

EHCT Aide Memoire:

Flexible financing for humanitarian response in areas of chronic vulnerability

Examples of donor best practice in Ethiopia

September 2012

A/ The Issue

In 2010, the Ethiopia Humanitarian Country Team commissioned a short paper entitled: Bridging the funding gap between humanitarian and development/recovery financing in Ethiopia. This highlighted the challenges to accessing flexible financing that supports an appropriate response to emergency needs in a context of chronic vulnerability.

Noting that lack of flexible financing is not the sole barrier to effective humanitarian response in Ethiopia (other challenges include substantial limitations on humanitarian access, restrictive legislation governing civil society, and delays and limitations in assessments), key challenges identified included:

- Humanitarian financing is often restricted to 12 months or less, limiting opportunities for DRR and to build resilience or the capacity of national actors.
- Where development financing is available it is often not flexible enough to re-allocate in response to emergency need.
- Agency presence and capacity is often downscaled or removed due to lack of financing when needs are comparatively lower. This results in a lack of adequate assessments and response capacity when needs spike again.
- Humanitarian donors often require quantitative data indicating that needs are above the norm. However in chronic areas even the norm is often above emergency thresholds. Compounding this, data availability is often limited, delayed or underestimated.

A number of opportunities for improving the availability of flexible funds were identified, consistent with donor commitments to Good Humanitarian Donorship (GHD) principles to good practice in donor financing, management and accountability. Some of these were also later reflected in the IASC RTE of the 2011 response in Ethiopia. The EHCT is responding to some of the specific recommendations for ways to provide more appropriate, flexible financing early on, including:

- Base funding on early warning/forecasting rather than wait for HRD or humanitarian indicators.
- Expand or introduce multi-year funding arrangements especially for humanitarian and livelihoods partners.
- Expand flexibility of both development and humanitarian financing to adapt to changing situation. Introduce crisis modifiers, or seed funding into development proposals to allow for response to changing needs.
- Expand support for HRF for rapid response, including increased flexibility for HRF so it can be rapidly accessed and used as a top up crisis modifier fund.
- Incorporate DRM elements into response, building on the development DRM activities.

This follow-up paper highlights some of the efforts to build upon good practice and further innovate to increase the availability and flexibility of donor funding, and linkage of humanitarian with development funding since 2010. It forms the basis for discussion by EHCT and donors for further improvement and replication of good practice. This paper presents six examples of new or planned approaches designed to provide greater flexibility and predictability in funding: USAID crisis modifier; DFID multi-year approach; HRF livelihoods and recovery funding; ECHO and EU planned multi-year, multi-sector focus on chronically food insecure woredas; Irish Aid protracted and sudden-onset financing; PSNP Risk Financing Mechanism.

B/ Best practice case studies

1/ Flexibility within development projects to respond to emergencies

USAID Crisis Modifier

USAID and USAID/OFDA have embedded emergency response capacity within the Pastoralist Livelihoods Initiative (PLI) II development project in order to protect development investments from climatic and economic shocks. The crisis modifier mechanism allows the USAID PLI implementing partners to rapidly access USAID/OFDA funding to implement pastoralist-targeted relief interventions at the early signs of emergency. Such activities include: commercial and slaughter destocking, livestock vaccinations and water point rehabilitation and maintenance.

Successes of the crisis modifier in 2011/12

- Based on early warning data and in anticipation of worsening drought conditions in Ethiopia during 2011, USAID/OFDA provided nearly \$2.1 million for the PLI II crisis modifier, including an initial \$500,000 in February 2011 that helped protect PLI beneficiaries from the early impacts of intensifying drought conditions.
- Approximately 30 % of PLI II beneficiaries (61,500 individuals) were assisted by the crisis modifier.
- 2,200 livestock and 1,100 households benefitted from a supplementary feed program in three districts of Somali and Oromiya regions. This resulted 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.
- The body condition of 52,000 livestock in Oromiya was improved through vaccinations and veterinary services, including treatment for internal parasites and other diseases

Planned crisis modifier activities in 2012 and beyond

In 2012, the crisis modifier aims to respond to post-disaster needs by integrating recovery and rehabilitation interventions into PLI II. This will include rebuilding livestock assets and rehabilitating productive assets, such as water or rangeland. Through a post-drought livelihoods project, the crisis modifier will target more than 26,000 households in Somali and Oromiya regions with community-based veterinary services, the provision of livestock supplementary feed, and restocking. USAID and USAID/OFDA plan to expand the application of the crisis modifier to other development programs in 2013.

