USAID Somalia Growth, Enterprise, Employment & Livelihoods (GEEL) Project

USAID GEEL Resilience Challenge Fund: Learning Report
Outcomes of the Market Systems Resilience Reflection Workshops

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USAID Somalia Growth, Enterprise, Employment & Livelihoods (GEEL) Project

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Outcomes of the Market Systems Resilience Reflection Workshops

Growth, Enterprise, Employment & Livelihoods (GEEL)
International Resources Group Ltd. (IRG), an Office of RTI International
USAID|Somalia

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DISCLAIMER: The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.
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<th>Abbreviation</th>
<th>Full Form</th>
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<tr>
<td>AI</td>
<td>artificial insemination</td>
</tr>
<tr>
<td>AS</td>
<td>Al-Shabaab</td>
</tr>
<tr>
<td>B2B</td>
<td>business to business</td>
</tr>
<tr>
<td>COVID-19</td>
<td>coronavirus disease 2019</td>
</tr>
<tr>
<td>GAP</td>
<td>good agricultural practice</td>
</tr>
<tr>
<td>GEEL</td>
<td>Growth, Enterprise, Employment and Livelihoods</td>
</tr>
<tr>
<td>IR</td>
<td>Intermediate Result</td>
</tr>
<tr>
<td>IRG</td>
<td>International Resources Group</td>
</tr>
<tr>
<td>MFI</td>
<td>microfinance institution</td>
</tr>
<tr>
<td>MSR</td>
<td>market systems resilience</td>
</tr>
<tr>
<td>NGO</td>
<td>nongovernmental organization</td>
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<td>RCF</td>
<td>Resilience Challenge Fund</td>
</tr>
<tr>
<td>SARIS</td>
<td>Somali Agricultural Regulatory and Inspection Services</td>
</tr>
<tr>
<td>TO</td>
<td>Task Order</td>
</tr>
<tr>
<td>USAID</td>
<td>United States Agency for International Development</td>
</tr>
<tr>
<td>VSLA</td>
<td>village savings and loan association</td>
</tr>
</tbody>
</table>
1. Introduction

1.1 Overview of GEEL Resilience Challenge Fund Activities

The United States Agency for International Development (USAID) Somalia Growth, Enterprise, Employment and Livelihoods (GEEL) Project launched market-driven resilience activities in Bay Region in 2019 with support from USAID’s Resilience Challenge Fund (RCF), working through the private sector, regulatory bodies, and other market actors to expand adoption of improved technologies and practices and increase access to finance and markets for smallholder farmers. The RCF Fiscal Year 2021 activities described in this report are intended primarily to inform USAID’s market systems resilience (MSR) approach for future activities in South Central Somalia. The activities build on ongoing GEEL activities in non-resilience regions of Somalia, Somaliland, and Puntland and were adapted to the vulnerable and conflict-affected context of Southwest State.

Through the RCF, GEEL worked to improve access to improved seeds, hermetic storage bags, private extension services, climate- and market-related information, and opportunities to access finance through village savings and loan associations (VSLAs) in Bay Region. GEEL worked to improve demand for grain and the availability of nutritious food by introducing milling technology and assessing the market for fortified grains. GEEL targeted vulnerable smallholder farmers, especially women and youth, to layer activities with humanitarian-funded safety nets at the household or community level to strengthen resilience. GEEL’s RCF activities are focused primarily on the grain market system, due to the importance of grain for vulnerable household sustenance and livelihoods. This report also addresses the livestock market system, due to the importance of livestock as the backbone of the region’s economy and an important source of food and income for vulnerable households.

1.2 Purpose of the Learning Activities

As GEEL entered a final extension year in Fiscal Year 2021, RTI’s global resilience team facilitated a series of workshops to further refine GEEL’s market-driven approach to focus on strengthening resilience for vulnerable smallholder producers in Bay Region. The workshops resulted in a set of resilience-focused theories of change for grain and livestock market systems, following USAID guidance for resilience measurement. The workshops and theories of change laid the groundwork for an RTI-funded study of MSR in both Bay and Bakool, based on the USAID MSR assessment framework and associated guidance. The study culminated in a participatory workshop to analyze the findings from surveys and interviews and attach scores to the resilience of the livestock and grain market systems. The global resilience team then facilitated an adaptive management session to adjust the interventions and approaches in GEEL’s resilience focused theories of change based on results from the MSR assessment.

1.3 Purpose of the Report

This report focuses on the learning generated from the MSR study and associated workshops. The theories of change and adaptive management recommendations provide evidence-based strategies related to interventions GEEL piloted, assessed, and evaluated in Bay Region. The purpose of these efforts is to inform USAID’s future resilience programming in South Central Somalia by: 1) providing contextual adaptations to MSR approaches specific to grain and livestock in South Central Somalia to improve resilience outcomes for smallholder farmers and other vulnerable market actors, including vulnerable consumers and workers; and 2) incorporating systems thinking into the activity theory of change by using system-level evidence as well as complex factors generally conceived to be outside the scope of private sector strengthening. The MSR assessment results equipped the team to
make recommendations that address political economy challenges and leverage points, while mitigating conflict and security risks. This report will, therefore, provide key evidence from the MSR study and a theory of change for scaling interventions piloted through the RCF, as well as additional interventions to strengthen key resilience capacities.

