinned by economic analysis showing the administrative, operational and outcome cost savings, and three main types of potential benefits viz. lower operational costs, flexibility of early response, and predictability of funding.<sup>19</sup>

Looking specifically at the Horn of Africa, DFID multi-year humanitarian program funding totals UK£430 million (US\$645 million), covering Ethiopia, Kenya, Somalia and Sudan, and with decentralized program management; the main partners are UNOCHA, WFP, UNHCR and NGOs. The justification for multi-year humanitarian funding to manage drought in the region is as follows:

*“There is a clear imperative for multi-year funding in protracted crises, including fragile and conflict affect states. Countries that are long-term recipients of aid (i.e. those with protracted crises) received 68% of total humanitarian assistance in 2009. These are crises that we know will last for years, hence longer term funding makes sense. The largest potential areas of savings are believed to be operational, facilitated through early response and longer term planning, as well as administrative – staff costs and ability to preposition stocks.”<sup>20</sup>*

An example of a DFID-funded resilience program is the Building Resilience in Communities in Somalia (BRICS) program, and this has made considerable investments in a version of the Crisis Modifier. Based on community consultations, the program has devised an early warning system that will trigger, largely traditional livelihoods or drought crisis response activities. The program has considerable budgetary provision to pay for these crisis modifier actions, if necessitated by their early warning system. Future tracking of the performance and impacts of this approach will be directly relevant to USAID and OFDA.

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<sup>19</sup> Cabot Venton (2013).

<sup>20</sup> *Ibid.*

### **5.3 UN Common Strategy, Somalia**

The UN agencies FAO, UNICEF and WFP Somalia have developed a common resilience strategy for Somalia. The strategy invested heavily in developing a baseline from which the progress of resilience investments could be measured, using a mixed method approach. Conceptually, the strategy emphasizes “coping capacities” or abilities to withstand shocks, and these elements were used to inform program designs and complementarities across the agencies. Beyond making developmental investments in “coping capacities”, it was not clear if plans had also been developed for crisis responses, or what form they took.

### **5.4 Social Protection in Pastoralist Areas**

Recent efforts to reduce drought-related humanitarian assistance in pastoralist areas of Ethiopia and Kenya include large-scale government safety net programs, involving regular transfers of cash (Kenya, Uganda) or food (Ethiopia) to vulnerable households, and with international aid donors covering most of the costs. In Uganda’s Karamoja region a consortium of agencies has implemented labor-intensive public workfare programs since the early 2000s. This is in addition to regular cash transfers for approximately 15 per cent of Karamoja households through the Ugandan government’s Social Assistance Grants for Empowerment program. In Kenya, the HSNP covers Mandera, Marsabit, Turkana and Wajir counties, and statistics on average household size and program coverage indicate that approximately 94 per cent of the population are registered and at least 25 per cent receive regular cash transfers. In Ethiopia, the PSNP includes the pastoralist Afar and Somali Regions, and pastoralist areas of Oromia Region.

These programs are relevant to the Crisis Modifier for various reasons, including:

- these are institutionalized, high-profile government programs and as the figures above indicate, they represent very substantial long-term investments by aid donors;
- the general strategy is to support food security while also protecting and building assets, thereby strengthening household capacity to withstand and recover from crises;
- the programs include a form of Crisis Modifier in the sense that transfers are to be scaled-up during crises and scaled-down after crises.

#### **5.4.1 Productive Safety Net Programme, Ethiopia: contingency plans and risk financing**

After the famine in Ethiopia in 2002 to 2003, a new national Food Security Programme was developed by the government and with a clear objective of moving away from the country’s reliance on emergency food aid. The program included the PSNP and various other food security, agriculture and asset building projects. The aims of the PSNP included transfers to chronically food insecure people in ways that would prevent asset depletion at the household level during crises, ensure food security and over time, lead to a sufficient levels of assets and income to “graduate” households out of the program. The PSNP used labor-intensive public works and direct transfers to households, and has endorsed a “cash first” principle with a view to strengthening local markets. The program initially targeted five million people in 262 highland woredas, but this increased to eight million people in 2006.

USAID has had a long involvement with the PSNP and from early 2005, funded six international NGOs to guide the implementation of the PSNP in 35 highland woredas. At the same time, USAID also funded the first safety net project in pastoralist areas, the Safety Net Approach for Pastoralists project implemented by Save the Children in three woredas in Somali Region. Three years later in 2008, the government PSNP started in pastoralist areas and covered 21 woredas in Afar, Oromiya and Somali Regions.

As indicated above, in addition to regular and predictable transfers to food insecure people in normal periods, the PSNP was also designed to respond to crises by drawing on contingency

arrangements. This capacity was covered by two main components of the program viz. a contingency fund, and the Risk Financing Mechanism (RFM); the latter was introduced in 2009.

- The contingency fund amounted to 20 per cent of the PSNP's base program cost, with 15 per cent held at the regional level and 5 per cent at woreda level. It was intended to respond rapidly to low-level and unexpected transitory food insecurity among both PSNP and non-PSNP households by providing temporary additional employment/resources through the Public Works and Direct Support to institutional structures.
- The RFM was to be used if the crisis was too great to be handled by the contingency fund, and was, "...designed to dramatically reduce the typical humanitarian timeline by temporarily extending support to current PSNP clients and new clients with transitory needs"<sup>21</sup>; the RFM had four main components or "preconditions" which had to be in place for it to function, as follows:
  - Early warning - effective early warning systems in place to indicate the need for a response as early as possible
  - Contingency plans - plans are in place so that when a shock is indicated, key actors in the system have already thought through how they should respond.
  - Contingency financing - resources to be ready and available to avoid the major time delays associated with the appeal process; provision of contingent financing through emergency grants from the World Bank and other donors was expected
  - Institutions and capacity - adequate institutional arrangements and capacity need to be in place to allow the pre-prepared plans to be implemented.

