

Market Development in Crisis-Affected Environments

Emerging Lessons for Achieving Pro-Poor Economic Reconstruction

A Product of the SEEP Network Market Development Working Group



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This paper is dedicated to the millions of people around the globe struggling to build better lives for themselves and their children, in the face of natural disaster and war.

Mary McVay, *Facilitator*

SEEP Market Development Working Group

Abstract

This paper documents, for the first time, practitioners' experiences and innovations in market development for income generation and livelihood security in crisis and post-crisis settings. War and natural disasters have devastating impacts on people's ability to generate income and secure a sustainable livelihood that can help protect them from future shocks. Relief initiatives, in their admirable work to meet the basic needs of people affected by crisis, often inadvertently distort private sector markets and unintentionally create vulnerabilities and dependency. Market development (an approach to enterprise development, livelihood security, and pro-poor economic growth) attempts to avoid market distortion, and use the power of markets to move communities more rapidly from relief dependency to independent livelihood security. This practice is in early stages, but experience to date reveals several challenges (discussed at length in the paper) and these key lessons:

- It is possible—and recommended—to engage in market development almost immediately after a crisis, or in the midst of low-intensity crisis, as long as populations are relatively stable and security is reasonable.
- Market development approaches can and need to be adapted to post-crisis settings to be effective, and can be a key component of “building it back better.”
- Donor funding cycles and targeting criteria need to be adjusted to integrate relief and development goals, to be more flexible in implementation strategy, and to reflect the power of indirect targeting—to larger or less-affected enterprises—in order to benefit poor people affected by a crisis.
- It is important that market development programs, even in post-crisis settings, tailor program activity to the nature and extent of the particular market disruption. In so doing, although it can be challenging for agencies to understand the specific constraints on the markets they target, it is possible and worthwhile to foster longer-term development that can benefit a greater number of small enterprises.
- Market development calls for improved coordination, particularly in large-scale, high-profile disasters and conflicts, but there are ways to develop markets even in a highly subsidized, uncoordinated relief environment.
- Grant programs need to ensure proper feasibility studies of target enterprises and give greater consideration to the timing of grants and funding; they also need to address risks of market distortion that arise with grant programs and devise strategies to ensure that grant goals and objectives are clearly communicated to recipients.
- It is critical to take the political economy of markets into account, lest market development programs inadvertently exacerbate inequality, vulnerability, and conflict. When appropriately considered, strategies may emerge that work around, transform, or confront powerful interests and benefit the poor on a sustainable basis.
- Capacity building of the staffs of implementing agencies and the adaptation of market development tools to post-crisis settings are critical in transmitting the knowledge. Donors, implementing agencies, and host governments need to intervene appropriately or contribute effectively.

Further exploration and action research should focus on 1) dissemination of these lessons, 2) ongoing exchange of experience and information, 3) pilot initiatives to spur innovative market-strengthening practices 4) adapting the market development framework to crisis conditions 5) innovative capacity building, and 6) recommendations to donors to adapt their policies and guideline to better support market development in crisis-affected areas.

Introduction

Private sector development is fundamental to helping poor people and communities recover from crises. Whether through its potential for job creation, increased output and gross domestic profit, profit for individual owners, increased tax base, or increased investment, private sector growth is a core component of reconstruction following natural disasters and conflict. Public sector and private sector reconstruction often feed on each other. As publicly funded reconstruction of roads, housing, and other physical infrastructure gets underway, private businesses start operating again to support this work and to take advantage of the infrastructure. The private sector in turn invests in private reconstruction efforts to rebuild businesses and business support institutions, such as banks, trade associations, and consulting or other business services, and to supply consumer goods and services. As in non-crisis contexts, equitable private-sector development also holds the promise of poverty alleviation by helping small enterprise (SE)

owners¹ and their employees participate in and benefit from growing markets. However, effective practices for developing markets in the aftermath of crises and leveraging the private sector's potential to reduce poverty and increase livelihood security, are in early stages.

Many times, practitioners, and donors often approach the immediate crisis and post-crisis environment purely to offer relief. They focus on meeting basic needs by the fastest means possible—direct delivery of goods and services—and consider longer-term development to be a second-stage activity. This strategy is understandable considering the critical needs of populations for assistance after crises. Nonetheless, if these efforts ignore market dynamics or the importance of supporting equitable private-sector growth, they can have only a fleeting impact. Worse, there may be immediate negative effects if markets are flooded with low-priced commodities, wasteful parallel distribution systems are created, SEs run by the poor are excluded, or investments are encouraged in sectors that are not viable in the long term. Therefore, the critical question becomes how to meet immediate needs while reducing distortions and leveraging the private sector for improved impact?

In response to this question, some practitioners are beginning to experiment with approaches that promote the local private sector as well as develop markets. In providing relief commodity, great strides have been made by using the private sector to improve delivery of food, clothing, and shelter to meet immediate human needs. These “market-integrated relief” efforts reduce or avoid market distortion and strengthen the local private sector's capacity.² As for developing markets post-crisis for the purpose of alleviating poverty and developing or reconstructing small enterprise, examples are few but increasing in number as practitioners develop new initiatives or adapt ongoing market development programs.

To learn more about the challenges and successes of these approaches, the SEEP Network solicited case studies from market development practitioners working in crisis environments. Thirteen cases were submitted from areas affected by conflicts and natural disasters around the globe, and many practitioners exchanged their views and suggestions on them. The cases demonstrate the strong potential of market development in post-crisis environments, particularly when they are based on a sound understanding of the market and designed to take limited infrastructure and human resources into account. In addition, the cases indicate that market development approaches can be used in times of ongoing instability and, if incorporated soon after a crisis, have the potential to both smooth the transition from relief to “development” programming and even improve the performance of relief programs. The findings cannot be considered definitive, since information on each case is relatively limited and the programs were not evaluated. However, the cases do suggest that market-led approaches in crisis and post-crisis environments hold the promise to speed up reconstruction and efforts to alleviate poverty, and to leverage the private sector to work with more households so they can gain sustainable livelihoods.

Before delving into the analysis of the cases, however, this paper first presents the background to market development and then the background to crisis environments. These chapters are included to ensure that market-development and relief practitioners have a common understanding of frameworks, terminology, and strategies. Chapter 3 presents the cases themselves in summary form, along with the methodology used for gathering information. Chapter 4 presents a proposed framework for carrying out market development in post-crisis settings. Chapter 5 identifies and discusses the key challenges and issues raised by the practitioners submitting the cases, and then presents lessons learned and recommendations emerging from the cases. The latter are summarized in chapter 6. More detail of the cases is presented in the annexes.

What Is Market Development?

Market development, as defined by the SEEP Network, is a sub-field of enterprise and private sector development, in which development programs seek to help small enterprises participate in, and benefit more from, the existing and potential markets in which they do business (including input and support markets as well as final markets). Recognizing that small enterprises do not operate in isolation, but rather are part of a larger market, market development programs seek to implement programs that take market forces and trends into account. This may require that programs work not only at the level of individual small enterprises or households, but also with larger enterprises, associations, or government institutions that engage in and influence markets. The ultimate goal of market development programs is to stimulate sustainable economic growth that reduces poverty—primarily by ensuring that small enterprise owners and their employees take part in the growth and reap high rewards.

1. For SEEP, small enterprises include micro, small, and medium enterprises and small-scale farmers.

2. Alexandra O. Miehlebradt and Mary McVay, “Implementing Sustainable Private Sector Development: Striving for Tangible Results for the Poor,” in *The 2006 Reader*, ed. Jim Tanburn (Turin, Italy: International Labor Organization, 2006).

1. Background to Market Development

1.1 What Is Market Development?

Market development,³ as defined by the SEEP Network, is a sub-field of enterprise and private sector development in which development programs seek to help small enterprises⁴ participate in, and benefit more from, the existing and potential markets in which they do business. The ultimate goal is to stimulate economic growth that reduces poverty—primarily the poverty of small enterprise owners and employees. Market development initiatives—appropriately designed and implemented—can help small enterprises benefit from participating in local and global economies. Benefits can include increased sales, reduced costs, and higher return per hour of labor and creation of better employment opportunities and income for poor people around the world. Over the last 5–8 years, small-enterprise and private-sector development strategies have endeavored to reach more people on a sustainable basis and experienced tremendous advances. In the past, programs were considered to have high scale if they reached 1,000 people over the course of a few years. Now, many programs are reaching tens of thousands and several initiatives reach hundreds of thousands or even a few million, over course of 3–5 years.⁵

1.2 What Do Market Development Programs Do?

Traditional private-sector development programs with a poverty focus target individual small enterprises, offering one-on-one assistance via training, grants, or loans, which is often unsustainable. This assistance is generally directly provided by the program or entities that the program funds. It is often limited to the length of the program and may or may not support viable opportunities in the market for small enterprises. In contrast, the design of market development programs is based on understanding market trends and the constraints that small enterprises face in order to engage in the market more profitably, and identifying what small enterprises need to continue to adapt, and even grow, when the program concludes and—most importantly—as markets change. This approach allows programs to be tailored to match market forces and trends, while allowing practitioners to identify opportunities to address the constraints that leverage local resources.