2. Background

2.1 GEEL’s Resilience Challenge Fund Approach in Bay Region

GEEL’s RCF activities in Bay Region used a systems approach to engage a broad range of stakeholders with aligned incentives to change key market-related behaviors to benefit vulnerable smallholder farmers. For instance, to increase access to improved seeds, GEEL partnered with the Somali Agricultural Regulatory and Inspection Services (SARIS) to strengthen the seed inspection and certification process. GEEL also worked with two private sector seed companies, Filsan Inc. and Centre for Social and Economic Transformation, to produce and distribute the seeds locally in Baidoa and with a Somali radio station to disseminate messages about the seeds, as well as climate and market information. GEEL also utilized a sequencing, layering, and integrating approach by coordinating targeting strategies with the Somalia Resilience Programme and Building Resilient Communities in Somalia and linking humanitarian transfers with private sector suppliers to improve household-level outcomes. Specific interventions included the following:

- Vouchers linked 3,000 smallholder farmers with input suppliers to purchase improved seed, in coordination with the Somalia Resilience Programme, while local media aired awareness campaigns on the benefits of the seeds.
- Subsidies provided via input suppliers incentivized farmers to adopt reusable hermetic bags for grain storage, while suppliers provided demonstrations and trained producers on their use to increase customer loyalty.
- Private millers (primarily women) received technical assistance and in-kind grants of equipment and training to better meet the projected demand for fortified flour in surrounding areas.
- Financial management training for self-help groups and women- and youth-led VSLAs prepared the groups to be linked to financial service providers, including MicroDahab, Kaah Islamic Microfinance Services, International Bank of Somalia, and Salaam Bank.

RCF activities included full-scale interventions, as well as pilot interventions, as with training and technology for millers and financial linkages between VSLAs and private financial institutions. In addition, GEEL vetted the feasibility and relevance of multiple interventions that were ultimately not included in RCF activities, due to challenges in the enabling environment and project constraints; these included an outgrower scheme financed through banks and microfinance institutions (MFIs), a warehouse receipt program, and introducing fortification technology for improved availability of nutritious grain products. GEEL produced a report on the market potential for fortified flour to guide future programming. The results framework for RCF activities (Figure 1) illustrates the strategy behind the targeted intervention areas (i.e., improved seeds, improved agricultural practices and information, access to milling technology, and access to finance), alongside complementary GEEL activities under Task Order (TO) 2 to increase market access.
Figure 1. GEEL Resilience Challenge Fund Results Framework

<table>
<thead>
<tr>
<th>Wellbeing outcomes</th>
<th>Improved food security and nutrition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intermediate outcomes</td>
<td>Increased nutritious food availability</td>
</tr>
<tr>
<td>Resilient shock responses</td>
<td>Use of climate-smart agricultural extension services</td>
</tr>
<tr>
<td>Resilience capacities (smallholder farmers)</td>
<td>Increased production</td>
</tr>
<tr>
<td>Interventions</td>
<td>Improved seeds</td>
</tr>
<tr>
<td></td>
<td>- Introduce seeds varieties: identify, process, and test new/improved seeds.</td>
</tr>
<tr>
<td></td>
<td>- Establish private agricultural input distribution network</td>
</tr>
<tr>
<td></td>
<td>- Government regulatory capacity: seed certification (SARIS)</td>
</tr>
<tr>
<td></td>
<td>Agricultural services &amp; information</td>
</tr>
<tr>
<td></td>
<td>- Enhance private sector services (extension, GAPs, training, new technologies)</td>
</tr>
<tr>
<td></td>
<td>- Expand digital farm advisory services</td>
</tr>
<tr>
<td></td>
<td>- Increase uptake of hermetic storage bags</td>
</tr>
<tr>
<td></td>
<td>Storage &amp; processing</td>
</tr>
<tr>
<td></td>
<td>- Introduce milling technology</td>
</tr>
<tr>
<td></td>
<td>- Link farming cooperatives with millers for sales</td>
</tr>
<tr>
<td></td>
<td>- Assess viability of modern grain storage centers</td>
</tr>
<tr>
<td></td>
<td>Access to credit</td>
</tr>
<tr>
<td></td>
<td>- GEEL TO 2</td>
</tr>
<tr>
<td></td>
<td>- Promote contract farming (outgrower schemes)</td>
</tr>
<tr>
<td></td>
<td>- Link producers to markets (B2B events)</td>
</tr>
<tr>
<td></td>
<td>- Promote village-based agricultural processing</td>
</tr>
</tbody>
</table>

Note: B2B, business to business; GAP, good agricultural practice.
3. Approach

3.1 Resilience Theories of Change for Grain and Livestock

To launch the MSR study, the global resilience team carried out a series of workshops with the GEEL team to develop resilience-specific theories of change contributing to overall GEEL intermediate results. The resilience-specific theories of change focused on the likely shocks and known stresses in Bay and Bakool Regions and proposed envisioned shock responses that market actors will need to employ for the market system to become more competitive, resilient, and inclusive, while also helping consumers, farmers, and the workforce become more resilient. Each resilience pathway identified the specific resilience capacities needed for effective shock response and grouped current interventions contributing to each set of resilience capacities.

To ensure GEEL’s market systems strengthening work in Bay and Bakool contributes to USAID’s goal of improved resilience of vulnerable smallholder producer households, the resilience theory of change development exercise began by identifying the vulnerable actors in the market systems. The team then analyzed how the market systems support these vulnerable actors through four primary market functions: 1) provision of affordable nutritious foods for consumption, 2) provision of productive inputs and assets, 3) provision of income from sales, and 4) provision of wages from labor. For each market function, the team articulated the ideal state of how the market system prepares for and reacts to shocks and stresses, with the overall market goal of strengthening the resilience of vulnerable actors. The team then articulated the current state of how each market system responds to shocks and stresses.