In highland areas covered by the PSNP, the contingency fund was used several times at regional level, and the RFM was used once in 2011, with notable improvements in the timeliness of response reported relative to a typical humanitarian appeal. In contrast, a review of the PSNP in pastoralist areas in 2014 reported that the RFM had never been used in these areas and that, "*The under-use of the RFM has particularly serious implications for the lowlands, which are even more exposed than the rest of Ethiopia to drought*".<sup>22</sup> It also seemed that the contingency funds had not been used, or at least not for the intended purpose, as the limitations of the system in pastoralist regions were:

- within a given financial year, delayed release of the contingency fund from federal to regional levels, and insufficient time to spend the fund before the end of the year;
- routine use of woreda-level contingency budgets to correct PSNP targeting exclusion errors, leaving little money to deal with emergencies should they arise.
- slow response to emergencies, with triggering by informal reports and communications that supplement the official early warning system.<sup>23</sup>

During the ongoing drought in southern Afar and northern Somali Regions, there was no indication that affected populations had been in recent receipt of regular PSNP transfers, or had received support via the PSNP contingency fund or RFM. This requires confirmation and review but if correct, indicates substantial challenges with the PSNP design for normal and crisis periods. The entire PSNP budget for the next five-year period is approximately US\$3 billion, and in Afar and Somali Region, it targets 2.4 million people to 2016 or approximately 40 per cent of the population.

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<sup>21</sup> Hobson and Campbell (2012).

<sup>22</sup> Behnke et al (2014).

<sup>23</sup> *Ibid.*

#### 5.4.2 Hunger Safety Net Programme, Kenya: scaling up and crisis response

The key features of the HSNP in Kenya are detailed in Box 1 below.

##### **Box 1: Overview of the Kenya HSNP<sup>24</sup>**

- An unconditional social protection program that delivers regular and predictable cash transfers to targeted poorest and vulnerable households (100,000 households; approximately 720,000 people) in the four Counties of Turkana, Mandera, Marsabit and Wajir. Current transfer value is KSh 4,900 (US\$ 48) every 2 months.
- A Government of Kenya led program, under Ministry of Devolution and Planning, managed by National Drought Management Authority (NDMA). Funded by Kenyan, UK (UKaid) and Australian Department for Foreign Affairs and Trade (DFAT) Governments.
- One of the 5 cash transfers under National Safety Nets Programmes.
- In addition, in times of emergency, HSNP plans to scale up and provide short-term cash transfers to additional households (302,000 HHs approx. 2.7million people) based on the targeting criteria and available resources.
- Delivered in two Phases - Phase 1, the pilot (2008-2012) cost KSh 5.5billion (US\$ 54 million) funded by DFID & DFAT and Phase 2 (2013-2017) costing KSh 15.8 billion (US\$ 155 million).
- A poverty based cash transfer program - the idea is to deliver long-term guaranteed unconditional cash transfers as opposed to food aid to chronically food insecure households.
- This will improve welfare, resilience and socio-economic impacts via greater retention of assets and increased poverty reduction for HSNP HHs (chronic and acute)
- HSNP involves a bilateral agreement between the Government of Kenya and the UK Government in September 2007. The grant from DFID is worth £80 million (US\$ 122 million) over 10 years (2007 –2017). In February 2012, the Australian Government, entered into partnership with DFID to support the scaling up of Phase 2 by providing approximately US\$ 19.5 million.
- The Government of Kenya committed KSh 4.68 billion (US\$ 46 million) for HSNP for 2013-2017.

As indicated above, the program is currently in its second phase (2013-2017) and this phase includes a scalability component to provide additional support to vulnerable households in times of crisis. As explained by the HSNP website, *“The current value of the transfer to up to 100,000 routine recipient households is KSh 4,900 every 2 months. HSNP can make electronic cash transfers to households on its registry with activated Equity Bank accounts. Currently over 62 per cent of 374,806 registered households have activated accounts with more accounts being activated each week. HSNP can thus vary transfers amounts and household numbers to provide short-term cash transfers to additional households to meet urgent needs, for example in response to a drought ...”*<sup>25</sup>

Emergency payments under the scaled-up HSNP facility are triggered when the Vegetation Condition Index (VCI) reaches a Severe or Extreme threshold in a Sub-County<sup>26</sup>; the VCI is measured by remote satellites and there are no on-the-ground assessments. The system produces a quota of households to receive a scaled- up payment as follows:

- Sub-Counties in Severe drought = 50 per cent of all HHs minus - Routine beneficiary HHs

<sup>24</sup> Extracted from an undated presentation called HSNP 2 by Carrie Ndoka at: <http://www.hsnp.or.ke/index.php/as/objectives>.

<sup>25</sup> [http://www.hsnp.or.ke/images/phocadownload/Briefingper cent20note-per cent20HSNPper cent20Emergencyper cent20Responseper cent20to%20per cent20currentper cent20drought.pdf](http://www.hsnp.or.ke/images/phocadownload/Briefingper%20note-per%20HSNPper%20Emergencyper%20Responseper%20to%20per%20currentper%20drought.pdf)

<sup>26</sup> The NDMA classifies drought status as “no drought”, “moderate”, “severe” or “extreme”.

- Sub-Counties in Extreme drought = 75 per cent of all HHs minus – Routine beneficiary HHs

The level of the emergency payment is fixed at KSh 2,450 (US\$ 24) per household per month.

The HSNP emergency payment system was piloted in mid-April 2015, with payments made to 90,648 households for the previous three months (January to March 2015), and related to drought conditions detected from December 2014.<sup>27</sup> Notably, the payments can only be made to households with bank accounts. In terms of the timeliness of response, this timeline indicate that people first received the emergency payments approximately 1 to 3.5 months after drought conditions were detected, depending on their location. In April it had started to rain in some areas, but drought conditions continued in other areas. Further emergency payments were planned for late May 2015, amounting to US\$ 936,000 to 39,000 households.

Emergency payments were used again in late October 2015 in relation to both drought, and predictions of flooding due to El Nino weather events. According a HSNP news item, the emergency payments amounted to approximately US\$ 4.8 million to 186,796 households and, *“The emergency cash transfers made on 26<sup>th</sup> October 2015 represent the first rapid flood preparedness of this kind and at this scale in Kenya and sub-Saharan Africa”*.<sup>28</sup>

The first use of emergency payments by the HSNP during 2015 indicates that important lessons will emerge on the timeliness of response. It will also be important to fully understand the impact of the cash transfers e.g. how did people use the money and to what extent did the transfers cover their needs and contribute to asset protection? Various challenges are also evident e.g. the complexity of coordinating with other social protection activities, such as cash transfers for the elderly, vulnerable and orphans, social protection actions by NGOs, and county-level leadership, coordination and other capacities in the social protection sector.