2/ Predictable, flexible multi-year humanitarian funding

DFID multi-year humanitarian programmes

Recognising the chronic nature of need in Ethiopia, DFID Ethiopia has been developing a suite of integrated instruments to improve the predictability, flexibility and timeliness of its humanitarian funding. Multi-year funding arrangements are now in place with the HRF, with UNHCR and implementing partners and, soon, with WFP. The multi-year aspect replaces previous repeated, ad hoc, short-term allocations. Because the programmes are pre-approved for 3 years, they will enable a quicker response based on early warning indicators to protect development gains and promote recovery. This approach avoids the substantial time and administrative burden of separate and consecutive annual projects and repeated and often lengthy approval processes. The multi-year approach does not tie DFID into multi-year support indefinitely, as annual reviews provide the option to redirect or even cease funding, depending on continued need and results.

Other benefits include:

- Promoting more efficient, cost-effective and timely operations through more predictable resource flows, enabling pre-positioning and planning including transport of goods.
- Meeting inevitable peaks in need through flexible allocations between financial years.
- Allowing improvements to be implemented and measured over realistic timeframes, for example in areas such as commodity management, national capacity building or resilience-building.
- Agencies can maintain staff (and partners) over a longer term basis – reducing staff turnover (and attendant costs) and sustaining and building expertise and contextual knowledge.
- Freeing donor and implementing agency staff time from repeated business case design, to plan and undertake rigorous monitoring and evaluation to further support efficiency improvements over time.
- Providing cost economies through procurement of relief food at favourable market rates and the promotion of more cost effective approaches e.g. installing water systems rather than trucking.

- Contingency funding is built in to expand operations if need increases, and can be triggered without further approval from headquarters.

3/ Emergency response linking to recovery

HRF seed response in SNNPR

The HRF has clarified its strategy for livelihood mitigation and recovery responses, and will now support quality livelihoods interventions targeting families of malnourished children in nutrition hot spots. This follows a large-scale successful consortia intervention in SNNPR in 2012.

In SNNPR, failure of the sweet potato crop, combined with rising food prices and reduced food and income from livestock due to water and pasture shortages, led many to food and nutritional insecurities. The delayed onset of the *belg* rains extended the lean season, resulting in early spikes of admissions into Therapeutic Feeding Programmes.

HRF supported 16 nutrition projects (US\$ 10 million) projected to directly benefit 78,429 individuals (22,600 SAM children, 67,985 MAM children and 27,513 pregnant and lactating mothers and 292 other HIV positive malnourished people). As noted in the 2012 IASC RTE, the responses by the Government and humanitarian partners have been successful in saving lives; however did little to protect livelihoods. These nutrition projects also fell short of addressing the causes of the crisis to inform recovery and development projects for sustained change.

To address this, the HRF encouraged a coordinated response under the Agriculture Task Force. Under the leadership of FAO a 'seed response consortium' was established with a group of NGOs including Concern, Child Fund, CRS, IMC, World Vision, and Goal. The consortium developed a joint proposal for US\$ 4.2 million, targeting some 146,885 smallholder farmers with emergency Seed, and Root and Tuber Crops response, thereby improving their food security and recovery prospects. Priority was given to Priority 1 or 2 food insecure woredas where malnutrition rates are spiking, and HRF ensured that households under OTP and SC nutrition programmes were targeted for emergency seed response.

The linkage of emergency nutrition response with quick early recovery activities proved very successful. Best practices were documented and shared including:

- The integration of recovery work with the nutrition response for improved targeting, ensuring that the most vulnerable are included.
- Distribution of seeds on non-market days and on-site distribution minimised the sale of seeds.
- Provision of complete package including fertilizers and tools was recommended for replication.

The HRF encourages consortium approaches to minimize competition over inputs and resources, enhance harmonization and standardization and to facilitate mutual learning. Coordinated interventions are also cost effective and considerate of 'value for money' as they are designed with care and expertise.