It is worth noting that the MSR study focuses on market system actors separate from grain and livestock producers. Focusing on non-producers allows the GEEL team to assess the extent to which their market system interventions are contributing to producer well-being by comparing market system results with secondary datasets on the resilience of vulnerable producer households. Emphasizing non-producers thus supports the team’s ability to examine market system-level interventions and their relationship to producer well-being. The focus on market system actors was a shift for staff and stakeholders coming from a household resilience perspective; the tendency to discuss the market from the producer perspective reemerged throughout discussions. In contrast, staff from private sector growth backgrounds appreciated new insights from the MSR study related to necessary incentives for private sector actors to increase access and inclusivity for the most vulnerable, often women.

3.2 Overview of the Southwest MSR Study

Improving the capacities of systems, as well as individuals, households, and communities, to absorb and adapt to shocks and stresses is a critical part of building resilience; however, measuring system resilience is a nascent area. RTI funded an MSR study to operationalize USAID’s recently launched MSR assessment framework for Southwest Somalia and assessed the resilience of the livestock and grain market systems. The findings were then used to adapt and further contextualize market-focused resilience interventions based on RCF activities and special studies.

RTI’s customized approach to measuring MSR uses a participatory process to contextualize resilience domains, select and adapt resilience indicators, and develop measurement tools and approaches. Savana Consultancy and Research Services, Ltd. was the research partner for the study, mapping businesses in two cities in Southwest State: Baidoa and Hudur. The firm conducted face-to-face interviews with a random sample of 507 micro, small, and medium enterprises in the targeted market systems. A consultant with shared ethnicity and familiarity with Southwest Somalia
conducted phone interviews with 24 business owners and eight local authorities. The research team synthesized qualitative and quantitative results to form the evidence base to score MSR across eight domains through an interactive workshop series with staff and stakeholders in Baidoa.

### 3.3 GEEL Learning from the MSR Study

Learning and applying results from the MSR study to the resilience-specific theories of change took place over a series of workshops. Stakeholders representing the private sector and civil society, as well as resilience implementing partners, took part in the workshops with a core group of GEEL technical staff who had been engaged in the MSR study since its inception. The purpose of the workshops was twofold: 1) to validate the results and reach consensus on the overall level of resilience of the market systems for each domain and 2) to reflect on what the findings mean for effective resilience programming in the region through synthesis across domains, thinking through causal pathways, and identifying gaps in the current program design. With this aim in mind, the team spent the final workshop session adapting interventions to strengthen key MSR capacities or address critical areas of vulnerability that emerged from the MSR study findings.

### 4. Findings

#### 4.1 Overview of MSR Assessment Findings

Data from the market actor survey and qualitative data from market actors and local leaders revealed a moderate level of resilience across the grain and livestock market systems in Bay and Bakool. Structural constraints, especially related to ongoing conflict with Al-Shabaab (AS), AS presence around the market centers, and weak government capacity to provide services, provide rule of law, manage inter-ethnic conflict, and align tax regimes severely hinder the growth potential of the market systems. Nevertheless, the fact that the markets continue to function, despite relying on cash flows from international nongovernmental organization (NGO) cash transfers and remittances, in the face of recurrent climate-related shocks, desert locusts, the coronavirus disease 2019 (COVID-19) pandemic, and numerous other shocks and stresses, demonstrates a significant level of resilience.

Our findings revealed key differences between the two market centers, mainly related to comparative levels of security, tax burden, and access to neighboring markets and Mogadishu. We also found that the gender makeup of business owners varied significantly between the grain and livestock market systems, with women constituting the majority of grain business owners (Figure 2). Analyzing our sample breakdown by level of influence, with petty traders and trekkers forming the group with the least social and financial capital and exporters, fattening farm owners, warehouse owners, and major traders forming the most influential, we also found women dominating in the lower-influence market segments.
The results of quantitative and qualitative indicators across the eight domains are summarized below (Table 1). For the most part, our findings demonstrated variation between the two market systems at moderate levels of resilience (Table 2).

### Table 1. Summary of Resilience Findings in the Grain and Livestock Market Systems

<table>
<thead>
<tr>
<th>Domain #1: Evidence-based decision-making</th>
<th>Domain #2: Business strategy</th>
<th>Domain #3: Cooperation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Resilience Findings per Domain</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Roughly half of livestock (57%) and grain (47%) actors innovated to grow their business, but livestock businesses are more likely to increase revenue as a result (69% vs. 41%).</td>
<td>Businesses lose customers only rarely or occasionally, primarily due to price competition. Livestock actors also struggle to provide consistent supply (38%).</td>
<td>Grain actors are more likely to cooperate in diverse ways (driven by women).</td>
</tr>
<tr>
<td>The vast majority of businesses (97% livestock and 84% grain) rely on first-hand market information but only occasionally or rarely seek out new information.</td>
<td>The majority of actors in both market systems occasionally reduce their profit margin to ensure good value to customers.</td>
<td>Grain actors are more likely to want to help their suppliers/providers (i.e., producers; 73% of grain actors vs. 61% of livestock actors).</td>
</tr>
<tr>
<td>Businesses in both market systems rely on friend and family networks rather than peer groups for business advice.</td>
<td>Grain actors (43%) are more likely than livestock actors (22%) to plan a week ahead; most businesses plan only a day ahead.</td>
<td>Livestock businesses are more active in community meetings, but only grain businesses are active in trade or business associations (18%).</td>
</tr>
<tr>
<td>Livestock actors (51%) are more likely to use paper-based recordkeeping than grain actors (31%).</td>
<td>While both value chains believe customer feedback is important, grain businesses (43%) are more likely to seek customer feedback than livestock businesses (28%).</td>
<td>Collusion is rare in both market systems due to local capacity to resist.</td>
</tr>
<tr>
<td>The majority of businesses (91% of livestock businesses and 91% of grain businesses) agree that investing in technology could earn them more money but believe it would be too expensive.</td>
<td>Grain (79%) and livestock (95%) businesses gathered customer feedback face-to-face, but 33% of grain businesses also told staff to request feedback.</td>
<td>Business committees effectively fill some functions of industry groups but exclude petty traders.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Market actors regularly activate networks to tackle shared problems but with inconsistent outcomes.</td>
</tr>
</tbody>
</table>
Resilience Findings per Domain