## 5.5 Climate-based programs and risk insurance

Many years before the emergence of climate change as a major global issue, the DCM model was developed in Kenya and the model positioned drought as a normal and expected event in pastoralist areas. However, from around the mid-2000s various projects and programs were designed under climate change funding streams and with objectives framed around climate adaptation or similar approaches. It seems that the activities under these programs were very similar to previous development programs in pastoralist areas, and for example, included incremental improvements to traditional livestock and crop production to make them “climate proof”. The approach to crisis modification appears to be very similar to many resilience programs, with assumptions that some form of development will occur, which will allow people to manage crises. The programs tend not to incorporate discrete actions before a crisis.

However, a distinct set of insurance-based initiatives and projects have also emerged with a clear emphasis on drought risk management. Typically, these approaches use payouts triggered by actual or predicted rainfall, and some of these initiatives are summarized below.

### 5.5.1 African Risk Capacity

The African Risk Capacity is a specialized agency of the African Union that assists, *“Member States improve their capacities to better plan, prepare and respond to extreme weather events and natural disasters, therefore protecting the food security of their vulnerable populations”*.<sup>29</sup> The ARC mission includes the use of, *“modern finance mechanisms such as risk pooling and risk transfer to create pan-*

<sup>27</sup> <http://www.hsnp.or.ke/images/phocadownload/HSNP-Emergencyscalabilitypresentation.pdf>

<sup>28</sup> <http://www.hsnp.or.ke/index.php/news/current-news/12-current-news/105-hsnp-pays-drought-and-floods-emergency-payments-on-29th-october-2015>

<sup>29</sup> <http://www.africanriskcapacity.org/about/vision-and-mission>

*African climate response systems that enable African countries to meet the needs of people harmed by natural disaster.* The agency has received substantial capital funding from DFID, USAID and GIZ. Nine AU Member States have an MoU with the agency but notably, the list includes only one country – Kenya – from the East Africa region. The countries involved pay insurance premiums for drought-affected regions, and payouts depend on rainfall patterns in those regions. The payouts relate to contingency plans developed by each government and agreed in advance by ARC. In other words, before qualifying, a member state must prepare a budgeted contingency plan, approved by the ARC. Most of the actions in these plans are early responses. However, the Kenyan contingency plan also includes financial support to allow scaling-up of the HSNP (see section 5.4.2).

### **5.5.2 Forecast-based Financing**

Forecast-based Financing (FBF) is a relatively new field, very similar in concept to the ARC but working at more of a programmatic level rather than national level. It also covers any climate-induced event and so is not limited to drought. German Cooperation is leading a global collaboration with WFP and IFRC to learn how FBF can work, but IFRC see the approach as a way of enabling Early Warning Early Action<sup>30</sup> (see section 5.6). So far, the experience and use of FBF within WFP and IFRC is broad and ranges from early responses in Peru, Ghana, Togo, and Bangladesh, to early action (or what might be called “prepositioning relationships”) by WFP in the Caribbean and Philippines. In East Africa, IFRC is supporting FBF for drought-focused early action in the Somalia Region of Ethiopia.

Unique to FBF is that payments are to be made in advance of a climatic event, leading to a relatively high probability that early action can be supported. If so, the impacts of these activities in cases where the predicted climate event does actually occur are also likely to outweigh the lower impact when the predictions later prove to be false alarms. Under the FBF, payments are made against budgeted standard operating procedures, which are triggered as climatic thresholds are met and which are agreed in advance.

### **5.5.3 Livestock insurance**

While insurance is a long-standing feature of crop farming around the world, livestock insurance is relatively less well developed. Crop insurance has been available for many years for larger commercial farmers in East Africa, but recent innovations with insurance products and improvements in remote sense technology have now made crop insurance also available to smallholder farmers. In general, payments occur when rainfall levels are below specific thresholds.

The options for developing livestock insurance have been very comprehensively reviewed, and the particular challenges of designing schemes for poorer livestock owners are clear (Richards, 2010). Index-based livestock insurance (IBLI) is being developed by the International Livestock Research Institute with partners in Kenya<sup>31</sup> and Ethiopia, and in common with crop insurance, uses remote sensing of rainfall to trigger pay-outs. It is beyond the scope of this review to examine the lessons of IBLI in the region, but it seems that the approach now requires independent evaluation to complement the various internal evaluations conducted by the project.<sup>32</sup>

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<sup>30</sup> <http://www.climatecentre.org/programmes-engagement/forecast-based-financing>

<sup>31</sup> <http://ibli.ilri.org/ibli-kenya/>

<sup>32</sup> The recently published second edition of the Livestock Emergency Guidelines and Standards (LEGS) [www.livestock-emergency.net](http://www.livestock-emergency.net) does not include guidance on livestock insurance. It seems that information on the impacts of livestock insurance schemes and products in developing regions was reviewed by LEGS, but there was insufficient evidence to support the inclusion of livestock insurance as a good practice.

## 5.6 Early Warning Early Action

The broad heading of Early Warning Early Action refers to a group of initiatives born out of the drought in the Horn of Africa in 2011, and the famine in Somalia in the same year. Reviews of these events highlighted, once again, the co-existence of adequate early warning but delayed intervention. In the Somalia crisis, the international humanitarian response peaked after almost a year of early warning alerts, and well after famine-related mortality had waned.<sup>33</sup> Current thinking and proposed Early Warning Early Action approaches have been described in detail<sup>34</sup> and the key concepts are simple e.g. early action should be central to humanitarian efforts in slow-onset emergencies, and, early actions are different to early responses. For example,

*“The actions ... are not traditional humanitarian activities, although they need to be undertaken with a humanitarian sense of urgency. In the scenario proposed in this report, an early warning system produces an alert. This alert is specific to an area or a livelihood zone, and it provides advance notice: three months, perhaps as many as six. Within the focus area of the alert, there may already be development activities, projects supporting resilience, and perhaps safety nets. As a result of the warning, there is time to increase the level of inputs to these programmes, broaden their scope, bring in additional resources from elsewhere, front-load sensitive pipelines, call down contingencies, bring forward funding from next year, postpone or cancel activities that are no longer appropriate and reallocate funds pro-actively.*

*Early action activities can occur in a wide variety of sectors, depending on the projected scenarios, the livelihoods zone, and the context. They might include repairs to water sources, commercial de-stocking, provision of fodder, strengthened community education and mobilisation, reinforced surveillance, increased health provision, extension services and veterinary support, and food- and cash-based safety nets”.*<sup>35</sup>

Although there seems to be growing consensus among international NGOs on the value of the Early Warning Early Action concept, there are at least three critical areas of ongoing debate viz. when is “early”?, what is “early action”?, and how are early actions financed? Future agreement on these issues is likely to be hindered by the changing nature of emergencies in the region and the people affected. More specifically, drought early warning systems, risk analysis, and drought responses to date have focused on pastoralism, and especially subsistence pastoralism. However, there are increasing numbers of people moving out of pastoralism in the region due to population growth, declining access to land, and commercialization<sup>36</sup>, as well as generational changes reflected in, for example, youths opting for urban livelihoods and lifestyles.<sup>37</sup> The Somalia famine in 2011 illustrates the challenges – it was associated with a mix of chronic conflict, drought and food price increases, and the people most affected were not pastoralists but minority groups of farmers and agro-pastoralists, and IDPs.<sup>38</sup> Therefore, the early warning systems for supporting early action will need to ensure better representation of different livelihoods on the ground, and a more diverse set of early actions will be needed relative to typical livelihoods support to pastoralists.