There are some typical constraints and potential opportunities that market development programs identify:

- **Low quality production.** Small enterprises could be linked to local businesses where they can source better quality materials and technology, as well as receive information and training on production techniques. Where no local suppliers exist, incentives may be needed to encourage suppliers to establish distribution centers locally or to facilitate the establishment of a competing supplier's network or a business association. Alternatively, small enterprises can be linked to potential buyers, also known as lead firms, which can provide access to quality inputs and even technical production assistance in return for sales contracts.
- **Insufficient quantities to sell.** Small enterprises can be helped in increasing their production, as noted above, and/or assisted to establish business associations whereby they can aggregate and jointly market their products.
- **Lack of markets.** The capacity of groups of small enterprises can be increased via business associations and linkages to brokers and other potential sources of market information, through which they can determine if they are producing products for which there is demand.
- **Information asymmetries.** Greater transparency on prices and market relationships can be promoted via linkages to market information systems or business associations. Alternatively, groups of producers and buyers can be brought together to discuss how they can work more cooperatively and sell more by sharing information on product specifications and costs.
- **Restrictive enabling environment.** The capacity of business associations and interest groups can be built to

3. Currently, market development is not considered a coherent development “field” or community of practice. The principles and approaches are applied to a range of fields, including agriculture, private sector, export promotion, small enterprise, livelihood security, and local economic development.

4. For SEEP, small enterprises include micro, small, and medium enterprises, and small-scale farmers. SEEP focuses on small enterprises because the majority of the world's poor, and the majority of new employment, is found in these enterprises.

5. Alexandra O. Miehlebradt and Mary McVay, “Implementing Sustainable Private Sector Development: Striving for Tangible Results for the Poor,” in *The 2006 Reader*, ed. Jim Tanburn (Turin, Italy: International Labor Organization, 2006), www.seepnetwork.org/marketdev.

advocate for better policies; business groups and associations could be engaged in peacemaking and/or reconstruction and recovery.

In designing and implementing market development programs, there are several key principles that practitioners follow. Since market development programs are designed around an in-depth understanding of a particular market, most tend to focus on one industry or a group of related industries. This focus does not necessarily limit the number of small enterprises that can participate in a program, since industries are chosen based on the number of small enterprises that currently operate within the industry or on the number with the potential to participate. Indeed, if industry selection is done well, it can greatly increase the number of participating small enterprises. Once an industry is chosen, market research may be needed to supplement practitioners' and small enterprises' understanding of the market. As part of its work to develop a common understanding of good program design, prior to analyzing the cases, the research team developed the guidance below. These principles are still evolving and do not yet have full consensus within the SEEP Market Development Working Group:⁶

1. Understand and address the role of current key market actors
 - Generally programs should work with (or complement) and foster local support and ownership of program initiatives, rather than be in competition. It is critical that programs do not crowd out the private sector.
 - Where there is a lack of transparency or rent-seeking behavior, e.g. corruption or unequal power relationships between enterprises, programs should examine how to promote more equitable trading relationships.
2. Increase sustainability by promoting commercial relationships
 - Avoid direct delivery of services by practitioners; instead, facilitate service delivery by building up the capacity of local enterprises.
 - Productive, ongoing, and long-term relationships are those that are based on economic incentives that will remain relevant after a program's completion.
3. Work with many lightly rather than few intensively.

Whenever possible work with multiple enterprises. This approach lessens the risks of certain actors gaining too much power or influence and potential market distortions.
4. Identify opportunities for leverage and scale
 - Programs should target sectors and related activities that have the potential to jump-start economic reconstruction and/or provide opportunities to large numbers of vulnerable enterprise owners.
 - Pilots of new services, products or trading relationships that demonstrate value to enterprises and the local economy will spur copy cats and broader change in the market.

Additionally, in designing market development programs, practitioners should have their exit strategies in mind from the program's inception. This mindset ensures that practitioners maintain a focus on promoting solutions that will continue when the program concludes and, more importantly, will ensure the ongoing resiliency of small enterprises to grow and to thrive as the market continues to evolve.

6. These principles are influenced by a number of sources, including the Committee of Donor Agencies for Small Enterprise Development, "Business Development Services for Small Enterprises: Guiding Principles for Donor Intervention," World Bank, Washington, DC, February 2001, a similar list developed by the Springfield Centre, and USAID's framework for value chains.

Market Development Success Stories

Mercy Corps, Azerbaijan

Mercy Corps, with support from USAID, is implementing the Cluster Access to Business Services (CABS) program in rural Azerbaijan to help livestock owners access veterinary services and lower livestock morbidity rates and increase overall productivity. The program clustered groups of livestock owners to stimulate demand for veterinary services and to make it worthwhile for veterinarians to offer curative and preventative services to remote areas. The program found and assisted 106 veterinarians in three geographically-based networks to continuously overhaul their offerings and add new services and products for their clients. With additional, modest funding to expand into a fourth year, with these results so far:

- Access to veterinary services improved for 11,500 remote, livestock farmers—36% of whom are women.
- In total, the farmers targeted by the program annually contribute more than US \$13.4 million to the regional economy in sales of meat and dairy products.
- Farmers participating in the program estimated income increased at the household level by no less than 40% annually, due to improved animal health and the related increases in productivity.

Note: For more information, contact Alakbar Asgarov at alakbar@mercy Corps.az or see www.bdsknowledge.org

Enterprise and Career Development Institute Mennonite Economic Development Associates, Pakistan

The Mennonite Economic Development Associates (MEDA) and the Enterprise and Career Development Institute (ECDI) are implementing a USAID-funded program, “From Behind the Veil,” which helps homebound rural women in Pakistan reach lucrative markets through a “woman-to-woman” network. Its aim is to enable women to contribute to household income and participate in their communities’ economic growth using their embroidery skills and design talents. The strategy of creating and working with women sales agents was devised to enable isolated women to have in-depth interactions with knowledgeable market traders. Through capacity development of women intermediaries, the program upgrades designs, improves quality, connects producers to quality inputs, and forges market linkages. The activities are geared towards sustainability and the creation of dynamic value chains through:

- strengthening self-perpetuating networks of sales agents who recruit and train additional agents;
- stimulating support markets, such as those for embroidery patterns and designs;
- building the capacity of sales agents to manage and train producers to meet market demand; and
- supporting new lead firms, such as urban-based buying houses, that link rural and urban traders.

Halfway through the three-year program:

- 7,000 women producers are linked to markets via 185 sales agents; and
- 2,000 women have increased their incomes more than threefold, to \$20 per month (\$240 annually), compared to the average of \$6 per month before the project. Another 5,000 women are earning occasional income that has been growing steadily.

The total budget for the three-year program is US \$600,000.

Note: For more information, contact Helen Loftin at hloftin@meda.org; or see www.bdsknowledge.org and www.meda.org.

Source: Miehlabradt and McVay, 2006, “Implementing Sustainable Private Sector Development,” quoted directly from *The 2006 Reader*, pg 4.

1.3 What Are the Main Market Development Frameworks and Tools?

There are several market development frameworks, tools, and communities of practice that practitioners use to structure their programs and market research. They are evolving quickly and constantly due to the rapid pace of learning in this relatively young approach. Most market development initiatives pay attention to and seek to influence several dimensions and aspects of markets, including:⁷

7. Miehlabradt and McVay, 2006, “Implementing Sustainable Private Sector Development”; Jeanne Downing, “A Value Chain Framework for Economic Growth that Reduces Poverty,” presentation from microLINKS Breakfast Seminar Series, *Linking Small Firms to Competitive Strategies #2*, sponsored by USAID Accelerated Microenterprise Advancement Project (AMAP) and hosted by QED, July 28, 2005; USAID, “AMAP BDS Knowledge and Practice Task Order Lexicon,” microNOTE No. 6, prepared by Elizabeth Dunn, USAID, Washington, DC, 2005.

- **Context.** Understanding markets' specific physical, cultural, security, political, and economic contexts is critical. Programs should ensure that they “do no harm” and hopefully contribute to the resolution of contextual challenges by “building back better.”⁸

A value chain is the full range of activities that are required to bring a product from its conceptualization to its end use and beyond. It includes activities such as production, marketing, distribution, and support to the final consumer. The activities that comprise a value chain can be contained within a single business or divided among different businesses. Value chain activities can be contained within a single geographical location or spread over wider areas.

Value chain development is a market-driven approach in which agencies seek to improve the competitive position of a particular country or region in a particular market. In pro-poor value chain development, programs seek to target value chains that engage large numbers of poor people, and to improve their position within the value chain and the benefits they receive from participation.

- **Market opportunities.** Focus on helping small enterprises take advantage of specific market opportunities, usually by linking them with “value chains” that involve a range of suppliers, service providers, and buyers who do business together to reach viable markets.
- **Market linkages.** Help small enterprises enter and improve relationships with buyers and sellers; strengthen business associations; strengthen relationships in the market that affect small enterprises, although these relationships may not directly involve them.
- **Support services.** Identify the skill-building and operational business service needs of various businesses in the market and ensure that the private sector supplies them. These services ultimately benefit small enterprises, although often they are sold to larger businesses whose performances can benefit small enterprises or who can pass on skills to them.
- **The business-enabling environment.** Demonstrate how international, national, and local politics; security; and economic and social policies affect the market, especially small enterprises, and how businesses can be supported to influence this environment.
- **Upgrading to firm level.** Show which businesses in the market need to improve their productivity or performance, and how. Discover how market linkages and business services in the private sector can be better channeled to support this.
- **Benefits, power, and learning**
 - As markets grow, ensure that increased benefits flow to the poor, including stable income, higher labor returns, increased sales, and greater efficiency.
 - Identify and address power relations: break up monopolies, improve market access for discriminated-against groups, confront or go around corrupt government systems.
 - Enhance knowledge transfer through market systems that are sustainable and not dependant on donors, NGOs, or even the government. Support transparent, mutually beneficial, trusting business relationships through which information, knowledge, and skills are transferred for the benefit of all and the industry as a whole.