Domain #4: Competition
- AS has significant ability to control products and traders entering markets; taxation and security substantially impact trade between cities.
- Adherence to agreements is similar (66% of grain businesses vs. 58% of livestock businesses), and businesses leverage reputation risks to hold actors accountable.
- Formidable risks involved in starting a business are offset by readily available supply, yet high-value activities require strong clan networks.
- Women are entering market activities in significant numbers but are at a disadvantage due to lack of collateral and networks.
- The majority of businesses report an increase in new market entrants, but 36% of grain businesses also report a decrease compared to 9% of livestock businesses.

Domain #5: Power dynamics
- AS is the most powerful, followed by clans (more so for livestock businesses) and local government (more so for Baidoa).
- Leadership of business committees excludes marginalized sub-clans, youth, and women; women are filling some leadership roles in grain businesses.
- Perceptions of ability to influence community decisions and local authorities are weak in Hudur but stronger in Baidoa. On average, influence is weak across market systems, especially for women in grain businesses.

Domain #6: Rule of law
- The majority of businesses are aware of laws and regulations.
- Impartial enforcement of laws and regulations is weak in both market systems but especially for the grain market system.
- Disputes are more frequent among grain businesses, but perceptions of fair dispute resolution are more common among grain businesses compared to livestock businesses.
- Taxation is viewed as excessive and burdensome, with triple-taxation occurring due to government, AS, and illegal roadblocks.
- Livestock actors are more vulnerable to roadblocks and interruptions in market access, which raise costs and threaten trekker and livestock safety.

Domain #7: Diversity
- More grain actors use more than one supply channel compared to livestock actors (40% vs. 17%).
- 76% of livestock and 60% of grain actors reported only one supply channel.
- Social perspectives on women participating in business activities are improving in both market systems.
- Women in the grain market system are in higher-opportunity segments.
- Clan has an all-important role in the market, including access to finance, business linkages, and dispute settlement, leading to the exclusion of marginalized sub-clans.

Domain #8: Connectivity
- Access to and use of finance were low in both market systems, but more grain actors did not know how to apply for a loan.
- Actors in both market systems, but especially grain, were confident in their ability to find new suppliers in case of a new shock (62% of livestock actors vs. 81% of grain actors).
- Linking social capital between market actors and influential individuals was present in both market systems, but linkages to clans and external businesses (such as exporters) were stronger in the livestock market system.
- Clan is both an enabler for trusted relationships and a barrier to forming them; this is especially critical for the livestock market system, which depends on linkages to other cities.

4.2 Participatory Scoring Results
In a final workshop series, we shared MSR findings with GEEL staff and stakeholders for joint analysis and scoring. The teams provided qualitative and quantitative feedback on the level of resilience for each domain per market system, scored on a scale of 1 to 4 (1 indicating not very resilient,
2 indicating somewhat resilient, 3 indicating resilient, and 4 indicating very resilient). Sharing our findings with GEEL staff and stakeholders yielded two main insights: 1) our results were largely validated and revealed the extent to which our operational approach to the framework effectively captured different resilience levels and the main reasons for those differences between the two market systems and 2) our understanding of the comparative resilience of the two market systems on selected domains shifted based on the discussion, demonstrating the importance of the participatory process to generating a realistic and fully contextualized assessment of MSR. Key adjustments to our findings based on discussion included:

- Our survey results for decision-making indicated that livestock actors have better access to information than grain actors. However, through discussion, the team explained that small and medium livestock actors are generally excluded from those information flows and lack forums for business advice and scored the two market systems the same.

- Findings related to cooperation showed that grain actors cooperate in many different ways and are able to resolve problems through cooperative problem-solving approaches; nevertheless, the team decided that the weakness of industry associations and the reliance on family linkages for cooperative initiatives make the grain market as weak as the livestock market. This was despite the larger-scale challenges faced by livestock market actors vis-à-vis disease control and surveillance, export bans, and collusion over access to the export market.

- Our survey results for rule of law indicated that grain market actors have more favorable perceptions of dispute resolution than livestock actors. However, team discussions weighed the general insecurity, tax burden, and favoritism in the legal system as greater than those findings and scored the two market systems the same.

- Although our quantitative and qualitative results indicated comparable levels of connectivity in both market systems, discussions with the team revealed that the grain market has a comparative advantage in the ready availability of supply and accessibility of suppliers. In contrast, the mobility of herds makes business connections in the livestock market system reliant on family or clan linkages.