For the Crisis Modifier, the Early Warning Early Action movement presents both opportunities and challenges. The general principle of early decision-making applies to both approaches, and the Crisis Modifier is one of the flexible funding arrangements that could support Early Warning Early Action.<sup>39</sup> However, the Crisis Modifier is OFDA funded and therefore two questions arise. First, will OFDA support “early actions” which might include non-traditional humanitarian activities, and for some

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<sup>33</sup> Hillbruner and Moloney (2012).

<sup>34</sup> IFRC et al. (2014).

<sup>35</sup> *Ibid.*

<sup>36</sup> Catley et al. (2013).

<sup>37</sup> McDowell and Gitonga (2013).

<sup>38</sup> Majid and McDowell (2012).

<sup>39</sup> IFRC et al., *ibid.*

workers, will be viewed as development work? Second, if early actions are needed before more traditional drought response activities, what are the specific triggers for these actions? In addition, a clear impediment is that the release of humanitarian funds is conditional on evidence of an event of an international humanitarian in scale and severity. Resources that are linked to this criterion will be fundamentally constrained in terms of supporting preparedness, early preventive activities, or mitigation.

Despite the Early Warning Early Action debate emerging in 2011, in Ethiopia in 2015 there was limited evidence of its use before the drought in parts of Afar and Somali Regions. Similarly, the spaces to use Early Warning Early Action in Somalia are unclear, given recent reports that little has changed in the humanitarian sector since the 2011 famine.<sup>40</sup>

## **6. The USAID Crisis Modifier: Key Lessons from East Africa**

At the time of the review in 2015, the Crisis Modifier had been built into the two main and relevant USAID projects in pastoralist areas of Ethiopia and Kenya – PRIME and REGAL IR - and a hybrid version was in place in Somalia under SomRep. At a technical level the Crisis Modifier is a sound concept and an important step towards broaching the humanitarian and development divide. The approach has created a positive sustained dialogue between humanitarian and development funding architecture of USAID, especially in Ethiopia. Equally, it has created an excellent platform for partners to be thinking around the development gains that are at risk and how they can be protected - this is one of the keys to building resilience. The Crisis Modifier was not being used in South Sudan.

As detailed in section 4, the Crisis Modifier was used three times by PLI II, and by September 2015, had been used twice by PRIME. The general view within OFDA in Addis Ababa was a progression towards a better understanding of the Crisis Modifier within OFDA and among implementers, leading to smoother and more rapid activation. In pastoralist areas, the Crisis Modifier to date has focused on livelihoods-based drought response, reflected in livestock support and especially livestock feed and to a lesser degree, veterinary care. Although the use of the Crisis Modifier is becoming mainstream, in common with drought-response activities under other funding arrangements, information on impacts at community level is very limited. In non-pastoralist areas of Ethiopia, GRAD had activated the Crisis Modifier once, in 2015, with further activations likely due to the ongoing drought in Ethiopia.

In Kenya, the Crisis Modifier has not yet evolved to the same degree as in Ethiopia, and there is a less operational commitment and planning relative to Ethiopia. Conceptually it has been accepted by OFDA and USAID, and implementing partners have included the language in their project design. There appears to be a grey area in terms of how the Crisis Modifier might be used, but it seems that the intention is to support traditional drought response. OFDA recognize some of the challenges for finalizing an MoU for Kenya such as uncertainty over whether OFDA staff in-country or centrally sign the MoU, unclear triggers for response, and if the Crisis Modifier can be used in the absence of an official disaster declaration. While the Crisis Modifier has not been used in Kenya, other actors have responded to drought and have started to prepare for El Nino-related flooding e.g. see the HSNP emergency payments in section 5.4.2.

### **6.1 Crisis Modifiers and funding architecture**

Crisis Modifiers have been included in the program documents of partners at inception, although there were cases of the Crisis Modifier being introduced midway through the program, and with varying degrees of detail and elaboration.

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<sup>40</sup> Maxwell and Majid (2014).

For each program with a Crisis Modifier there was an MoU between the USAID country office and OFDA in Washington DC, and this was a separate document to the cooperative agreement between USAID and the implementer. Two MoUs were viewed during the review. These were detailed documents, and the scope, type of the work, processes and funding levels were very well described.<sup>41</sup> The MoUs were relatively broad in terms of the types of interventions that could be undertaken, and in general the MoUs reflected the essence and fundamentals of the Crisis Modifier approach and its relevance for building resilience.

Under each MoU a lump sum of funds is allocated by OFDA to a project over the entirety of its lifespan, and this is then divided into yearly amounts of around US\$1 million, though this is not always clear. In theory there is a funding cap or ceiling of US\$500,000 for each single Crisis Modifier activation, although there is some flexibility in this, and a significant increase in the amount is possible but must be fully justified. These funding ceilings appear to be set unilaterally by OFDA, with USAID missions having limited say in the levels of OFDA funding. Due to the nature of OFDA funding centrally, unused Crisis Modifier funds from one year cannot be rolled over to the following year.

Upon request for the activation of the Crisis Modifier funds by the partner, a concept note is developed, submitted, and reviewed jointly by the USAID Agreements Officer Representative<sup>42</sup> and in-country OFDA staff. The MoU states that the concept note should be forwarded OFDA in Washington DC on the same which it is received by OFDA in-country, and that both in-country and central review should be done within 24 hours. The USAID Contracts Officer for the project, who are located in-country, will then modify the grant agreement with the partner, in a relatively short time period. Whilst there are some variations in the timing, this was the general approach for activating the Crisis Modifier.