Market Development Frameworks, Tools, and Communities of Practice

- General: ILO's *The 2006 Reader*, seminar, and training; www.itcilo.org; www.bdsknowledge.org
- Value chain development: www.microlinks.org; www.actionforenterprise.org; www.sdc-valuechains.ch; www.snhu.edu/746.asp
- Making the market work for the poor: www.m4p.org; www.springfieldcentre.org
- Market development: The SEEP Network website and annual conference, www.seepnetwork.org; www.seepnetwork.org/marketdev

8. “Build it back better” is a relatively new term which connotes programs that try not only to rebuild what existed beforehand, but to do so in a way that improves upon its processes, systems, and capacities.

1.4 How Do You Define Success in Market Development?

How do you know if you have developed a market? There are five components of a well-functioning market:⁹

1. An expanding market, with growth in sales and participation by increasing numbers of businesses;
2. A resilient and responsive market, that can withstand shifts in demand, supply and competition;
3. A market that channels benefits to the poor;
4. A supportive business environment, and a process in place to improve over time; and
5. The presence of a change driver, such as a business association, to continuously improve market conditions.

While many of these benefits are qualitative, market development initiatives look at a few key quantitative indicators, including the number of targeted small enterprises that benefit (and the extent of their benefits), growth in output or sales through targeted buyers or suppliers, overall output or sales of targeted products in a particular region, increases in the number of suppliers and buyers in a market, etc. Evaluators usually also describe the changes in market equity, resilience and in business participation in the policy process.

9. Mielbradt and McVay, 2006, "Implementing Sustainable Private Sector Development."

2. Background to Crisis Environments

Crises often result in severe economic impacts on the regions and countries affected. For example, in addition to the tragic loss of over 230,000 people, the December 2004 tsunami in the Indian Ocean is estimated to have cost billions of dollars in damages and left millions of people destitute and traumatized. Crises impact economies at all levels. At the micro-level (business), business assets can be degraded and local markets disrupted reducing household income. At the meso-level (institution), market networks and producer associations can disappear, decreasing the ability of individual businesses to market goods. At the macro-level (policy), a government's ability (or inability) to enforce laws and provide services can negatively impact the overall environment for business.¹⁰

The exact impact of each crisis will depend on the type, severity, and development level of the area affected. Crises situations are typically categorized as rapid-onset disasters, caused by events such as earthquakes and floods; slow-onset disasters, such as drought or desertification; and conflict, either high-intensity or low-intensity conflicts. Severity will range from localized disasters or conflicts that are shorter in duration and have a limited impact in terms of economic costs and lives lost, to more severe large-scale or longer-term crises that impact entire or multiple countries and have sizable impacts in terms of property damage and losses in economic growth. The 2006 mudslides in southern Leyte in the Philippines and the ongoing civil conflict in southern Thailand are less severe crises, while large scale crises such as the Indian Ocean tsunami and the civil wars in Liberia and Sierra Leone are examples of more severe crises. The development level of the area is determined by several factors, including pre-crisis income disparities and poverty rates, rates of economic growth, diversification of industries and technology, and the role of the government, particularly in creating an enabling environment for the private sector. For example, Thailand was better able to respond to the Indian Ocean tsunami than was the Banda Aceh region of Indonesia, due to its better institutionalized government structures and related services, as well as a higher level of development in terms of regional income and industry diversification.

Figure 1 summarizes the impacts of crises at different levels of the economy and how the type of crisis and its severity, as well as the level of development in the affected area all interact. In general, impacts at the micro-, meso-, and macro-levels are greater in conflicts than disasters, particularly in conflicts of a protracted duration. The development level of the community is also an important factor, since it determines the community's ability to withstand, cope with, and recover from the event. Together, these factors determine the overall impact of the crisis and most appropriate means for recovery.

10. M.H. MacDonald, "Private Sector Development in Reintegration and Reconstruction Programmes," GTZ, Eschborn, Germany, 2006.

Figure 1: Impacts of Crises at the Micro-level, Meso-level, and Macro-level

| Crisis Type (Determines types of impacts at each level) | Levels | | | | | | Level of Development (Determines coping ability and speed of recovery) |
|--|---|---|--|--|--------------------|------------------------------------|---|
| | <u>Micro-level</u> | | <u>Meso-level</u> | | <u>Macro-level</u> | | |
| | Slow-onset disasters | <ul style="list-style-type: none"> • Loss of assets • Loss of skills due to migration • Declines in productivity | <ul style="list-style-type: none"> • Weak marketing networks due to migration • Damage to or loss of natural resources | Localized reduction in capacity to enforce laws and provide basic services | | Least developed countries/regions | |
| | Rapid-onset disasters | <ul style="list-style-type: none"> • Loss of assets • Disrupted markets • Trauma | Infrastructure damaged or devastated | Reduced national capacity to enforce laws and provide basic services | | Medium developed countries/regions | |
| Conflict | <ul style="list-style-type: none"> • Loss of assets • Loss of skills due to migration or ineffective education • Instability or loss of networks and increased operating costs limiting market scope • Trauma | <ul style="list-style-type: none"> • Infrastructure damaged or devastated • Licit networks disrupted; illicit networks strengthened | Reduced national capacity to enforce laws and provide basic services | Highly developed countries/regions | | | |
| | | | | | | | |
| <u>Limited</u> Limited region affected and low level of impact | | <u>Moderate</u> Limited region affected but high level of destruction or large region affected, but low level of impact | | <u>Extreme</u> Large area affected with high level of destruction | | | |
| <u>Level of Severity</u> (Determines depth of impact at each level) | | | | | | | |

3. Cases in Post-Crisis Market Development

Despite the growing recognition among practitioners of the role that markets and the private sector play in relation to poor households and economies in crises, there still remains limited understanding of and advice for how to most effectively leverage this role. As the first step in an effort to increase learning in this area, the SEEP Network supported a literature review and sponsored a list-serve discussion in 2004 on the lessons learned.¹¹ The practitioners were highly interested by the research, but the discussion occasioned more questions than answers since there were few cases studies from which to draw lessons or conclusions. Two years following the initial study, there is a larger body of programs using market-based approaches. As a result, members of the SEEP Market Development Working Group (MDWG), who operate in these environments, revisited and then broadened the research. MDWG members conducted a desktop study of programs using market development in crises, then solicited geographically diverse case studies from programs managers in different types of conflict and natural disaster environments. This practical perspective allowed the researchers to examine trends and lessons learned across programs' cycles—from assessment and program design to implementation and program evaluation—as well as the differences depending on the nature of the operating environment and the level of sophistication within the local economy.

Organizations were given a case format (see annex 2); encouraged to submit any supporting documentation, project reports, etc.; and, as deemed necessary by the researchers, asked for supplemental information. In submitting case studies, organizations were asked to self-screen their programs, per the following criteria, to determine if their case studies fit the research parameters:

- Program is operating in a country or environment that is in the midst of and/or recovering from a crisis.
- Program's primary target beneficiaries are the poor and/or small enterprises.
- Program is following a well-defined strategy for sustaining the initiative that does not rely on continued subsidies or implementing agency activities.
- Program design and/or implementation includes analysis of supply and demand trends in the market or industry in which the program is operating.
- Program is, if not already, moving away from directly providing services to promoting local private sector or other actors to provide services on a cost-recoverable basis.
- Program has a long-term concrete plan for developing the market or industry in which it is working, including the development of supporting services and/or financing as needed.

Annex 2 presents more detailed descriptions of each case.

Thirteen case studies were received and reviewed (see table 1 for a summary of the cases) along with numerous anecdotes. The contexts included conflict and natural disaster environments, with a wide array of program goals ranging from increasing incomes and creating jobs for crisis-affected households to promoting the re-emergence of industries important to microenterprises and others. Based on this information and combined with background research and the researchers' own experience, a number of conclusions have been drawn. These include lessons about when market development programs can be implemented, the impact of crisis on an economy and small enterprises, and the effects of funding mechanisms of programming. In addition, lessons were derived on the use of different tools and frameworks to design programs and the challenges of operationalizing these approaches. Together, this information indicates that the field has progressed actively since the first SEEP research was conducted. However, experience is still nascent and additional research is required to validate and deepen the findings.

11. Mary McVay, "BDS in Conflict Environments: Neglected Potential?" synthesis of online discussion held October 2005, SEEP Network, Washington, DC, 2005. Available online at http://www.seepnetwork.org/files/3134_file_Final_BDS_in_Conflict_Environments.doc

4. Integrating Relief and Market Development Approaches

To date, there are only a handful of programs that integrate relief and market development approaches, and no framework or principles as to how to do so. This chapter attempts to provide, based on both approaches and informed by practice, a preliminary framework and set of principles for poverty reducing market development in post-crisis settings. It is proposed as an approach for further elaboration and testing.