Table 2 summarizes the main rationale for the resilience scores for each domain based on the discussion amongst team members and stakeholders and, to a large extent, complements the research findings. In total, grain emerged as somewhat more resilient than livestock on three out of eight domains. The next section details the performance of market actors as far as using adaptive strategies to recover from shocks, and their overall level of recovery is compared across the two market systems as further evidence of the varied shock exposure and resilience across the two systems.
## Table 2. Summary of Participatory Scoring Results and Rationale

<table>
<thead>
<tr>
<th>Domain #1: Evidence-based decision-making</th>
<th>Grain</th>
<th>Livestock</th>
</tr>
</thead>
<tbody>
<tr>
<td>Somewhat resilient (level 2)</td>
<td></td>
<td>Somewhat resilient (level 2)</td>
</tr>
<tr>
<td>• Market actors do not have consistent access to accurate information, although mobile phones are used to access information from co-ops and other sources.</td>
<td></td>
<td>• The producers, transporters, and rural buyers primarily depend on word of mouth information and lack literacy for accessing market information aside from prices.</td>
</tr>
<tr>
<td>• Although family and cooperative links are strong, the amount of information provided through them is limited.</td>
<td></td>
<td>• Large buyers have more technology and connections to get information and triangulate it.</td>
</tr>
<tr>
<td>• Illiteracy presents an obstacle to accessing market information beyond price information, and information on external trends affecting markets is often unavailable.</td>
<td></td>
<td>• Information is generally not triangulated, and business groups do not meet to discuss information for making business decisions.</td>
</tr>
<tr>
<td>• Actors struggle to use their historic business information because they do not keep written records and have barriers to adopting technology.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Domain #2: Business strategy</th>
<th>Grain</th>
<th>Livestock</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resilient (level 3)</td>
<td></td>
<td>Somewhat resilient (level 2)</td>
</tr>
<tr>
<td>• Although market actors do not practice formal long-term planning, the stability of their businesses and dependence on markets enable them to line up suppliers and storage one season ahead of time.</td>
<td></td>
<td>• Market actors generally do not use long-term planning.</td>
</tr>
<tr>
<td>• They see value in developing a loyal customer base and in providing value to customers, including millers, who add value to their products.</td>
<td></td>
<td>• Strategies do not help them manage market shocks, such as COVID-19-related market closures.</td>
</tr>
<tr>
<td>• They use basic branding practices (signs or banners with products and prices) to develop their businesses and maintain contacts with international NGOs to market their products.</td>
<td></td>
<td>• Producers and traders do not use branding or advertising or reach out to clients or customers through personal networks.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Domain #3: Cooperation</th>
<th>Grain</th>
<th>Livestock</th>
</tr>
</thead>
<tbody>
<tr>
<td>Somewhat resilient (level 2)</td>
<td></td>
<td>Somewhat resilient (level 2)</td>
</tr>
<tr>
<td>• Industry associations—aside from business committees—are present but very weak.</td>
<td></td>
<td>• Livestock actors have been unable to solve the problem of export bans issued by Gulf countries.</td>
</tr>
<tr>
<td>• Cooperation is based on family linkages rather than the interest of the whole market.</td>
<td></td>
<td>• Business committees have little power over re-opening markets closed by AS.</td>
</tr>
<tr>
<td>• Businesses do not support each other enough during shocks, especially producers, who are price-takers.</td>
<td></td>
<td>• Government institutions are currently weak (e.g., disease control and surveillance, vaccinations).</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• International campaigns only work with large organizations and do not address all market segments.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Brokers and large exporters sometimes collude on sourcing livestock for specific destinations and favor certain individuals over others. Not all producers get equal value for their animals.</td>
</tr>
<tr>
<td>Domain #4: Competition</td>
<td>Grain</td>
<td>Livestock</td>
</tr>
<tr>
<td>------------------------</td>
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<td>-----------</td>
</tr>
<tr>
<td>Somewhat resilient (level 2)</td>
<td>• Competition within the market center is free and fair but restricted for businesses that involve transport or linkages.</td>
<td>• Prices are competitive, and markets are easy to join.</td>
</tr>
<tr>
<td></td>
<td>• If someone from outside the region wants to open a local branch, it is often advantageous to bring in a local owner, even if in name only, to protect against price wars or hostile opposition.</td>
<td>• Some companies, such as the primary veterinary drug group, block competitors from entering the market.</td>
</tr>
<tr>
<td></td>
<td>• There is no government or institutional support during shocks, which requires people to fall back on family and clan.</td>
<td>• Agreements are generally adhered to; Somali culture emphasizes trust, and so, verbal agreements are honored.</td>
</tr>
<tr>
<td></td>
<td>• Small-scale actors, such as producers, are not able to shift into trading or higher-value activities.</td>
<td>• There is room for improvement in increasing the number of agreements, especially with producers.</td>
</tr>
<tr>
<td></td>
<td>• Prices are competitive, and markets are easy to join.</td>
<td>• Business owners from outside the region or from minority clans can face backlash and barriers to entry.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Domain #5: Power dynamics</th>
<th>Grain</th>
<th>Livestock</th>
</tr>
</thead>
<tbody>
<tr>
<td>Somewhat resilient (level 2)</td>
<td>• There are not multiple power centers, and influence is concentrated within AS, business committees, and local government, although each group has a minimum level of influence.</td>
<td>• The main power is held by AS (rural areas), business community (prices and practices), and local government (market infrastructure).</td>
</tr>
<tr>
<td></td>
<td>• Women in particular are disadvantaged in terms of power dynamics.</td>
<td>• No one can really influence AS, and they do not use their power to benefit the market system; however, they treat everyone the same as far as taxation, dispute resolution, and other aspects.</td>
</tr>
<tr>
<td></td>
<td>• The main power is held by AS (rural areas), business community (prices and practices), and local government (market infrastructure).</td>
<td>• A more resilient market would have more power held by actors in the business community and local government using their power to help the market system.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Domain #6: Rule of law</th>
<th>Grain</th>
<th>Livestock</th>
</tr>
</thead>
<tbody>
<tr>
<td>Somewhat resilient (level 2)</td>
<td>• The hybrid legal system and presence of district courts give people options in a very challenging environment.</td>
<td>• Although taxation is unfair, and many necessary laws are lacking, some rules and laws exist, and people mostly follow them.</td>
</tr>
<tr>
<td></td>
<td>• Businesses are overall well satisfied with business dispute resolution and fairness.</td>
<td>• Disputes are rare.</td>
</tr>
<tr>
<td></td>
<td>• Taxation is an issue, not only because of triple taxation and inconsistency but also because of corruption.</td>
<td>• Road blocks influence who you do business with or which markets you sell to, versus business factors or level of opportunity.</td>
</tr>
<tr>
<td></td>
<td>• Multiple registration systems add to the complexity.</td>
<td>• The market actors have been fairly adaptable to changing rules and laws and will readily adapt to new rules.</td>
</tr>
<tr>
<td></td>
<td>• Overall, Bay and Bakool Regions suffer more than other regions, but businesses are resilient to these challenges.</td>
<td></td>
</tr>
</tbody>
</table>
Grain

**Domain #7: Diversity**

**Resilient (level 3)**

- The market is fairly diverse, and actors have more supply channels.
- Women’s participation is high in grain, including higher-value market segments and leadership of business committees.
- Clan is not as critical to market entry and actors rely on friend networks more than family.

**Livestock**

**Somewhat resilient (level 2)**

- Marginalized sub-clans are not able to fully participate because the system lacks functioning alternatives to clans for conflict resolution, credit suppliers, and other linkages.
- Clan has substantial control over market entrants because sub-clan affiliation affects the safety of market actors and livestock.
- Women’s participation is limited.
- Many different products and services flow through the market system despite these challenges.

**Domain #8: Connectivity**

**Resilient (level 3)**

- Formal finance is available, but it is difficult and burdensome for most grain actors.
- Overall supply is relatively stable, except for sorghum; other regional markets or import markets can be tapped in case of a shock in Bay and Bakool.
- Many actors rely on friend and business circles, and women traders often rely on savings circles or “Ayuuto”.
- The grain market is closely linked to Mogadishu, and clan is an important source of financial and social capital, which disadvantages marginalized people.

**Livestock**

**Somewhat resilient (level 2)**

- Social linkages are strong along clan lines but not across them, leading to exclusion from finance and opportunities.
- Supply is primarily oriented around subsistence and family asset base, making it difficult to access new suppliers.
- Social capital is relatively good for larger traders and exporters through business and professional groups, as well as clan, but not for milk sellers or trekkers.
- Connections to financial institutes are weak, with MFIs only now coming into Bay and Bakool.

### 4.3 Comparative Shock Exposure, Response, and Recovery

To interpret the importance of various resilience capacities and resilience domains for market system recovery, we compared shock exposure and the speed and level of recovery for businesses between the two market systems. A closer look at the type of shocks affecting each market system put our preceding findings in context, providing key evidence for the resilience capacities and related interventions needed by each market.

Businesses in Bay and Bakool were affected by a broad array of shocks and stressors in the period of July 2019–June 2020, as reported in the survey conducted in July and August 2020. The most significant shock by far for grain was insecurity and conflict, affecting 47% of grain businesses, as well as 28% of livestock businesses. Road closures due to insecurity affected 31% of livestock businesses, more than any other type of shock, as well as 24% of grain businesses. Qualitative data indicated that closures due to inter-clan conflict on the Baidoa–Mogadishu road were the most disruptive, although shortly after the study was conducted, AS seized several trucks on the road to Hudur, effectively blocking incoming food and other goods. On the whole, more grain businesses reported a greater variety of shocks; in particular, the locust invasion affected the supply base of 30% of grain businesses, while the COVID-19 pandemic affected customers and suppliers for 27% of businesses. When interpreting these results, it is important to bear in mind that we did not survey producers; the findings reveal that the shocks affecting producers are only in part transferred to other actors along the value chain. On the whole, non-producer market actors were more affected by security-related market interruptions than by supply-side shocks (Figure 3).
Qualitative data revealed flooding was a problem for businesses in the preceding year, especially affecting the movement of livestock, milk, and grain between cities. The locust invasion was devastating for grain producers and livestock producers due to damage to crop and pasture land; however, it affected only a third of non-producer grain businesses and 12% of livestock businesses. The fact that the locusts affected only certain villages likely allowed market actors to pivot to different suppliers, cushioning the market, although producers were vulnerable to this shock. COVID-19 affected businesses significantly, although reported by only roughly a fifth of businesses in the survey. The decline in cash circulation was one of the primary hardships facing both markets; however, the export bans imposed the greatest hardship on livestock businesses. Market actors faced increased costs for animal feed while waiting for the ban to be lifted, and both grain transport costs and the amount of grain lost to pests increased.
Remarkably, despite the broad range of shocks affecting grain businesses, non-producer grain actors on the whole had recovered to a greater degree than livestock actors (Figure 4). Another 29% of grain businesses and 24% of livestock businesses had recovered to the same level as before. These results indicate that the greater resilience capacities noted across multiple domains for grain actors effectively enabled them to recover more quickly.

While grain businesses implemented a wide variety of measures to adapt to shocks, 47% of livestock businesses did not implement any at all (Figure 5). The most common adaptive strategy for grain businesses (36%) was seeking out a new supplier/customer base. In contrast, the most common adaptive strategy for livestock businesses was a family member migrating with the goal of sending remittances (19%). Grain businesses were also likely to make new investments in their business (28%), offer discounts on products and services (26%), access markets in new locations (22%), or make changes to products/services to grow their customer base (18%). These findings illustrate that greater resilience capacities are a key pathway to better uptake of adaptive strategies, an indicator of the resilience of businesses across the grain market system. For implementers, these results suggest that incentives in the livestock market system may not align with the type of resilience capacities that could lead to better outcomes. Together, findings related to shock exposure and the use of adaptive strategies can help to inform the key vulnerabilities and leverage points for targeted interventions, as discussed in the next section.