During the review, various issues and challenges were evident in relation to the structure and process of the Crisis Modifier, as described in the following sub-sections.

### **6.1.1 Standardization of MoU between USAID country office and OFDA**

The MoUs observed during the review were strong documents, possibly too broad in their scope, but very similar to each other in terms of detail, process and procedures to be followed. Although it seems to be necessary from a basic management perspective to have an MoU for each project with a Crisis Modifier, it becomes challenging for all parties when the MoU is not standardized for all USAID country offices and so requires considerable review each time it is drafted. This has caused delays and in the case of Kenya, the MoU was not signed off. Further grey areas in Kenya included the required signatory for the MoU.

### **6.1.2 Funding ceiling**

The level of funding allocated to a Crisis Modifier was raised as an issue throughout the review, with concerns on the ceiling of US\$500,000 for individual Crisis Modifiers, and the cap on the annual amounts allocated to a program. The US\$500,000 ceiling was considered low by most partners relative to their assessment of needs, and in some cases, the risk of assistance being shared between households. This indicates that flexibility is needed and at times, a budget of more than US\$500,000 might be justified. In contrast, experiences with the Crisis Modifier in PLI II showed that it could be used to good effect for relatively small, localized projects (section 4.1.3) and if so, it seems important

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<sup>41</sup> In one MoU there was an apparent contradiction in the document. One section stated that “*All concept notes should be submitted expeditiously within a short timeframe after the onset of the acute shock*” whereas in other sections of the same document it went into considerable detail on the different types of interventions allowed, being early response interventions, relief interventions, and even recovery interventions.

<sup>42</sup> This is USAID terminology for the person providing technical oversight/direction to a project involving a cooperative agreement between USAID and a partner.

not to promote the view that the Crisis Modifier should only be used when expenditure of US\$500,000 is needed. In its current form, the Crisis Modifier ceiling seems to be set independently of the size of the development grant to which it is linked, the geographical area of the development project in question, or the operational costs of different areas and contexts.

There may also be a need to remind implementers that the Crisis Modifier is intended to support early responses to drought because these responses tend to have higher impact and are more cost efficient than later responses.<sup>43</sup> In other words, early responses such as commercial destocking can be supported with very low budgets, especially in cases where the work of the project is mainly to link traders with drought-affected communities.

### **6.1.3 Funding ceiling vs. administrative effort**

Related to the funding ceiling was the concern among partners that the level of effort - across partners, USAID and OFDA - needed to prepare and activate a Crisis Modifier outweighed the level of funding. OFDA in Ethiopia reported spending more time on Crisis Modifier approvals than for larger grants, and the beneficiary caseload was significantly smaller with Crisis Modifiers relative to typical OFDA-funded interventions. At the end of a fiscal year, unused Crisis Modifier funds became less available because centrally, OFDA prefers to “zero out” its yearly budget, and so the Crisis Modifier funds may have been re-allocated. The MoU states that OFDA funding for a Crisis Modifier is subject to availability, and the MoU is non-binding.

The USAID-funded PRIME project in Ethiopia has a total budget of approximately US\$53 million, and therefore a single US\$500,000 top-up under a Crisis Modifier represents only a 0.94 per cent increase in total budget. This raises the question of whether the large size of the project is a factor in terms of implementer attitudes to activating the Crisis Modifier c.f. a smaller hypothetical project with a total budget of say US\$4 million in which a single Crisis Modifier could lead to a 12.5 per cent increase in total budget. From a management perspective, the incentives for the smaller project to use the Crisis Modifier would be far higher in terms of proportion of total budget.

### **6.1.4 Crisis Modifier vs. “10 per cent variance”**

In Ethiopia it seemed that the Crisis Modifier under PLI II had evolved to replace the 10 per cent variance (flexible funding) option under PLI I. However, at the contracting stage the conditions under which the 10 per cent variance could be included in a funding agreement (or not) were unclear. This is an area which would benefit from further discussion and review because in theory, a 10 per cent variance option seems to be an easier way to mobilize funds for early drought response relative to the Crisis Modifier. For example when using a 10 per cent variance option, no MoU is needed between USAID and OFDA, no concept note is needed from the implementer, and no approval is needed by OFDA in-country or centrally. In contrast to the Crisis Modifier in Ethiopia, the SomRep program used a hybrid Crisis Modifier whereby 80 per cent of the fund was drawn from the 10 per cent program flexible funding, and the remaining 20 per cent funding sourced not through OFDA, but through other donors.

The use of a 10 per cent variance option may also have advantages in terms of the timing of responses, because this option is less dependent on a formal government declaration of an emergency relative to the Crisis Modifier.

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<sup>43</sup> Economic analysis of the cost of late drought response in the Horn of Africa is available (Cabot Venton et al., 2012), as is comparison of the cost of an early livelihoods-based response to drought with a delayed response using food aid (Catley and Cullis, 2012).

Table 1: Options for drought response funding in USAID resilience projects

Funding option	Pros	Cons
10 per cent variance agreement (USAID development funds)	<ul style="list-style-type: none"> <li>• Can be mobilized immediately</li> <li>• No USAID or OFDA approval needed</li> <li>• No concept note or proposal needed</li> <li>• No official government declaration of emergency needed</li> <li>• Non-competitive at country level</li> </ul>	<ul style="list-style-type: none"> <li>• No technical oversight by USAID or OFDA before implementation – concerns over quality and relevance of activities</li> <li>• Less budget available for development activities later on</li> <li>• Should entire 10 per cent of budget be used, limits flexibility later in the project – further budget changes require USAID approval</li> <li>• Not currently a standard arrangement in cooperative agreements for development projects</li> <li>• 10 per cent of total budget may be insufficient for emergency</li> </ul>
Crisis Modifier (OFDA)	<ul style="list-style-type: none"> <li>• Technical approval by OFDA in-country helps to ensure quality and relevance</li> <li>• Funds pre-assigned (but not guaranteed) by OFDA</li> <li>• Quicker approval relative to stand-alone proposal to OFDA or other humanitarian donors</li> <li>• Does not reduce budget for development activities across the overall project</li> </ul>	<ul style="list-style-type: none"> <li>• Staff time and skills needed for proposal development against OFDA guidelines</li> <li>• Budget ceiling/cap</li> <li>• Not currently a standard arrangement in cooperative agreements for development assistance</li> <li>• Some dependence on official declaration of emergency, unless standing declaration in place</li> </ul>
Stand-alone humanitarian (OFDA)	<ul style="list-style-type: none"> <li>• Technical approval by OFDA helps to ensure quality</li> <li>• No pre-determined budget ceiling</li> <li>• Does not reduce development budget or budget flexibility for development activities across the overall project</li> <li>• No direct link with development project needed</li> </ul>	<ul style="list-style-type: none"> <li>• Staff time and skills needed for proposal development against OFDA guidelines</li> <li>• Slower approval process e.g. needs full technical review in OFDA Washington DC.</li> <li>• More dependence on official declaration of emergency</li> <li>• More competition for funds e.g. in-country and due to crises in other countries or regions</li> </ul>
Re-allocation of development assistance funds within project (USAID development funds)	<ul style="list-style-type: none"> <li>• No new funding required</li> <li>• Technical justification for re-allocation can be approved by USAID AOR relatively quickly</li> </ul>	<ul style="list-style-type: none"> <li>• No technical oversight by OFDA – concerns over quality and relevance of activities</li> <li>• Less budget available for development activities later on – requires technical adjustment of the overall project</li> <li>• Substantial changes to project budget requires a formal modification to agreement – time consuming</li> </ul>