4/ Linking humanitarian response with development to build resilience

ECHO and EU three track approach

ECHO and the EU in Ethiopia have a new three-track strategy designed to make funding more rapid, efficient and with better linkages between humanitarian and development financing. The multi-year and multi-sector approach will focus on geographical areas identified from lessons learned from previous interventions, and for maximum overlap with on-going EU programmes (SHARE, 10th EDF, Instrument for Stability, ECHO/DRR and PSNP). This will ensure that short-term humanitarian response is linked with and complements development and resilience building interventions.

Track 1: Reform of rapid response

ECHO will focus its rapid response on acutely displaced groups and epidemic outbreaks, increasing the surveillance and analysis of displacement, and ensuring rapid assessment and response capacity for ethnic conflict, rapid onset natural disasters and epidemic outbreaks. ECHO will reinforce coordination with other rapid response humanitarian donors like HRF, DFID and OFDA. It will design predictable funding that will allow a consortium of interested partners (with specific sector expertise) to benefit from local-level funds that will be available to support immediate response to rapid onset disaster.

Track 2: Multi-sectoral, multi-annual approach to drought response, linking with EU resilience work

ECHO's new drought-response strategy for 2012/13 and beyond responds to evaluations highlighting the effectiveness of multi-sectoral and multi-annual approaches in tackling the problem of under-nutrition. ECHO will

scale up direct nutrition actions in conjunction with mechanisms for strengthening food security, improving access and availability to quality water, sanitation and hygiene, and access to quality health and education services. This package aims build the resilience of vulnerable communities and households and increase their ability to cope with increasingly frequent drought.

The multi-sectoral, multi-year approach will first be rolled out in 8 clusters or woredas: 5 in pastoral areas (Borana zone, Liben Zone, Gode and Korahe zones, Shinille zone, West Afar), and 3 in agro-pastoral areas (Wolayta zone, South Bale, Wag Himra in East Amhara). In each cluster of 3 to 7 woredas, a number of partners will work together to ensure a more effective, cost efficient and sustainable result. The approach will be adapted to the specific agro-ecological-humanitarian typology. For each typology, ECHO will develop an integrated approach model including health, nutrition, wash and food security activities, with nutrition and food security being the main entry points.

These ECHO emergency and long-term nutrition interventions will build synergies and complementarity with SHARE interventions (see below) by focussing on the same woredas. SHARE will also have the potential to scale-up best practices from the ECHO initiatives through development funding.

Track 3: Launching the SHARE programme (Supporting Horn of Africa Resilience)

The SHARE Ethiopia programme: Accelerating Resilience Capacity (ARC) has been designed as medium-term response to the 2011 drought and will be complemented by long term interventions in the upcoming 11th EDF (European Development Fund). It aims to build resilience of lowland smallholder production systems and communities through structured and coordinated development initiatives, particularly addressing key challenges of food and nutrition security. It will link strategically with short-term emergency interventions in the same areas, in line with LRRD principles. There are 6 proposed intervention sites overlapping with on-going EU and ECHO programming.

SHARE-ARC is financing a variety of projects: from the treatment of severe malnutrition in infants to improved management of natural resources, livestock health and trade, agriculture (improved and adapted practices, small-scale irrigation), alternative income generating activities and basic services (water, sanitation) in the Southern and Eastern lowlands.

ARC implementation will follow a multi-sector approach, including the following components:

- i. **Support to the Risk Financing Mechanism (RFM) of the PSNP** to address the transitory needs as well as to provide extended support to chronic caseload in PNSP woredas in case of shocks
- ii. **Integrated Nutrition Services** focusing on mother and child malnutrition in pastoral and agro-pastoral areas.
- iii. **Integrated Recovery Support** for most vulnerable drought affected people in the Afar, Eastern Tigray and Amhara regional states, and refugee hosting communities neighbouring Dolo Ado refugee camp in Liben zone of the Somali regional state.
- iv. **Pastoral Animal Health Service Delivery** with a focus on small ruminant diseases (SRD).
- v. **Sustainable Environmental Protection and Watershed Management of Bale Eco Region**, Oromia Region, an important upper catchment area for the south eastern low lands/pastoral areas.
- vi. **Strengthening Institutionalized Coordination Structures and Harmonization Mechanisms** linking federal and regional level administrations and fostering stakeholder dialogue and experience sharing.