4.4 Applying Learning to Programming

Revisiting the resilience-specific theories of change for each market function, both grain and livestock technical teams identified key gaps based on findings from the MSR study. The preceding workshops had provided an opportunity for the teams and stakeholders to exchange perspectives and views on the two market systems. Key takeaways from those discussions are described below. While the workshops provided promising new avenues for supporting effective shock-response of market actors, further discussion is still needed for a fully elaborated MSR approach in Bay and Bakool.

Evidence-based decision-making–related learning

Roadblocks are a major shock to livestock markets systems that require traders to make frequent adjustments to where they purchase or sell livestock. Their main source of information is to call...
contacts, but the accuracy of that information is questionable. This led to a low score in the Evidence-based decision-making domain.

- **Learning:** Future programming can support market information platforms that help traders know where there is supply/demand (to inform their movements) and enable market actors to use this information to decide which markets to access. This information needs to be accessible to even marginalized market actors; otherwise, we will further skew the power dynamics in the market system.

**Competition-related learning**

Veterinary products and services are dominated by the South West Somalia Livestock Professionals Association, which often blocks new market entrants and restricts competition. This is compounded by the Food and Agriculture Organization of the United Nation’s control of vaccination activities and NGOs providing free services or products—both of which are disincentives to new market entrants that could improve timely response to disease outbreaks and diversification of products and services. This led to low scores in the Competition domain.

- **Learning:** Future programming needs to scale RCF pilots around new agrovet services (Dunyo Veterinary Services and Somali National University Veterinary Ambulatory services) but also needs to address the disincentives caused by the Food and Agricultural Organization of the United Nations and NGOs. This will involve supporting the Ministry of Livestock, Forestry and Range to help re-align these incentives.

**Cooperation-related learning**

Cooperation in the grain market system already takes many forms, but the ability of local traders to bulk and sell grain in regional markets to offset supply and price shocks is limited. The stress of low prices gets passed to producers, despite the desire traders expressed to support their suppliers during shocks, leading to a low score in the Cooperation domain.

- **Learning:** Future programming can increase the capacity of trader associations to negotiate better prices and access credit through a warehouse receipts program and advocate for policy solutions to tax and infrastructure issues. There is a critical need for storage facilities and strong and inclusive producer cooperatives to manage storage during supply shocks, negotiate fair prices, and improve access to credit despite frequent shocks. However, to incentivize women’s participation and ensure benefits flow to woman-headed households (often the most vulnerable), accountability systems must be put in place so that women members can give feedback, hold leadership positions, and influence outcomes.

**Diversity-related learning**

Both market systems, but especially the livestock market system, rely heavily on the clan system to solve problems, regulate the system, and support market actors during shocks. Unfortunately, the clan system is exclusionary, which restricts opportunities for women and minority sub-clans and, therefore, many vulnerable producers. In the grain market, women dominate the sector and function more independently from the clan leadership. This led to a low score for livestock in the Diversity domain.

- **Learning:** Business committees and other industry groups in the livestock market need to be strengthened to play a larger role. To further increase inclusion within these groups, petty traders and other low-capital businesses should be supported to participate through their VSLAs or other existing groups.
**Connectivity-related learning**

Grain market actors are majority women, many of whom operate low-capital businesses (petty traders). With limited education, they struggle to access business services and financing, which reduces their ability to prepare for and recover from shocks. However, friend networks through savings groups and diverse supplier bases contributed to a moderate score in the Connectivity domain.

- **Learning**: GEEL has focused on the supply side of finance but sees opportunities to work with petty traders to increase demand for microfinance. Interventions focused on improved financial literacy, bookkeeping, and business planning are critical to enable women to weather shocks and still repay loans. To develop sustainable business services, future programming can incentivize local business development service providers to develop low-cost services.

Milk sellers (mostly women) are not well connected to sources of credit, and many do not know how to access credit. When there is a market shock, they often cannot maintain their business or easily restart it after the shock. This led to a low score in the Connectivity domain.

- **Learning**: GEEL has been facilitating linkages between milk sellers and MFIs and working with milk sellers to become more bankable. Future programming can continue to work with the banks to increase financial access for diverse market actors, including milk sellers. This could involve helping the banks develop new products, supporting them to lend through milk seller groups, and aiding them to develop procedures that use different forms of collateral (e.g., a group guarantee, records that show business history). By addressing the issue from both sides, future programming can build meaningful system connectivity.

**4.5 Resilience Theory of Change for Southwest Somalia**

The global resilience team returned to the resilience-specific theories of change based on the learning and proposed adaptations from the workshops with the GEEL team, as well as learning from the pilots and interventions carried out through the RCF. Synthesizing this information and experience, the team generated a summarized, visual theory of change for a full-scale MSR program, combining both livestock and grain market systems, in Southwest Somalia. Following USAID guidance, the theory of change emphasizes resilience capacities, identifies critical shocks to livestock and grain market systems, and articulates the desired resilient shock responses of market actors that will enable the market systems to reach their desired state and contribute to USAID’s intended results. The theory of change builds on successful pilots and interventions from the RCF (bolded and marked with an asterisk in Figure 6), alongside additional resilience capacities identified as critical to systems-level change through the MSR study.
**Figure 6. Proposed Theory of Change for MSR in Southwest Somalia**

Proposed Market System Resilience Theory of Change for Southwest Somalia

- **Goal**: Promoting inclusive economic growth in Southwest Somalia by increasing resilience of production, employment, and enterprise development to recurrent shocks and stresses.