### 6.1.5 Cross-border programming

In many areas of Ethiopia, Kenya and Somalia, pastoralist livelihoods are cross-border in nature, with the social organization and livestock grazing systems of pastoralists cutting across borders. This shows a need for regional approaches to development and early warning, and harmonized cross-border programming during both normal periods and droughts. This is reflected in the recent IGAD

“Transhumance Protocol” which positions cross-border livestock movements as a normal aspect of livestock production in these areas. However, the varying status of the Crisis Modifier by country and the current configuration of implementers, indicates that a cross-border Crisis Modifier would be very difficult to develop and use.

## **6.2 Understanding the Crisis Modifier**

During the review there was an underlying problem that the Crisis Modifier approach was poorly understood, or that different actors had different interpretations of the approach. This was a particular concern in relation to the successful and timely activation of the Crisis Modifier, though in Ethiopia the process has improved over time. For example, OFDA reported a notable improvement in the activation of the Crisis Modifier in PRIME in 2015 relative to 2014, and increasing use of the Crisis Modifier by GRAD.

### **6.2.1 How does a Crisis Modifier protect “development gains”?**

During the review, a number of partner organizations expressed concerns that despite an emerging crisis, the activation of the Crisis Modifier could undermine rather than protect the development gains of a project. In particular, this concern related to free handouts during an emergency; some partners reported extreme pressure from government to support emergency actions that were not always directly linked to a project’s development objectives. In Ethiopia, partners and the local government lacked clarity on the scope of the Crisis Modifier, often seeing it as a broad scale emergency intervention rather than a humanitarian intervention to protect development gains and people’s assets.

At the level of the documentation needed for Crisis Modifier activation, partners were often unclear on the connection between the Crisis Modifier and the development gain, both in the pro-doc and the OFDA concept note. This led to queries from OFDA and prolonged the approval process, which led to frustration amongst all parties.

More positively, the need for clarity when describing how development gains will be protected is important and should be continued. It obliges partners to think specifically on how a crisis will really impact their project, how they can protect the gains that have been made, and how they can build the resilience of the targeted populations to withstand crises. It may also require partners to re-examine the causal logic of their development project.

### **6.2.2 What should be the trigger for the activation of a crisis modifier?**

The issue of triggers for activating a Crisis Modifier (or comparable mechanism) was a concern raised across USAID, OFDA and other donors. Should the trigger be early warning for early action, emergency intervention, or recovery intervention? All three types of activities were mentioned in the Crisis Modifier MoUs between USAID country offices and OFDA. Also, OFDA requires clear indicators for activation of Crisis Modifiers but there is uncertainty over which standardized indicators should actually be used e.g. indicators for early action or indicators showing that a crisis is occurring? Similarly, should the partner be using indicators from existing information systems or collecting the baseline information themselves?

Related to the question of triggers was a concern from partners that OFDA required an unrealistic amount of rigor and depth in the needs assessment section of a Crisis Modifier application, and partners did not have the resources or capacity to provide the information needed. However, a contrasting view would be that these are often large value projects (e.g. the PRIME budget is greater than US\$50 million) implemented by NGOs with a long-term presence on the ground. If so, why do these NGOs lack the resources or capacity to provide analysis or drought data to OFDA in a proposal? Similarly, there is also the issue that the actual Crisis Modifier activities in pastoralist areas

focus on livestock feed and veterinary care, should follow LEGS. If so, the justification for these activities should be clear and easy to explain.

Timings and triggers are also subject to political considerations, and mixed views on the need for an official declaration of a disaster. Among implementers in Ethiopia there was a common perception that any form of drought response was only possible after such a declaration, and this might occur when it was too late to implement a strong early response. In contrast, OFDA report that USAID usually has a standing declaration in place in Ethiopia.

Within OFDA, the review also indicated that there are mixed views on the types and timing of activities which OFDA should support. On one side there is a case for restricting OFDA funds to “traditional” activities, and a view that for legal reasons, OFDA funds can only be disbursed when a crisis has been declared. However, it is also clear that OFDA has funded “non-traditional” projects in pastoralist areas. In the Somali Region of Ethiopia for example, these include the three-year project Revitalizing Agricultural/Pastoral Incomes and New Markets, and support to the government’s livestock disease surveillance system.

In Kenya the HSNP appears to use a single, simple vegetation cover index to trigger emergency cash transfers (section 5.4.2), while also recognizing that the program needs to learn more about possible false alarms, and over- or under-coverage of households.

### **6.2.3 What should be the scope of the Crisis Modifier?**

An issue that came out clearly during the review was that various parties viewed the Crisis Modifier as an area-wide emergency intervention as much as a mechanism to protect specific development gains of the program. This has created some confusion and leads to questions among agencies over which geographical areas should have programs which include Crisis Modifiers. Should it be areas where OFDA has transitioned out of emergency, or areas where there are cyclical crises? Should countries such as Somalia have Crisis Modifiers, as there is a more-or-less continuous crisis throughout much of the south-central parts of the country? There was even some discussion of bringing Crisis Modifiers into high productive areas to protect development gains there.

Crisis modifiers have been somewhat restricted to pastoral and agricultural settings but have yet to be utilized in urban and peri-urban environments. There are some activities that are being undertaken through Crisis Modifier funding that are not explicitly mentioned in the OFDA guidelines and there is a fear that this could hinder future activations.