4.1 The Challenge of Post-Crisis Market Distortion

The fundamental challenge in developing markets in crisis and post-crisis settings is that disasters and conflicts disrupt markets. To make matters worse, significant relief activity in the form of donated commodities and services, while critical to meeting human needs, has the side effect of distorting private sector markets. Eliminating distortions due to relief delivery is impossible, however, the reality is that many relief programs ignore market forces and thus exacerbate the problem. There are several reasons for this neglect, such as:

- the practical difficulties of identifying legitimate businesses and entrepreneurs and designing programs that utilize them effectively in a chaotic and pressured situation;
- the inherent nature of relief programs in which the objective is to address the immediate needs of crisis-affected populations (This focus on the symptoms of a crisis, rather than its causes, and the need for expediency, creates an “emergency mindset” that impedes in-depth analysis.);
- A lack of understanding of the private sector and distrust of “profiteers” by many relief agency staff, reinforced by exploitative business practice in many relief environments; and
- Short-term and inflexible funding cycles (combined with the requirement to impact a large number of people quickly) favoring direct delivery of goods or services over the “indirect” use of partner institutions and market channels, which often are weakened by the crisis.

Table 1: Summary of Cases Reviewed

| Case | Country | Submitting Agency | Crisis Type | Project Timing | Project Focus | Intervention Level | Role |
|--|----------------------|-----------------------------------|---------------------------------|--|---|---|---|
| 1. Developing Poor Agricultural Markets in Northern Darfur | Sudan | Practical Action (formerly ITDG) | Conflict | Prior to and during conflict | <ul style="list-style-type: none"> Enhance rural producer access to markets through improved understanding of market opportunities, effective links with buyers, and enhanced access to technologies and related services Capacity building for local communities through village development centers | Client, institution (village development centers) | Facilitator |
| 2. Herbs and Natural Products | Bosnia & Herzegovina | Partners for Development | Post-conflict | During development phase | Support to larger buyers and suppliers for facility upgrading and training for affected communities | Institution (lead firm) | Facilitator |
| 3. Market Assistance Pilot Program | Zimbabwe | Catholic Relief Services | Policy-induced natural disaster | During emergency phase | Delivery of food aid to affected communities through market channels | Institution (mills and retail outlets) | Facilitator |
| 4. Promoting Linkages for Livelihood Security and Economic Development | Sierra Leone | American Refugee Committee | Post-conflict | Late transition from relief to development | Support reintegration of communities into sustainable markets through asset restoration, improved business skills, and more effective links between buyers and producers. | Client and institution (MFIs) | Direct service provider and facilitator |
| 5. Financial Access Program | Indonesia | Mercy Corps | Rapid-onset disaster | During emergency phase | Provide and support financial services for micro- and small enterprises including assistance with business planning | Client and institution (MFIs) | Direct service provider and facilitator |
| 6. Economic Assistance Program for Internally Displaced People (IDPs) | Colombia | CHF International | Conflict | During period of recurring conflict | <ul style="list-style-type: none"> Provide internally displaced persons and receptor communities with marketable skills and business training Provide financial assistance for implementing business plans | Clients | Direct service provider (loans) and facilitator |
| 7. Municipal and Economic Development Initiative | Bosnia & Herzegovina | CHF International | Post-conflict | During development phase | Increase locally available economic “opportunities” (defined as employment, access to credit, housing) through improvements in the enabling environment and better coordination and advocacy with the government | Environment, institutions (business associations), client (credit and housing services) | Direct service provider (loans) and facilitator |
| 8. Small Enterprise Center | Palestine | German Technical Assistance (GTZ) | Conflict | During period of recurring conflict | Improve the productivity and incomes for micro-, small, and medium enterprises through enhanced access to business development services | Clients, institutions (other BDS providers) | Direct service provider |

| Case | Country | Submitting Agency | Crisis Type | Project Timing | Project Focus | Intervention Level | Role |
|--|-------------|--|----------------------|--|--|--|--|
| 9. Facilitating Radio and Internet Communications | Mali | Geekcorps | Conflict | During development phase | Facilitate access to modern technologies through introduction of low-cost, appropriate computer, TV, and Internet technologies and delivery models | Clients | Facilitator |
| 10. Cardamom Market Development Program | Nepal | Netherlands Development Organization (SNV) | Conflict | During period of recurring conflict | Provide farmer groups and networks with necessary tools to negotiate with parties involved in conflict on issues that affect their business | Clients and institution | Facilitator |
| 11. Privatization of Veterinary Services | South Sudan | Veterinarians without Borders-Belgium (VSFB) | Conflict | At end of long-term conflict | Privatize relief agency supported system for the distribution of veterinary medicines to rural livestock herders | Institution | Direct service provider |
| 12. RESTART | Thailand | GTZ | Rapid-onset disaster | During emergency phase | <ul style="list-style-type: none"> Hire 25 local consultants to provide technical advice: motivational workshops, business planning and restructuring trainings, one-on-one counseling, and loan application guidance to tsunami-affected businesses Linked businesses to local banks for loans to rebuild | Clients | Direct service provider and facilitator (credit) |
| 13. Promotion of Micro-, Small, and Medium Enterprises Project | Sri Lanka | GTZ | Rapid-onset disaster | Late stage (one year after the disaster) | <ul style="list-style-type: none"> Promote small enterprises in areas affected by the tsunami, but not necessarily tsunami-affected. Conducted value chain analysis of several local industries and provide grants to re-establish key value chain activities and to allow small enterprises to access relevant local technical assistance | Client (small enterprises directly), institution (some lead firms and/or lead suppliers) | Facilitator |

Veterinarians without Borders-Belgium South Sudan

During the long-running conflict in south Sudan, Vétérinaires sans frontières-Belgique (VSFB), with funding from USAID, supported a veterinary medicine supply system in Tonj, Bahr El Ghazal, with technical assistance and drugs provided at subsidized prices. The system was designed by relief agencies to provide proper medicines to herders at an affordable price and used a set of trained and qualified animal health workers (AHW), who supervise community animal health workers (CAHW), who distribute the medicines and provide advice to livestock herders for a fee. When a peace agreement was signed in 2005, VSFB began to privatize the system. The AHWs initially resisted privatization—refusing to purchase medicines from a new, quasi-private pharmacy, spreading rumors to CAHWs about privatization, and using their monopoly power in the market to try to convince relief agencies to continue subsidies. The resistance was generated due to a privatization plan that was designed around technical considerations for providing veterinary supplies in a rural area, rather than market realities. A tiered pricing structure created incentives for AHWs to sell directly to herders, thus circumventing CAHWs and the desire of most AHWs to be employed—rather than work as entrepreneurs—was not taken into account. With assistance from VSFB market development staff, the project responded by opening the pharmacy to the CAHWs to immediately create a more competitive environment. Future plans include attempting to bring black-market medicine traders into partnerships with the AHWs to form additional pharmacies, consider AHWs entrepreneurial abilities when conducting selection, train managers to improve trading practices, and link these pharmacies with private suppliers in Uganda, Kenya, and Khartoum.

While now on the right track, this case demonstrates the problems of transitioning from relief to development without an appreciation of markets in the initial design or implementation stages.

Note: For more information, contact Simon Kihu Mwangi, VSFB, at smwangi@vsfb.or.ke

When the market is not taken into account, the immediate needs of the targeted populations are still often met. However, there may be unintended negative consequences,¹² such as:

- **Short-term impact.** Since improved livelihoods are not always based on viable market assumptions, such as availability of inputs, appropriateness of technology, and sufficient market demand, impacts may only be temporary. For example, in Sri Lanka following the tsunami, inadequate assessment of the market led to over-replacing destroyed tools, and supplied implements and fishing boats often not suited to local fishing practices and maintenance services.¹³ This flaw placed additional stress on the natural resource base, since efforts to refurbish fisher folks' operations did not consider the pre-tsunami situation of declining fish stocks and the need to protect against over-fishing. It also stifled opportunities to introduce greater efficiencies in fish processing to ensure the industry's ongoing viability.
- **Increased vulnerability for unaffected households.** Donated relief goods and services often affect the price of commodities produced by poor people, making less-affected households that are dependent on producing or selling commodities more vulnerable. For example, in their early stages, food distribution programs in Ethiopia imported grains from external sources, despite the presence of surpluses in other parts of the country. This depressed prices, reducing income for farmers in areas with food surpluses, and spreading poverty from drought-affected areas to well-performing areas.¹⁴
- **Development of "relief" or "dependency" culture.** Finally, by focusing on direct implementation alone, agencies build capacity and expectations in post-crisis areas that are hard to redirect to development at a later date. American Refugee Committee, the technical lead of a consortium of international NGOs conducting a market driven-rural development program in Sierra Leone, found that staff and community members needed to be "de-programmed" from a relief mentality and the systems completely overhauled in order to implement the program that built local capacity, was implemented by local partners, and involved only limited subsidies.¹⁵

Practitioners paying attention to markets in post-crisis settings attempt to maintain the goal of meeting immediate basic needs, while devising strategies to avoid or quickly recover from the negative impacts of these market distortions.