**Intermediate results**

- IR1: Business enabling environment strengthened and more resilient
- IR2: Enterprises developed and resilient
- IR3: Improved and resilient production, employment and incomes
- IR4: Greater participation of women and youth despite shocks and stresses

**Resilient market outcomes**

- Policies and regulations improve storage, animal health, access to finance, trade
- Agricultural and business development products/services expanded
- Farmers sell their products at a profit and expand their farm businesses
- Value chain businesses operated by women and youth enhanced

**Producers’ use and access to improved inputs and practices expanded**

- Farmers’ access and use of improved inputs and practices expanded
- Farmers use climate smart agriculture practices
- Farmers’ access and use increased effectively to livestock disease
- Vulnerable groups use info on security-related market interruptions to make informed decisions

**Resilient shocks responses**

- Producers use early warning information to prepare for shocks and manage pests/disease
- Farmers use early warning information to prepare for shocks and manage pest/disease

**Input and commodity price shocks; Conflict-related market interruptions; Livestock disease; Droughts/Pests**

- Early warning systems timely and widely accessed
- Conflict management systems strengthened
- Capacity of farmer organizations improved
- Capacity of regulatory agencies improved
- Evidence-based policy making expanded
- Regulatory environment strengthened
- "VSLAs and self-help groups linked to financial service providers"
- Women’s business groups access traditional insurance payouts
- Agro input and service programs strengthened (agroinsects, AI, feed, inputs, irrigation, storage, ICT, etc.)
- Social capital strengthened through VSLAs and cooperatives
- Producers adopt livestock disease prevention practices
- "Climate smart agriculture practices/technologies promoted by private and public agents"
- "Ag products and service firms linked to target farmers to increase quality and yields"
- "Outgrowers and advisory services support farmers"
- "VSLAs adopt new tech and increase purchase of local grains"
- Market access/prices information widely available to vulnerable groups
- Milk vendors adopt cold chain technology
- Women’s and youth VSLAs strengthened
- Laser imaging technologies promoted
- Women and youth supported in leadership positions

* Based on evidence from GEEL Resilience Challenge Fund activities

**Note**: AI, artificial insemination; IR, Intermediate Result.
The outcome pathways in the theory of change also incorporate GEEL experience from 6 years of successful programming in Somaliland, Puntland, and non-resilience regions of Somalia. Each outcome pathway is tailored and adapted to the Southwest Somalia context and the desired outcomes of improved income and nutrition for vulnerable groups. Notably, the outcome pathway related to the inclusion of women and youth is based on GEEL lessons learned in other parts of the country and the key intervention areas highlighted in the preceding section. The outcome pathway related to an improved business enabling environment incorporates the regulatory environment, the capacity of regulatory agencies, and the management of co-ops and farmer organizations, alongside an emphasis on early warning systems. Developing more resilient enterprises requires strengthened agricultural product and service firms and market-provision of investment, finance, and insurance products tailored to vulnerable groups. Improving resilient production systems, leading to better employment and incomes, builds on the work carried out under the RCF while incorporating livestock-related services and disease management systems.

5. Conclusion

The MSR study in Bay and Bakool yielded new evidence regarding market system dynamics and the unique challenges and opportunities faced by micro, small, and medium enterprises in Southwest Somalia. The results also provided valuable insights into the way market actors leverage different forms of social capital, including norms, trust, family, clan and friend networks, and vertical linkages, to navigate the political economy, legal, and security environment successfully. As a research study, the MSR study differs from a value chain assessment by providing rigorous quantitative data on the range and average of market actor experiences specific to the eight market system domains. Qualitative data include sensitive topics that may not be adequately captured in a value chain assessment—issues related to rule of law, power dynamics, and even some aspects of competition that may be more commonly addressed through a political economy analysis. The baseline function of the MSR study is another feature distinct from a value chain assessment, in that the study design is set up to capture change over time. Taking a rigorous approach to qualitative data collection by engaging a local expert enables us to reliably measure change over time for qualitative indicators, since the local expert can replicate interviews in successive rounds, and change can be assessed through systematic coding and analysis. MSR results are most useful when they can inform the monitoring and evaluation approach of a program, incorporating key indicators into routine data collection and analysis, alongside evaluative efforts.

An outstanding question is whether an MSR study would be as useful in the absence of a strong value chain assessment, since tailoring indicators and instruments to the specific features of the value chain is part of what makes the results actionable. In the absence of complementary assessments, the MSR study alone may generate more nuance and illustrate complexity to a degree that makes it challenging to identify key intervention areas. As we used it for GEEL, the MSR study was used to refine and adapt the theory of change originally developed based on value chain assessments and other technical reports.

To adapt USAID’s MSR assessment framework for thin and vulnerable markets in Somalia, significant adjustments were made to domain definitions, several new indicators were added, and indicators drawn from the framework were adapted. The resulting definitions and the findings across qualitative and quantitative indicators successfully assessed levels of MSR, as validated by local staff and stakeholders.

The results were immediately put to use by revisiting the design of current RCF programming to provide evidence-based recommendations to USAID for future market-driven resilience.
programming in the region. The key to applying findings to adaptive management is the use of market function-specific resilience theories of change, which enable the teams to elaborate causal logic, identify gaps, and add complementary interventions for marginalized groups or particularly vulnerable actors. The participatory approach fostered a shared understanding of USAID’s MSR framework and terminology and provided a strong foundation for the eventual application of findings to generate recommendations. Engaging local staff from the inception phase throughout the study also ensured that findings were context specific and relevant for the immediate needs and opportunities faced by market actors in the region.