### **6.2.4 Technical capacities to support early drought response**

The USAID-funded pastoralist areas projects in Ethiopia and Kenya which can use the Crisis Modifier are development projects, and senior staff have a clear orientation towards development thinking and approaches. However, direct experience of pastoralist areas, drought management and humanitarian response was far less evident. This worked not only against the rapid use of the Crisis Modifier but also the entire concept of integrating drought management into development projects. This concern is not new, and was one of the main findings of the evaluation of USAID projects in pastoralist areas of Ethiopia in 2008, which included evaluation of drought responses under PLI 1:

*“If there is any single criterion that can be used to predict (albeit imperfectly) the performance of partner organizations and the effectiveness of their leadership in PLI, it is a history of commitment to pastoral development and research. Major international NGO contractors to future projects should be expected to supply senior technical advisors having long-term backgrounds and/or training in African pastoral development”.*<sup>44</sup>

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<sup>44</sup> Behnke et al. (2008).

Although there are comprehensive guidelines for drought interventions such as LEGS, partner staff who were directly involved in the Crisis Modifier were not familiar enough with these guidelines. Although some implementers tried to recruit experienced humanitarian staff at the onset of a crisis, clearly this will delay the preparation of strong concept notes or justifications for emergency funds, as well as implementation. Difficulties of rapid recruitment of staff was not limited to Crisis Modifiers, but has been noted in evaluations from previous droughts – many agencies noted that recruitment of staff was one of the biggest handicaps to a rapid and effective response.

OFDA raised concerns that it does not evaluate the technical capacity of partners to implement humanitarian projects, and USAID country offices may not have the capacity to do this. OFDA does track partner performance during implementation.

### **6.3 Organizational capacities**

To date, the Crisis Modifier in Ethiopia has focused on livelihood-based support to pastoralists during drought. The specific good-practice options available for this type of support are limited in number viz. the livestock activities under LEGS – commercial destocking, slaughter destocking, supplementary feed, veterinary care, water supply and restocking, and, cash distributions.<sup>45</sup> In addition to LEGS, the Ethiopian government’s own guidelines describe good practice for livestock projects during drought in pastoralist areas and relate the specific interventions to Ethiopia’s institutional context. None of the specific interventions recommended by LEGS or the government guidelines are new to Ethiopia, and all of the interventions (apart from commercial destocking) pre-date PLI by many years. In theory, this situation means that for Crisis Modifiers that target pastoralists, much of the planning, justification and provisional procurement arrangements could be handled at the start of a project, and then fine-tuned and adjusted to context and needs when a drought happens. Instead, it seems that the onset of drought continues to be unexpected and Crisis Modifier planning only really starts when drought starts.

Compounding this problem was limited organizational memory within implementers, and for those organizations which rely heavily on USAID funding, no in-house organizational policy, strategy or guidelines for drought management, and it seems, no orientation or training of new staff in DCM, LEGS, or related approaches, and no exposure to the government guidelines on drought response.<sup>46</sup>

These organizational limitations are a major concern because they relate to well-established good practices that are not being followed. Furthermore, it seems likely that crises will become more complex, as exemplified by multiple causes of the Somalia famine in 2011. This indicates that novel responses will be needed, as well as *prepositioning relationships* with local services providers – public and private – to ensure access, coverage and the opportunity to leverage relatively small, humanitarian funds in anticipation of a crisis.

### **6.4 Coordination/Convergence**

During the review, the activation of a Crisis Modifier appeared to be very much a stand-alone, independent process, whereas USAID grantees are expected to closely coordinate and collaborate with other grantees and externally with other actors e.g. to advocate for protecting development gains. In Ethiopia this may reflect weaknesses in the coordination of government and NGO activities at regional levels, and the issue that the “regional technical coordination” under PLI was not carried forwards in PRIME. In PLI I and PLI II much was done amongst donors and partners to divide regions sectorally and geographically to allow for Crisis Modifiers to have much wider impact. This

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<sup>45</sup> For example, see the Cash Learning Network at <http://www.cashlearning.org/english/home>

<sup>46</sup> These problems also apply to government partners, and are not limited to USAID-funded implementers.

approach is one of the basic building blocks of changing the funding architecture to build resilience of the communities. In Somalia, SomRep was a good example of stronger coordination.

Donors and government are moving towards more complex mixes of strategies and programs in pastoralist areas. These not only aim to support pastoralism as in the past, but also support alternative and diversified livelihoods, and provide safety nets. Each type of project and program has its own approach to drought response and targets different types of people. At the same time, while some large-scale forms of drought assistance are taking shape such as the HSNP scalability and emergency payments system in Kenya, the equivalent system of contingency funds and RFM in Ethiopia seems to be underperforming. In other words, there are variations in the extent to which these government programs are performing and therefore, variations in the level of other support which might be needed to fill gaps in coverage. Each country has a myriad of programs and projects funded by different donors. In Ethiopia the government's Agriculture Task Force, supported by FAO can play an important role in coordinating drought responses but as the name implies, its mandate may be limited to agriculture and livestock-related activities. Some of the main programs and projects include the PSNP, the World Bank-funded Pastoral Community Development Project, PRIME, and the IGAD DRSL program, but the overall coordination of the strategies and activities during both normal and crisis periods remains a challenge. Similarly in Kenya, the need for coordination continues. For example, how will REGAL-IR coordinate with the HSNP and NDMA Drought and Disaster Contingency Fund when designing a Crisis Modifier?

## **7. Recommendations**

The following recommendations should be seen as much as guidance as tangible recommendations. Despite the long list of recommendations, the review is very much in favor of the Crisis Modifier. It is a positive step towards continual dialogue between the development and humanitarian sides of USAID, and supports the resilience agenda.

### **7.1 USAID Funding Architecture**

- i. There is a need for a standardized MoU between USAID country offices and OFDA Washington DC to avoid excessive transaction efforts or misunderstandings, leading to delays. Given the varied understanding of the Crisis Modifier among partners so far, it would be beneficial to include partners in the drafting of the MoU, as occurred in Kenya for example.
- ii. The US\$500,000 ceiling per Crisis Modifier and the US\$1 million yearly cap, whilst somewhat arbitrary, should remain as is. The Crisis Modifier is not a standalone emergency intervention. It is designed to be a rapid response to help protect the development gains of a project or program through the scaling up of existing interventions, early action, or emergency response, and intended for the recipients of the existing program. Additional and independent emergency funds on a much larger scale with a broader mandate, should be sourced for greater needs. A Crisis Modifier should not be used for recovery interventions.
- iii. The MoU should broadly reflect the Crisis Modifier interventions detailed in the partner's project document rather than a long list of "do's and don'ts"; signing off should be a rapid process.
- iv. The conditions for use of the 10 per cent variance, flexible funding option in cooperative agreements needs to be clarified, not least because this option has certain advantages over the Crisis Modifier. When and why can the 10 per cent variance be included in a funding agreement? When can both the 10 per cent variance and a Crisis Modifier be included in a funding agreement, if at all? A regional event with participants from both the contracting and technical sides of USAID and OFDA could produce a framework or matrix to show the pros and cons of the Crisis Modifier vs. the 10 per cent variance, and the conditions which allow one or both to be used.

## 7.2 Understanding the Crisis Modifier

- i. A short technical brief should be developed to propose a clear but flexible definition of the Crisis Modifier as used by USAID/OFDA, and explain the Crisis Modifier - including the fundamentals:
  - a. Limited and targeted
  - b. Link humanitarian and development
  - c. Protect the development gains of a program / project
  - d. Early action and / or emergency response
  - e. Rapid response
  - f. No regrets<sup>47</sup>

The brief could also note that a Crisis Modifier is not to be confused with an extensive relief or emergency intervention - it needs to be *limited* and *targeted*. The brief should be widely disseminated.

- ii. In pastoralist areas where drought is a known problem, it should be clear at the start of project that the DCM framework is being used. In a project document, partners must also provide a clear and detailed description of the expected development gains to be protected during a drought, and more specifically, how these development gains will be protected by using a Crisis Modifier. This should happen during the development of the project document and not just prior to Crisis Modifier activation.
- iii. Crisis Modifiers need to be more rapid in their activation and response. In part, this means rapid assessments rather than a reliance on comprehensive baseline information that is difficult to gather, and, commitment to specific pre-agreed triggers. USAID and OFDA have a long history of supporting early warning systems, and both the Integrated Food Security Phase Classification and FEWSNET information systems are well established, amongst others. In the case of drought, triggers and actions need to be aligned with DCM.
- iv. The MoUs reviewed very clearly detailed the processes and procedures for *rapid* activation of Crisis Modifiers. The timelines set out in the MoU should be maintained and respected. The process can be very straightforward if the basic groundwork and discussions have been done at the beginning of a project, and if there is willingness by all the parties.
- v. The scope of Crisis Modifiers is difficult to define, both programmatically and geographically. To date Crisis Modifiers have been used in rural settings and regions with periodic slow onset emergencies. But, Crisis Modifiers could be broadened to other sectors as well as urban/peri-urban settings particularly with the changing trends and demographics in many of the pastoral and agricultural settings.
- vi. The overall aim of a Crisis Modifier is to provide rapid and appropriate crisis response. However, very limited information is available on the timeliness of Crisis Modifier responses relative to typical humanitarian appeals or other responses. Support to impact assessments of Crisis Modifiers needs to be increased, including detailed and comparative accounts of timeliness.

## 7.3 Organizational capacities

- i. Crisis Modifiers are built into a project due to the high probability of a crisis occurring. There is a need for at least some senior staff in partner organisations to be experienced in the type of

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<sup>47</sup> “No regrets” encapsulates the idea that future events cannot always be predicted or known with certainty. For example, during a drought it might start raining far earlier than expected and the need for humanitarian assistance declines. As noted by IFRC et al. (2014), “Cost effectiveness calculations vary in scale, but they all agree that preventive actions are far cheaper than responses – many times cheaper, in fact. The majority of these interventions have a net benefit anyway. Those that don’t will fall into the category of ‘no regrets’. We can afford some false positives as long as they do not undermine the confidence in the predictive capacity of the system”.

hazards expected and related interventions. The intervention should not be burdened by the lengthy recruitment of suitable staff.

- ii. USAID-funded implementers need to invest in a continuous process of professional development for existing staff, and training and orientation of new staff in topics such as DCM, and livelihoods-based drought response and its economic rationale, as well as guidelines such as LEGS. Many sectors also have well-developed “*Standard Operating Procedures*” that clearly detail the actions to be taken before and during a crisis. Staff need to be well trained and versed in these interventions. It is important not to be reinventing the wheel for each crisis when clear guidelines and tools for many of the interventions already exist.
- iii. To qualify for a Crisis Modifier a partner organisation needs to demonstrate its *capacity* to design, activate and successfully implement a Crisis Modifier, and internally, align the Crisis Modifier with an organizational policy or strategy on drought management in pastoralist areas.

#### **7.4 Coordination / Convergence**

- i. Coordination and convergence issues are not specific to the Crisis Modifier, but relate more broadly to pastoralist areas development and resilience strategies, and the need to continue to support the coordination of diverse projects and programs involving numerous actors, and covering development, resilience and humanitarian activities. USAID and OFDA should continue to provide strategic support to coordination bodies, especially those convened by government partners and African regional organizations.
- ii. Experiences to date indicate that cross-border activities using the Crisis Modifier are unlikely due to the varying status of the approach in different countries, organizational capacities, and the geographical positioning of implementers. However, the concept of cross-border early warning and response to drought should be further supported and developed, and over time, further improvements to the Crisis Modifier could be one way to support drought management across borders.

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## **Annex I: People interviewed**

### Kenya

1. Chip Bury - USAID
2. Nicholas Cox – USAID/OFDA
3. George Ombis – USAID
4. Kiko Lattu – USAID
5. Issa Bitang - USAID
6. Will Helyar – DFID
7. Seb Fouquet - DFID
8. Stephen McDowell - Consultant
9. John Burns – USAID East Africa Resilience Learning Project

### Ethiopia

1. Ryan Russell – USAID/OFDA
2. Mohamed Abdinoor – USAID
3. Dubale Admasu - USAID
4. Dawit Abebe Shiferaw – USAID East Africa Resilience Learning Project
5. Michael Jacobs - PRIME
6. Melissa Himes – PRIME
7. John Meyer - GRAD
8. John Graham – Save the Children
9. Adrian Cullis – USAID Ethiopia Agriculture Knowledge, Learning, Documentation and Policy Project

### South Sudan

1. Ronald Savage – USAID
2. Zema Semunegus - USAID