5/ Complementary approaches for protracted and sudden-onset need

Irish Aid Humanitarian Programme Plan and Emergency Response Fund

In response to commitments made under the Good Humanitarian Donorship framework, Irish Aid has created two complementary financing schemes that govern the administration of grants from its main humanitarian budget line: the **Humanitarian Programme Plan (HPP)** and the **Emergency Response Fund (ERF)**. Decisions around the level of financing to be awarded under these schemes are made on an annual basis however individual projects can have a time-frame of up to 18 months and a high level of flexibility is maintained around awarding no-cost extensions when appropriate.

The **HPP** scheme allows for invited NGOs to present an annual programme and funding plan in November each year. The plans provide an overview of an agency's intended areas of focus – on protracted or predictable crises – and their likely funding requirements for the coming year. The contents of these submissions are reviewed alongside the review of the UN Consolidated Appeal Process (CAP) (or in Ethiopia HRD) documents. For Irish Aid this then allows for a balancing of annual allocations **proportionate** to needs, geographic targeting, response and partner type.

NGOs are required to submit individual applications to draw down the pre-approved amounts. The scheme provides a high level of **predictability** to participating agencies early in the financial year (**timeliness**). The pre-approved amounts are based on very short outlines of the proposed response accompanied by bottom line figures only. As such agencies are afforded a high degree of **flexibility** when it comes to submitting the full proposals. In addition, if an agency wishes to make a substantive departure from the target group or the sector originally proposed this can often be negotiated in advance, by telephone or mail.

In order to allow for even greater **predictability** and **timely** disbursement of funding for sudden-onset needs, Irish Aid operates an **Emergency Response Fund** (ERF) which allows selected agencies prioritised and up-front access to EHAF funds. The scheme operates on principles somewhat similar to the CERF. Pre-approved agencies are awarded an allowance of €500,000 each. These monies are held in trust by the participating agency. In the event of a new crisis response being required, the participating agency can use any amount from this allowance on the basis of a telephone call or e-mail to Irish Aid. The agency has then a 14 day period within which to provide a more detailed overview of how the funds have been/will be allocated. A final report is submitted which forms the basis for the replenishment of the funds for use if/when new and acute needs arise. For participating agencies this scheme provides a very high level of predictability and **flexibility** in starting up and running acute needs responses. The monies are often used to undertake initial needs analyses, underwrite programme start-up costs, and increase capacities of partners to leverage additional and larger grants from other sources.

In addition to the above, NGO partners in receipt of multi-annual development funding (5 year multi-million commitments) from the Civil Society fund are encouraged to programme an appropriate proportion of these monies to DRM and early recovery activities.

6/ Responding to transitory needs within the PSNP

PSNP Risk Financing Mechanism

The Productive Safety Net Programme (PSNP) in Ethiopia was set up in 2005 by the government as part of a strategy to address chronic food insecurity. The PSNP provides cash or food to people who have predictable food needs in a way that enables them to improve their own livelihoods – and therefore become more resilient to the effects of shocks in the future. However, there are times when a shock results in transitory food insecurity, the scale of which is beyond the mainstream PSNP to address. This requires additional temporary support. In this event extra funding comes from the PSNP's Contingency Budget and, when that is exhausted, the Risk Financing Mechanism (RFM). The RFM allows the PSNP to scale up in times of crisis, and is designed to reduce the 'typical' timeline for humanitarian response, so that households receive assistance before a crisis makes itself felt. As the RFM is part of the PSNP, it can only be implemented in existing PSNP districts.

The RFM is designed to dramatically reduce the typical humanitarian timeline by temporarily extending support to current PSNP clients and new clients with transitory needs. By putting in place effective early warning systems, contingency financing, contingency plans and institutional capacity ahead of a crisis, the 'typical' timeline for humanitarian response can be significantly reduced, to as little as two months from warning to response.

The RFM in 2011

In 2011 it became increasingly clear that highland areas of the country would need support in the months preceding the November 2011 harvest, after the PSNP transfers ceased in August. Accordingly, the federal government triggered the RFM in August 2011 to address the transitory food needs of approximately 9.6 million people living in PSNP districts. Of these 9.6 million people, 6.5 million were existing PSNP clients. An additional 3.1 million people living in PSNP areas, who in a normal year do not need additional assistance, received up to three months' support to ensure that they could meet their food needs until the harvest in November.

The RFM proved to be an effective instrument enabling an early and preventive intervention before a shock becomes a crisis. The release of resources through the RFM is likely to have prevented households from having to engage in destructive coping strategies during the months leading up to the November harvest. Although there are areas for improvement (reflected in other papers including.. <http://www.odihpn.org/humanitarian-exchange-magazine/issue-53/how-ethiopias-productive-safety-net-programme-psnp-is-responding-to-the-current-humanitarian-crisis-in-the-horn>), including the process of triggering RFM and coordination with the GoE HRD process, the RFM has shown its responsiveness and flexibility and has successfully contributed to addressing transitory food needs in Ethiopia.

As vulnerability increases as a result of climate change, resilience will become increasingly important, and the RFM is likely to become an even more critical instrument in the response to transitory needs.

C/ The way forward – challenges and opportunities

Each of these new financing strategies is in a different stage of planning and implementation. **It is recommended that the EHCT revisits the themes of this paper over an appropriate timescale that will enable analysis of the impact of these strategies in addressing humanitarian need in areas of chronic vulnerability.** This could result in further recommendations for expansion and replication or further innovation.

It must also be recognised that improved humanitarian financing is only part of the solution. A parallel effort is required by the humanitarian and development communities to ensure similar improvement in areas including programming innovation, accountability and development investment. *Key concerns for EHCT should be:*

Continued need for innovation

Though nearly half of all woredas have chronic needs, many humanitarian interventions are insufficiently creative in thinking about ways to address root causes of vulnerability within short timeframes. This is exacerbated by technical challenges to resilience-building such as supply and quality of seed. Innovation to overcome these technical and operational challenges and encourage creativity in programming is required and should be supported.

Flexibility versus accountability

The inherent conflict between flexibility and accountability has become more apparent as the humanitarian community has sought to make improvements in both areas. Recent examples have highlighted the need for further consideration to find strategies that enable both :

- In early 2012, the \$20,000 contingency that was integral to HRF projects ended. This meant the HRF could not respond to a number of floods in 2012, as the approval process for a new project would have taken too long. Previously, spending of contingency funds within an active project could be approved for response in a matter of days. The HRF and OCHA headquarters are working to find a flexible mechanism to replace the contingency.
- New global ERF guidelines have been introduced in Oct 2012 in an effort by OCHA to improve financial accountability and management across the 13 ERFs. The Ethiopia humanitarian community raised its concerns about how this would impact the flexibility of the HRF, and these have been acknowledged. How the guidelines will be implemented, and the impact of this on the flexibility of the HRF will become more clear over the coming months as they are adopted and tested.
- Unallocated contingencies within project budgets can present an accountability challenge and concern for Government partners and operational agencies.

Need for similar innovation and investment by development partners

These case studies highlight some of the mechanisms that humanitarian donors have introduced to enhance the flexibility of humanitarian funding in areas of chronic vulnerability. However, the EHCT recognizes that the primary responsibility among the donor community to build resilience in areas of chronic vulnerability lies with development donors. In seeking better linkage with development financing, humanitarian financing should not seek to replace or mask the need for development. It is important that chronic and transitory needs are addressed with the most effective and appropriate instruments not just the most easily available.

The international donor community—including representatives of the DAG and EHCT—should work together to similarly promote the necessary flexibility and innovation in development mechanisms targeting chronically vulnerable populations in Ethiopia. This is particularly relevant given the current uncertainty about the future of the PSNP. Following the 2011 drought, there is a window of opportunity to capitalise on renewed political will to influence the amount, appropriateness and flexibility of development investment in these areas. This requires concerted advocacy by DAG and EHCT at the highest policy levels to remove institutional barriers to integrating humanitarian and development investments in areas of chronic emergency need.