12. Debate on market impact of relief has been spurred in part by discussions on the impact of food aid on international commerce at the World Trade Organization. See, for example, www.tradeobservatory.org; Cynthia Donovan, et al., "Emergency Needs Assessments and the Impact of Food Aid on Local Markets," desk review, Michigan State University for UN World Food Programme, Rome, Italy, December 2005.

13. Michel Jamar, "Promotion of Micro, Small and Medium Enterprises Project, Sri Lanka," GTZ, SEEP Case Studies, Washington, DC, April 2006.

14. Agridev Consult, "Local and Regional Food Procurement: An Analytical Review (Ethiopian Case Study)," World Food Program, Addis Ababa, June 2005.

15. Timothy Nourse, "Promoting Linkages for Livelihood Security and Economic Development—The LINKS Program," ARC, SEEP Network Case, Washington, DC, 2006.

4.2 Market-Integrated Relief

In the area of providing relief commodity, leading practitioners are paying more attention to the market in order to minimize distortion and to leverage markets better in commodity distribution. In response to years of criticism of the negative impacts on prospects of long-term market recovery by sudden flows of relief supplies (especially food aid) into post-crisis environments, relief implementers are experimenting with new approaches to relief and emergency response implementation. This “market-integrated relief” approach focuses on reducing market distortion and supporting private sector recovery by working, to the degree possible, with private sector actors to respond to emergencies, rather than creating “parallel” relief supply channels, or transitioning to commercial supply channels as early as is feasible following a crisis. They also purchase relief supplies, for example, food, clothing, and shelter, from the nearest sources, often local supply markets, rather than bringing in supplies from surplus stocks of the donor country. Finally, when a crisis reduces the purchasing power of households but not the supply of commodities, practitioners are experimenting with “demand” subsidies, as opposed to “supply” subsidies. This usually implies providing cash or vouchers to crisis-affected populations in order to re-establish demand due to lost income, hence re-linking supply chains, rather than providing in-kind relief supplies. In this manner, market-integrated relief (MIR) is beginning to narrow the gap between relief and development activities in the area of commodity provision.

Local and Regional Purchase Programs World Food Program, Uganda

In 1991, the World Food Program began procuring food aid commodities in East and Central Africa to support food aid programs in Uganda, Rwanda, Burundi, Tanzania, and Eastern Democratic Republic of Congo. Since 2000, more than 365,000 tons of food aid commodities, valued at US \$86 million, have been procured in Uganda. Maize grain and meal, beans, and Unimix (a maize meal-based fortified food) have been the focus of local procurement; 80 percent of purchases are maize or maize based products.

Local food aid purchases, along with cross-border exports to Kenya, have been driving the development of the Ugandan maize sub-sector, generating significant employment and income in the farming and trading sectors and benefiting a wide range of other service providers. Local procurement activities have also provided a stimulus to production and marketing of beans, and are behind the emergence of a small blended-foods manufacturing industry.

Source: Cynthia Donovan et al. “Emergency Needs Assessments and the Impact of Food Aid on Local Markets,” Desk review (Rome, Italy: Michigan State University for UN World Food Program, 2005).

These are four specific strategies representing different ways of implementing MIR:

- **Private sector partners.** Work with private sector businesses (to the degree possible) to respond to emergencies, rather than creating “parallel” relief supply channels, or transitioning to commercial supply channels as early as is feasible following a crisis.
- **Value-chain approach to post-crisis market assessment.** Match relief response to crisis impact on demand or supply. Focus on “demand” subsidies (cash or grants) as opposed to “supply” subsidies (i.e., in-kind relief commodities).
- **Local and regional purchases.** Purchase relief supplies (food, clothing, and shelter) from the nearest available source, especially “natural” supply markets, rather than importing supplies from donor country surplus stocks.
- **Institutional development.** Leverage opportunities for relief assistance to “provide the muscle” to support institutional development (i.e., grading and standards systems, certified warehouse chains, trading exchanges, etc.).

These strategies, although not specifically the focal point of the cases SEEP gathered or of this paper, represent a critical component to minimizing market distortion, leveraging the private sector to meet critical relief needs, and jump-starting the private sector in post-crisis settings.

4.3 Adaptations to Market Development Principles

Although the case studies indicate that pro-poor market development approaches that benefit small enterprises are relevant with few pre-conditions, market development principles cannot be applied wholesale from stable environ-

ments but must be adapted to the more challenging crisis environment. Adaptations come in two categories: the first is modification of general market development principles, while the second is a more specific response to those particular challenges of working in crisis and post-crisis environments. The guiding principles are described below, while specific practices are described in more detail in the next three sections.

In general, the cases indicate that practitioners rely on the same principles and objectives as in stable environments. However, they were often unable to implement the principles in full due to the challenging environment and to make compromises in areas such as subsidies, direct implementation, or scope. Despite these compromises, they keep the long term goal—to make markets work for the poor—fully in mind. Thus, they tend to plan a transition to less subsidized and lighter approaches from the beginning. Some of the general adaptations or compromises include the following:

- **More frequent and less in-depth market assessment.** The business environment changes quickly in post-crisis situations as infrastructure is rehabilitated and there are fluctuations in the international presence and security. In addition, limited capacity of staff to conduct market research and difficulties in gathering data hinder attempts to assess the market. As a result, market assessments need to be more frequent in post-crisis environments and less in-depth. The frequency of market assessments will capture the situation as it changes and also make up for the more limited information captured during each iteration. In some cases, in-depth monitoring mechanisms can be used to meet this need for continually updated information.
- **Flexible approach.** Since the business or security environment can change rapidly, programs need to be flexible in their approaches, maintaining long-term goals for their target industry, but prepared to change their activities and strategies according to the local environment.
- **Fewer partners.** Travel restrictions, limited capacity, political considerations, and smaller markets may reduce the number of service providers, associations, or small enterprises that a program can work with effectively. In this case, practitioners may begin with a small number of partners, then increase their number over time as conditions permit. They may also be required to work intensively with the partners or even intervene directly for a short period of time in order to make up for the lack of suitable business partners.
- **Initially greater use of subsidies.** The limited assets of small enterprises, combined with the higher costs of doing business in crisis environments, may require a greater use of subsidies. Practitioners use matching grants, direct payments, and other means to subsidize key services that will develop markets. Importantly, there should be a plan from the beginning to phase out the subsidies and avoid creating an unsustainable initiative.
- **Focused interventions.** In stable environments, a market development program may work simultaneously on a number of challenges that small enterprises face to participate in an industry. In crisis environments, the challenges faced may be too numerous for one program. In response, practitioners need to prioritize and focus their interventions based on an assessment of which constraints are the most critical and can most easily be addressed.

Cardamom Sub-Sector Market Development Program
Netherlands Development Organization, Nepal

In Nepal, the Netherlands Development Organization (SNV) conducted a sub-sector analysis of the cardamom industry. Their analysis indicated that traders could efficiently buy from individual farmers directly. During implementation, they chose to develop time-consuming producer groups because the groups would be in a better position to negotiate fair taxation policies with the Maoist rebels and government authorities. The flexibility paid off with a successful pilot that is currently being scaled up throughout the region.

Source: Ekanath Khatiwada, “Cardamom Sub-Sector Market Development Program: Nepal,” Netherlands Development Organization, SEEP Case Studies, Washington, DC, April 2006.

4.4 Shifting Practices from Relief to Market Development

Many market development activities—building the capacities of private sector suppliers and industry business associations, and encouraging large-scale buyers to collaborate more effectively with their producers—seem ludicrous in the aftermath of severe or prolonged conflicts, particularly in already weak economies. Often the concept of “reconstruction” seems ironic, since pre-conflict markets are dysfunctional many times. Thus, market development, as applied in, during, and after conflict, often involves two key elements:

- “Building it back better” takes advantage of open minds and shifting realities to develop and grow high-potential industries markets that are resilient to change and offer opportunities to poor people. This approach has the potential to eradicate the extreme poverty that leaves so many people and communities vulnerable and contribute to more stable societies. It does not exacerbate the economic situation after conflict and other crises.
- Wise use of subsidies can jump-start markets, while assisting particularly vulnerable small enterprises to replace or build assets so that they can participate in the high impact economic activities being stimulated. It is complemented by upfront planning to support more rapid transition to more commercial and sustainable transactions.

Table 2 illustrates examples of typical relief responses to an economic challenge, and how a market development initiative might respond in a more sustainable, “build it back better” manner. This table should not be taken as a guide for what to do in a particular situation. Market development programs need to be tailored to their unique contexts. Rather, this table contrasts the two approaches and illustrates the wide range of options available to market developers in the relief context. Many of these strategies are in place in the cases profiled in the research.

Table 2: Market Development Responses to Crisis Environment Conditions

| Challenges | Typical Relief Response | Potential Market Development Response |
|--|---|--|
| Basic needs (food, shelter, water, sanitation, health) not met | Foreign procurement and direct delivery of supplies | <ul style="list-style-type: none"> • Develop local procurement strategy that promote small enterprises • Consider vouchers rather than direct delivery (market oriented-relief) |
| Lack of capital and/or assets among small enterprises | Cash or in-kind grants to community groups | <ul style="list-style-type: none"> • Use matching grants or facilitate links to microfinance institutions for individual enterprises or strong businesses, associations, and cooperatives • Leverage limited funds by targeting key gaps in value chains that will provide services, inputs, and market linkages to many small enterprises |
| Displaced population | Direct delivery of services; skills training for future opportunities based on inadequate understanding of market | <ul style="list-style-type: none"> • Consider what services or products can be produced by the displaced people themselves; support them in launching related, feasible businesses • Develop skills training programs that are based on a strong understanding of the market in the return country or host community. • Work with larger enterprises to grow employment opportunities and develop job placement programs for vulnerable populations |
| Sudden shock to well-functioning commodity or service market | Develop parallel non-profit systems to deliver goods and services | <ul style="list-style-type: none"> • Subsidize key businesses (large buyers or suppliers to small enterprises) for short periods, until they can resume operations and business with buyers/suppliers |
| Devastated infrastructure | Direct reconstruction; tendering to large local firms; short-term cash for work programs | <ul style="list-style-type: none"> • Prioritize infrastructure that will facilitate market development • Support reconstruction practices that build skills of participants • Offer cash for work that also involves skill building of participants or which utilizes local firms in order to build their capacity |
| Disrupted markets | Direct delivery of services or wait for improved situation | <ul style="list-style-type: none"> • Re-link market players in ways which improve upon previous relationships • Establish safe havens for businesses and/or vulnerable groups, such as women, where trade can restart |
| Limited local capacity | Direct delivery of services; skills training with little appreciation of market | <ul style="list-style-type: none"> • Use of direct delivery methods, but with strategy for disengagement • Better use of market assessments to determine appropriate skill promotion • Develop new market linkages between previously disenfranchised people and new market outlets to bring in skills and capacity from outside through the private sector |
| Insecure environment | Wait to provide market development services until security improves | <ul style="list-style-type: none"> • Greater focus on capacity building of local businesses, associations, and institutions • Engage the private sector at all levels in peace and reconciliation issues to improve the security situation |
| Few “high-impact” value chains due to the lack of international investment and trade | Wait to implement market development programs | <ul style="list-style-type: none"> • Focus on lower impact value chains (e.g., rice rather than cocoa) • Focus on local and regional markets, rather than international markets • Develop supporting services that can be used for current and future activities by small enterprises as the economy recovers |

5. Challenges and Lessons from Practice

The cases submitted raised as many challenges as lessons learned and strategies for confronting them. This chapter analyses eight issues that practitioners see as critical to their attempts to develop and stabilize markets in crisis and post-crisis. It is not an exhaustive list of the issues, and more experience and research is needed on these topics. Yet, there is sufficient experience to date to draw some significant conclusions and recommendations, which are presented in each sub-section and summarized in the final chapter.

5.1 Timing of Market Development in the Wake of a Crisis

Once the weaknesses of traditional approaches and the need to introduce initiatives to strengthen the private sector and markets early-on in post-crisis settings are recognized, the question then shifts to when and how some market development practitioners feel that the conditions prevalent in crisis situations— weak markets, disrupted supply and distribution networks, devastated infrastructure, insecurity, displaced persons, limited local capacity, and the lack of industries with high potential for poverty alleviation and economic growth—are too limiting to allow strong market development programs to be implemented so early. Accordingly, they wait until most or all of these conditions are mitigated and relief programs are finished before considering market development activities. This wait can take anywhere from one to two years following disasters and three to five years following conflict.¹⁶

However, an examination of the cases solicited for this research indicates that while all of these conditions challenge market development programs, they can be divided into those that are “essential” and must be addressed to begin market development, and those that are “preferred,” but are not required for program success. The *essential* conditions are the same as those for the microfinance sector:

- Nascent, functioning markets; evidence of some market activity beyond black market trading in relief commodities
- Reasonable security in at least the capital city and surrounding areas
- General population stability in terms of mobility and basic needs¹⁷

Preferred conditions comprise of these:

- Resumption of international or regional trade that open up higher profit activities
- Restoration of infrastructure, such as road networks and electrical grids
- Return of a positive business environment through macro-level enforcement of laws or improvements in policy

Given that many market development activities take place very quickly after a rapid-onset crisis, and during slow onset crises (such as the prolonged conflicts in Palestine or Sudan or the prolonged drought in Kenya), some practitioners suggest using the term “crisis-affected” situations, economies, or populations, rather than “post-crisis.”

Mitigating all of these challenges creates an ideal situation for market development, however, practitioner experiences have also shown that only the essential conditions are necessary for launching market development.

For instance, in an example of market-integrated relief, CARE used local suppliers and distribution networks to provide assistance in Banda Aceh immediately following the 2004 tsunami. Their analysis concluded that local markets and distribution networks were sufficiently active, while insecurity and displacement were minimal. Similarly, Practical Action in Darfur found that their market development program, conceived during a period of stability, could continue to function after the conflict broke out because the markets continued to function. They adjusted their approach to take the increased insecurity and the new location of displaced populations into account. These cases and others provide evidence that the market-led approaches can be used relatively early in a post-crisis setting.

16. Observations derived from the research group’s experience in conflicts in Sierra Leone, Liberia, Bosnia and Herzegovina, and East Timor; and disasters such as the 2005 tsunami and Hurricane Mitch in 1998.

17. Karen Doyle, “Microfinance in the Wake of Conflict,” AIMS Brief, no. 54 (Washington, DC: USAID, Micro Enterprise Innovation Project, 1998); Nourse, 2006, “Microfinance Sector Development in West Africa.”

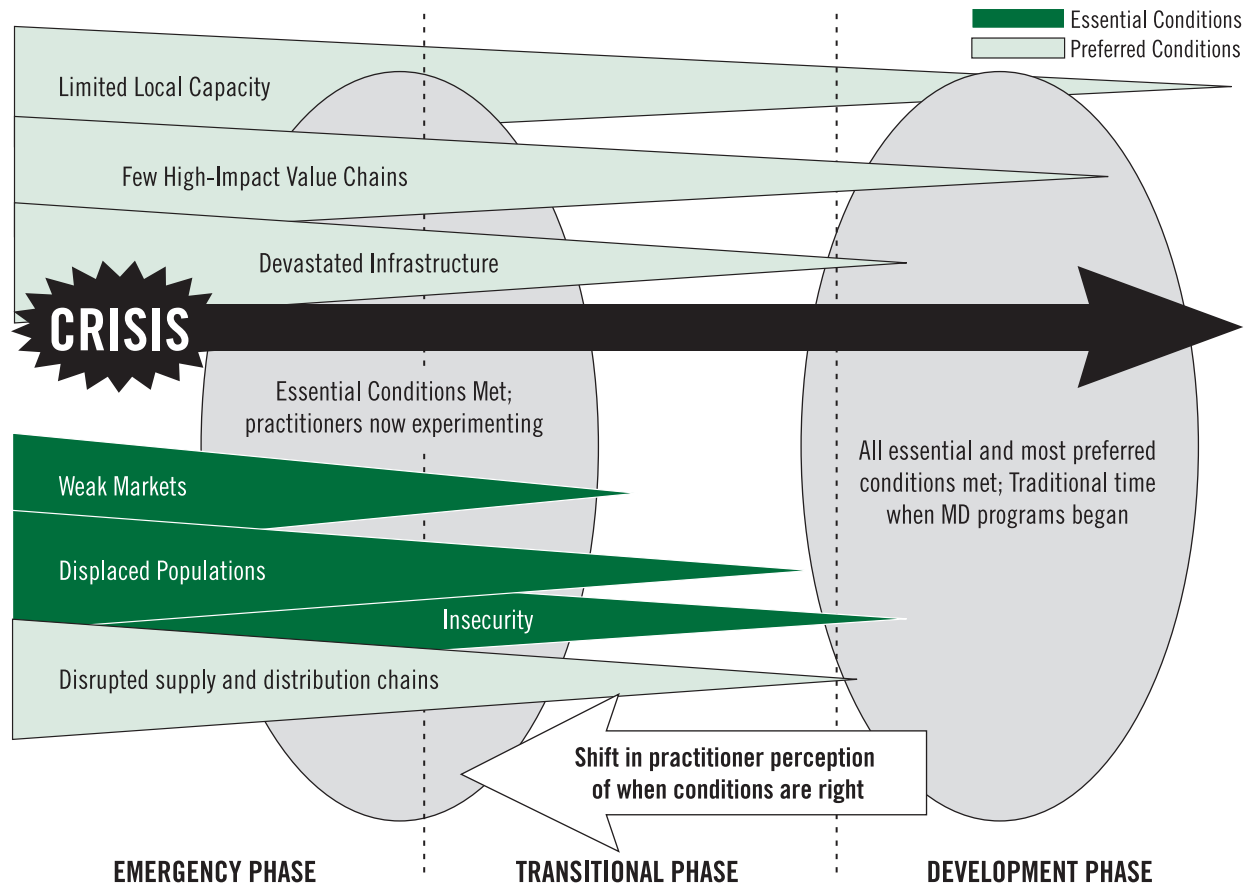
Developing and Implementing Programs during Conflict
The Small Enterprise Center, West Bank, Palestinian Territories

The reemergence of conflict in the Palestinian territories in 2001 posed particular challenges to Palestinian entrepreneurs. The Israeli government-imposed closures restricted access to markets and increased unemployment, while the conflict increased uncertainty and decreased investment. In an effort to assist small Palestinian enterprises, the German Agency for Technical Cooperation (GTZ) implemented the Palestinian Small Enterprise Development Project in 2003. Market assessment by the project indicated that markets and security were sufficiently strong to conduct programming and, more specifically, that small enterprises lacked adequate information, technology, and techniques to react effectively to the challenges presented by the conflict. In response, rather than providing assistance directly to small Palestinian enterprises, as many other projects were attempting, the project worked to link existing business and technical consulting capacity with enterprises that demanded assistance. GTZ created the Small Enterprise Center (SEC) to promote the use of consulting services and broker transactions between small enterprises and consulting companies. The center provided grant assistance to facilitate some transactions valued between 10 and 50 percent of the cost of services. After one year of operations, the center had brokered transactions for 160 clients, which increased their enterprises' incomes by 24 percent and their number of employees by 19 percent. This is a significant feat considering the conditions and the results of a control group whose employment and income fell by 27 percent and 24 percent, respectively, during the same period. The design and success of this program during a time of conflict, especially when many other projects were 100 percent subsidized, indicates the potential of market development approaches amidst crisis.

Source: The Small Enterprise Center, program description, East Jerusalem, Palestinian Territories, n.d.

Importantly, the cases all acknowledge that relief programming needs to continue during the emergency stage to meet the basic needs of affected households. However, their work also indicates that market-development programs can be implemented side-by-side with relief programs in order to improve the transition to development and complement relief activities.

Figure 2: Evolution of Conditions that Challenge the Timing of Market Development Programming



The potential for effective market development is underscored by the survival strategies of people affected by crisis. While the negative impacts of crises weaken overall economic activity, markets and the private sector are more resilient and remain active during a crisis and afterwards. Poor households engage with markets and the private sector for trade and services—even cross fire—as a central coping strategy. During the Sudanese conflict, for example, trade continued between north and south Sudan during the civil war and quickly intensified with the signing of the peace agreement. Studies by groups such as the Feinstein International Famine Center and the Berghof Research Center for Constructive Conflict Management support this finding, indicating that across a number of conflicts markets and enterprises remain very important to poor households, both for income generation and for the provision of critical goods and services.¹⁸ Similarly, in post-disaster environments, individuals and NGOs may donate food and shelter, but businesses do not stop providing products and services to meet basic needs and support reconstruction. Even those individuals and businesses directly affected by the disaster tend to quickly restart their activities or to seek out employment, both as a means of generating income and to move beyond the trauma of the event.

Figure 2 describes the different conditions that challenge market development programs and the timing for beginning them. The vertical ovals indicate the time when conditions are perceived to be right for conducting market-led programs. The timing has shifted from the stable “development” stage following a crisis when basic needs are met and much of the physical and social infrastructure restored, to near the end of the “emergency” stage, when needs are still unmet for some populations and there is only limited progress on restoring infrastructure. Preferred conditions, including rehabilitating infrastructure and re-establishing supply and distribution chains, assist in program implementation, but are no longer perceived as essential for market development programs to start. In each crisis, conditions that challenge market development will be of variable severity and time duration, particularly depending on the level of development prior to the event. However, the graphic represents how that situation evolves in many crisis situations, particularly those categorized by low levels of development and/or prolonged crises.

5.2 Funding Timelines and Flows

Post-crisis relief and/or development programs suffer from three connected timing and resource flow issues. The first challenge is short project time-frames. Given the emphasis on meeting basic needs in post-crisis environments and the changing nature of many crises, funding and program cycles commonly exist for only a year or less. Often these short-term program cycles continue for another two to three years in year-by-year increments beyond the crisis. These short funding cycles require quick, often inadequate, planning and fast results, and overlook the long-term perspective that is needed to initiate development. The second, related, challenge is the pressure to disburse large sums quickly.¹⁹ In this environment, resource flows may be greater than the local economy, institutions, and households can absorb. Third, relief and development spending is often front-loaded. Heavy resources are allocated immediately following the crisis, while later longer-term development initiatives are under-funded.

These time and disbursement pressures and patterns have a negative influence on quality market development programming in several ways, for example:

- Organizations “compete” for beneficiaries and distort economic incentives.²⁰ In post-tsunami Sri Lanka, one practitioner noted that it is sometimes “more lucrative to be a trainee rather than to run a small business.”²¹
- Local institutions and partners, that may require capacity building or even just improved accounting processes in order to receive and appropriately implement market development programs and to continue to contribute to the private sector’s recovery upon the program’s completion, are often bypassed.
- The focus is on short-term results, rather than long-term sustainability and structural change.
- **To address these challenges, programs are incorporating both short and long term goals in programs—even when funding cycles are short-term.** Incorporating dual objectives enable the strategic formula-

18. Some of the academic research which looks at war economies and the linkages to poverty include Martina Fischer and Beatrix Schmelzle, eds., *Transforming War Economies: Dilemmas and Strategies* (Berlin: Berghof Research Center for Constructive Conflict Management, 2005); and Helen Young et al., “Darfur: Livelihoods Under Siege” Feinstein International Famine Center, Tufts University, Medford, MA, 2005.

19. Sasha Muench, “Financial Access Program: Aceh, Indonesia,” Mercy Corps, SEEP Case Studies, April 2006.

20. Lisa Pacholek et al., “Economic Assistance Program for Internally Displaced People: Colombia,” Cooperative Housing Fund, SEEP Case Studies, April 2006.

21. Michel Jamar, “Promotion of Micro, Small and Medium Enterprises Project (PMSME): Sri Lanka,” GTZ, SEEP Case Studies, SEEP Network, Washington, DC, 2006.

tion of program strategies early on to redevelop the sectors or groups of enterprises targeted. Donors and practitioners can then use this strategy to guide their short term funds effectively, so that cumulatively the shorter-term programs build towards a long-term strategy whenever possible. This approach meets the need to achieve rapid progress in alleviating the immediate needs of affected individuals and businesses, while providing for smarter allocation of the initial large injections of funds that often are donated early on in crises.

Jump-Starting Markets Following Hurricane Mitch
FINTRAC, Honduras

In Honduras, after Hurricane Mitch, FINTRAC and the local USAID mission confronted the challenge of accelerating the recovery of the horticulture sector and re-establishing incomes for smallholder farmers, while achieving USAID/Honduras' longer-term goal of improving the sector's competitiveness and diversifying agricultural exports. USAID proposed renewing FINTRAC's one-year funding contingent upon results in expanding smallholder production. The one-year timeframe necessitated a trade-off between long- and short-term goals. For instance, FINTRAC initially provided direct training and technical assistance to smallholders, rather than building the capacity of local exporters and input suppliers to provide this. In subsequent years, as exports expanded, FINTRAC shifted this role to local businesses, which had an interest in securing their supply lines of horticultural products to sell abroad. Today, smallholders receive inputs and information on market demand via two export companies, and agricultural exports from Honduras are growing.

Source: Geoff Chalmers, Jeanne Downing, and Mike Field, "Jumpstarting Agribusiness Markets: How Centro de Desarrollo de Agronegocios and USAID/Honduras Helped Small Producers Contribute to the Rebirth of a Sector," report for USAID, Washington, DC, 2005.

Some programs are also being designed to accommodate relief-to-development goals, strategies, and time-frames. Following the earthquakes in northern Pakistan, the local USAID mission requested applications for a three-year program to assist communities and the local economy through the post-disaster transition. USAID envisioned a program that would address the immediate economic needs of households—access to sources of income and other related concerns—while investing resources in rehabilitating key industries in which these households could participate or would have the potential to participate. This dual focus recognized that in order to stabilize livelihoods for poor entrepreneurs and their employees, there must be growing industries into which they may link. USAID solicited consortiums of applicants that brought together organizations specializing in relief with those specializing in more traditional economic growth programs. This allowed for flexibility in proposing programs to meet immediate needs while incorporating a long-term vision. It also reduced administrative constraints and increased the speed of the programming, since by incorporating both relief and development expertise into the program, it had the needed resources to make transition away from relief and into development without having to re-bid the program.

In both these cases, the flexible program cycle and the combination of relief and development goals ensured that a longer-term perspective was included in program planning and implementation.

5.3 Coordinating Relief and Market Development

During the transition between relief and development programming, it is common for these two types of programs to overlap. One reason for this confluence is that post-crisis populations are diverse. While portions of the population may no longer be food insecure, other groups, such as internally displaced people or poorer communities, may still be food insecure, may lack shelter, or lack a secure source of livelihood. Similarly, depending on the nature of the crisis, some sectors and businesses will be harder hit or take longer to recover. Finally, gathering reliable information on changing conditions is challenging. Due to this difficulty, most programs err on extending relief programming longer than may be needed, well into the time when development programs are also operating. As a result of this overlap, practitioners in multiple post-crisis contexts have echoed the same complaint about relief funds undermining development initiatives.²²

22. Jamar, 2006, "Promotion of Micro, Small, and Medium Enterprises Project: Sri Lanka; Muench, 2006, "Financial Access Program: Aceh, Indonesia"; Nourse, 2006, "Promoting Linkages for Livelihood Security"; Mary Morgan, "Cowpea Sub-sector Approach: BDS Consultancy Report," Mercy Corps, Monrovia, Liberia, 2005.

Mixed Messages on the Role of Financial Institutions
Mercy Corps, Aceh, Indonesia

Prior to the 2005 Indian Ocean tsunami, Aceh had few financial institutions. Following the disaster, there were even fewer, and their capacity was limited. As the number of organizations responding to the tsunami rose, more programs worked through these few institutions and put them at risk of being overwhelmed. In Aceh, a community bank may have 10 staff members and an active portfolio of no more than 200 borrowers. Humanitarian organizations requested that these small institutions take on multiple and sometimes contradictory activities. Banks were simultaneously piloting new group and individual lending schemes, channeling loan funds from government sources, and disbursing international NGOs' beneficiary grants. These numerous activities taxed these institutions' already limited financial management capacity. They also caused confusion for both the banks and their clients, since the institutions were simultaneously issuing commercial loans and soft loans, as well as grants. Mercy Corps' innovations that addressed these challenges are explained in a subsequent text box.

Source: Sasha Muench, "Financial Access Program: Aceh, Indonesia," Mercy Corps, SEEP Case Studies, Washington, DC, April 2006.

Practices are still emerging on how best to coordinate relief and development efforts and to ensure that relief and development initiatives complement each other. Many practitioners stressed the need for greater coordination among, and within, donor and practitioner organizations, both in program implementation and in monitoring the recovery of markets and the private sector. In many crisis environments, this role is often undertaken by multilateral agencies, such as the United Nations, or by practitioners themselves, which form coordination groups. However, practitioners stressed that these efforts are still not specific enough and need to happen even earlier in planning responses, particularly before funds and other resources are allocated. The practitioners put forward two recommendations:

- Donors and practitioners should agree upon task allocation in terms of target regions, programs, and/or beneficiaries.
- Alternatively, donors and practitioners should create alliances based on program competencies and the response needs.²³

If these efforts were coordinated—and complemented by the monitoring of local economies and households' recoveries to ensure consensus on staging—it would lessen programmatic conflicts, while providing the potential to better leverage respective donor and practitioner contributions.

In the absence of strong coordination, market development programs often operate in environments where relief programs provide similar services without charge or for less than cost recovery. Market development initiatives—which promote fees for services—need to find creative strategies that are effective in a relief environment. Practitioners in this study supported these strategies:

- Develop services and products in markets that relief programs do not target (for example, appropriate technologies and market information).
- Leverage existing relief activities (for example, working on market links in sectors where relief programs are providing free inputs).
- Differentiate program services (for example, providing more market-oriented or interactive training).
- Ensure analysis is focused on client needs prior to program design (for example, surveying target enterprises to guarantee demand driven services).
- Incorporate programs for different levels of clients (for example, developing services for affected groups that are not eligible for relief programs).

These recommendations are similar to previously reported recommendations for stimulating markets in a context where some donors are subsidizing business development activities.²⁴

23. Pancholek, et al., 2006, "Economic Assistance Program for Internally Displaced Persons"; Muench, 2006, "Financial Access Program: Aceh, Indonesia."

24. Alexandra O. Miehlsbradt and Mary McVay, *From BDS to Making Markets Work for the Poor: The 2005 Reader*, ed. Jim Tanburn (Geneva: ILO, 2005).

Competing with Subsidized Programs
CHF International, Colombia

In Colombia, CHF worked to enhance the limited economic opportunities for people internally displaced from the more than four decades of conflict. The program worked through local implementers to help clients identify their income generation potential. Training, job placement, and small enterprise support was delivered, which was tailored to the labor needs of individual business. The program competed with many relief-oriented programs offering the same services. CHF found that the most effective way to compete with these programs was good coordination and communication. If relief managers were aware of long-term sustainable programs, they could divert much needed resources to other areas, particularly those addressing basic housing and nutritional needs. Through communication and collaborative planning, relief programs and market development programs complemented each other to serve the varying needs of their target clients more effectively.

Source: Lisa Pacholek, et al., “Economic Assistance Program for Internally Displaced People: Colombia,” Cooperative Housing Fund, SEEP Case Studies, Washington, DC, 2006.

5.4 Market Assessment

Market assessment is a cornerstone of effective relief and development work in order to correctly diagnose the crisis’ impact on specific markets. When this impact is incorrectly diagnosed, programs can be less effective or, in worst cases, distort markets and disrupt long-term recovery. Probably the most well-known example of misdiagnosis and subsequent program-caused distortion occurs when food aid is distributed in areas where the crops of small-holder farmers (that they eat and sell) have failed, while commercial channels for similar food continue to function. Donated food disrupts the market, depresses prices, and further exacerbates the crisis. But misdiagnosis can occur in any sector, including financial service, education (training), inputs supply (such as seeds and tools), and other business service markets, often with similarly disruptive results.

In addition, programs may understand the challenge correctly, but misunderstand the dynamics of price trends in local markets, for example:

- Donations of commodities or services may depress prices, which leads to lower incomes for producers of similar goods and services.²⁵
- Providing vouchers for goods and services may raise prices substantially, and thus put the purchase of these goods and services out of the reach of many households who did not receive vouchers.

Effective market development programs attempt to assess markets for the character of the constraints, as well as their extent, and to design program strategies to address specific challenges. Sometimes, these constraints are related directly to the impact of the crisis, and sometimes they existed prior to the crisis. Market developers may address both kinds of market weaknesses in an effort to “build it back better.”

Matching Market Constraints with Appropriate Program Strategies

In a market development framework, the livelihoods of individuals, households, and communities can be understood to be determined first by which specific markets they derive income from, and second by the nature of their relationships to these markets. Threats to livelihoods can result from two changes in this situation, often in combination:

- Changes in the relationship of individuals, households, or communities to the markets they derive their livelihoods from
- Changes in the markets themselves—either in the supply of inputs, in the local demand for products and services, or in the market channels that take goods to final customer

For example, a natural disaster might wipe out a crop in a specific geographic area and affect transportation and

25. Note that all donations of U.S. food aid are required by their enacting legislation, P.L. 480 or “The Farm Bill,” to ensure that they meet the “Bellmon criteria” (set forth in the amendments of 1977 to section 401.b of P.L. 480, the “Bellmon Amendments”). Specifically, “no agricultural commodity shall be made available under this Act unless it is determined that: 1) adequate storage facilities are available in the recipient country at the time of exportation of the commodities to prevent the spoilage or waste of the commodities, and 2) the distribution of the commodities in the recipient country will not result in a substantial disincentive or interference with domestic production or marketing in that country.” Compliance with this amendment is usually assessed through a “Bellmon analysis” of the recipient country’s infrastructure and commodity markets.

delivery of inputs and traded consumer goods, but the market in the country as a whole may still function. In contrast, widespread conflicts, such as the war in Iraq or the insurgency in Nepal, tend to disrupt trade relations and market functions as a whole. Each circumstance requires a different market development response.

Another way of categorizing market malfunction is in terms of supply and demand. Most crises are associated with images of *supply* failure, for example the empty shelves in the Soviet Union in 1990 or the bare farm fields of the African Sahel in the 1970s. In almost all crises, *demand* failure—the loss of consumption power and income—probably undermine livelihoods more. However, most shocks to livelihoods probably result, in some degree, from both of these effects. Damage or disruptions to economies upset supply and undermine incomes or demand of impacted populations. What is important in market assessment is to clearly identify the specific supply and demand issues in the market, and to tailor market development responses to address those constraints in a way that stimulates and rewards private sector initiative rather than distorting markets.

As examples, table 3 presents three cases of market breakdown in post-crisis markets. It highlights the particular constraint and how the program strategy was tailored to address the constraint.

Table 3: Matching Market Constraint to Program Strategy

| Program and Context | Key Market Breakdown | Program Strategy | Results |
|---|--|--|---|
| <p>Market Assistance Pilot Program (MAPP), Catholic Relief Services, Zimbabwe</p> <p>Due to government land reform and distortionary grain marketing policies, in combination with shortages due to drought, a black market emerged in the main staple food (maize), and private millers and traders had no product sell.</p> | <ul style="list-style-type: none"> Supply: Maize unavailable Market-level dysfunction: Millers and traders had no maize meal to sell, prices soared Individual relation to the market: Consumers unable to afford food | <ul style="list-style-type: none"> Donations of sorghum (a less pricey but palatable alternative) made to the millers, for sale through the private sector Consumers purchase food with their own money | <ul style="list-style-type: none"> Increased supply of sorghum by 6,180 metric tons 80% of targeted households were able to purchase sorghum |
| <p>Financial Access Program in Aceh (FINaP), Mercy Crops, Indonesia:</p> <p>The Indian Ocean tsunami destroyed the entire coastal zone of Aceh and killed over 150,000 people there.</p> | <ul style="list-style-type: none"> Supply: Disruption of financial service, due to high losses by local banks. Overall market, even pre-crisis: Weak businesses create few investment opportunities; weak institutions provide few loans Individual relation to financial markets: Disappearance of collateral, leading to inability of individuals to borrow | <ul style="list-style-type: none"> Re-capitalization of local finance institutions Provision of “cash-for-collateral” to small enterprise owners to help them secure loans Provision of training and business planning for small enterprises and capacity building for lenders in general and also in microfinance strategies | <ul style="list-style-type: none"> 71 business plans completed 59 enterprise loans disbursed 270 jobs created |
| <p>Small Enterprise Center, GTZ, Palestine:</p> <p>Palestine isolated by constant border closures with Israel and ongoing conflict with Israel</p> | <ul style="list-style-type: none"> