

USAID/OFDA ECONOMIC RECOVERY AND MARKET SYSTEMS – OCTOBER 2012

SECTOR OVERVIEW

Natural disasters and complex emergencies adversely affect local economies by destroying houses, damaging productive assets, and disrupting transportation and market infrastructure. To help communities resume economic activity and rebuild livelihoods following a disaster, USAID's Office of U.S. Foreign Disaster Assistance (USAID/OFDA) supports economic recovery and market systems (ERMS). In Fiscal Year (FY) 2012, USAID/OFDA provided more than \$64.5 million to support ERMS activities in 21 countries throughout Africa, Asia, the Middle East, and Latin America and the Caribbean, as well as worldwide and regional ERMS interventions.

A functional economy is critical for communities to sustainably recover from a disaster; businesses need to re-open, families need to re-establish livelihoods, and banks need to provide financial services. The third pillar of USAID/OFDA's mandate is "to reduce the economic impact of disasters." ERMS interventions strengthen key market systems and help populations restore livelihoods and purchasing power at the household, local, and regional levels. USAID/OFDA-supported ERMS programs complement people's own efforts to recover from a disaster and prevent reliance on continued humanitarian aid.

WEST AFRICA: MARKET-BASED RESPONSE AND RESILIENCE-BUILDING

In early 2012, the U.N. estimated that nearly 19 million people in the Sahel were at risk of food insecurity in 2012. In response, USAID/OFDA is providing humanitarian assistance in Burkina Faso, Cameroon, Chad, The Gambia, Mali, Mauritania, Niger, and Senegal. USAID/OFDA's assistance includes market-based activities to help drought-affected individuals meet their immediate needs while improving their ability to cope with further crises.

In FY 2012, USAID/OFDA provided more than \$12.2 million for ERMS programs throughout the Sahel, in addition to market-based activities in other sectors. USAID/OFDA is prioritizing the use of cash, voucher, and cash-for-work programs to stimulate market demand and increase families' ability to buy basic items, as well as reinvest in their livelihoods. For example, cash grants and community savings groups in Burkina Faso and Chad prevent drought-affected populations from selling their small livestock and enable purchase of tools and inputs for a productive planting season. In Mali, cash transfers and vouchers help replace lost assets for conflict-affected populations and enable the communities that host those fleeing violence to better cope with the burden of hosting displaced individuals.

ERMS programs in the Sahel link to OFDA-funded agriculture, livestock, and nutrition programs to build resilience to recurrent and chronic crises. Cash-for-work programs in the region help families earn much-needed income while rehabilitating critical assets, such as water sources for people and animals, degraded pastoral lands, and rainwater catchments.



A woman vendor selling grains and pulses in Kaya market, Burkina Faso. (Photo by Laura Meissner, USAID)

Since 2009, USAID/OFDA has funded CLUSA¹ in Niger to support producers of *moringa*, a fast-growing tree with nutritious leaves and pods, by providing business skills and marketing training and linking producers to credit. This can help farmers increase their incomes, even during drought years, while improving communities' nutritional status—a perennial challenge in Niger. Through USAID/OFDA, Mercy Corps in Niger is promoting vegetable cultivation in combination with irrigation techniques and implementing cash-for-work programs that build infrastructure to protect gardens from soil runoff and damage from floods.

HORN OF AFRICA: BUILDING RESILIENCE POST-CRISIS

In 2011, the eastern Horn of Africa experienced one of the driest years on record since the early 1950s. Food security among pastoralists and populations in marginal farming areas sharply deteriorated and the U.N. estimated that approximately 13.3 million people required humanitarian assistance at the height of the 2011 drought crisis. In response, the U.S. Government, other international donors, and relief agencies rapidly scaled up humanitarian assistance to drought-affected areas of Djibouti, Ethiopia, Kenya, and Somalia.



Men work to rehabilitate a market to spur local economic growth through a USAID/OFDA-funded program in East Hararghe Zone in Ethiopia's Oromiya Region. (Photo by Greg Holyfield, USAID)

Despite improvements in humanitarian conditions in 2012, populations in the Horn of Africa continued to recover from the 2011 drought, as well as cope with the effects of conflict, loss of livelihoods, and recurring environmental shocks, such as flooding. USAID/OFDA is responding to ongoing humanitarian needs by helping communities diversify livelihoods and rebuild community assets, such as wells and roads. In FY 2012, USAID/OFDA provided more than \$20.2 million for ERMS activities in Kenya, Ethiopia, and Somalia. USAID/OFDA partners in Kenya and Ethiopia implemented programs that promoted higher and more reliable incomes for pastoralists through improving livestock marketplaces and hygiene practices related to the sale of milk. With USAID/OFDA support, partners also trained pastoralists in new livelihoods

opportunities, such as beekeeping and vegetable cultivation. Families in Somalia participated in USAID/OFDA-funded cash-for-work programs, which supported the incomes of drought-affected populations while rehabilitating critical WASH and transportation infrastructure.

DRR AND ERMS

Disaster risk reduction (DRR) for ERMS involves assisting vulnerable populations identify disaster-related risks to their livelihoods and key markets, and then mitigating or managing that risk. Several USAID/OFDA programs in Latin America and Southeast Asia do this in innovative ways.

Two projects in Latin America are based on the “neighborhood approach”—a community-led view of how people relate to one another, access needed goods and services, and prepare for disasters within a designated geographic area. In Guatemala, USAID/OFDA supports the Project Concern International (PCI) “Barrio Mio” program, which includes shelter, economic recovery, and water and sanitation assistance for vulnerable households. The project will help relocate families who live perilously on hillsides and reclaim the vacated land for urban agriculture, small livestock rearing, and erosion control. Landowners and community members earn income for re-forestation activities, and women receive

¹ National Cooperative Business Association's Cooperative League of the United States of America (CLUSA)

support for female-led small enterprises. In addition, PCI will help women organize into self-managed savings and loan groups.

Save the Children's "ARRIBA" project in Peru integrates shelter, natural and technological risks, and ERMS interventions. The USAID/OFDA-funded program will facilitate neighborhood planning and coordination workshops, assist local businesses develop disaster risk mitigation plans, and link those businesses to the financing necessary to implement the plans. ARRIBA will also train community members in the Emergency Market Mapping and Analysis (EMMA) assessment methodology and develop baseline reports of key local market systems.

Throughout Indonesia, many low-income families rely on microfinance institutions (MFIs) for savings and credit. However, frequent natural disasters pose a challenge to MFIs and affect their ability to provide uninterrupted service. With support from USAID/OFDA, Mercy Corps and local partners are forging public-private partnerships to train and advise MFIs on disaster preparedness and post-disaster financial services. USAID/OFDA's support leverages significant resources from government and private banks, which will enable MFIs to access short-term liquidity immediately after a disaster occurs.

GLOBAL ERMS PROGRAMMING

In addition to country and regional programming to facilitate recovery from and reduce risk to disasters, USAID/OFDA funds global initiatives to strengthen ERMS capacity throughout the humanitarian community.

- **CaLP:** The Cash Learning Partnership (CaLP), with USAID/OFDA support through Action Against Hunger/United States, provides advanced training in cash-based programming, conducts research on critical topics in this emerging field, maps cash programs globally, and funds regional and country-level coordination on cash programming in the Sahel, specifically in Niger.
- **Adeso:** An Africa-focused project with Adeso² complements CaLP's work by providing basic training on cash and voucher programming, specifically targeted at local relief agencies in countries with large emergency responses, such as South Sudan and the Democratic Republic of the Congo.
- **SEEP:** The Minimum Economic Recovery Standards, a companion to the Sphere handbook on humanitarian response, receives USAID/OFDA support through the Small Enterprise Education and Promotion (SEEP) Network. SEEP will provide training on the Standards, organize and host a multi-stakeholder steering committee, and help implementing agencies roll out the Standards in the field.
- **EMMA:** USAID/OFDA supports the EMMA methodology for rapid post-disaster market assessments through partner the International Rescue Committee (IRC). IRC organizes trainings on EMMA, provides technical assistance to agencies conducting EMMA assessments, and promotes EMMA through a dedicated website, publications, and events.
- **FIC:** In previous years, USAID/OFDA funded a multi-year research project through the Feinstein International Center (FIC) at Tufts University, which has studied three livelihoods-focused DRR efforts in Haiti, Kenya, and Nepal. Research findings and tools—that will facilitate improved development of livelihoods programs designed to reduce risks to disasters—are forthcoming in 2013.

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² Formerly known as Horn Relief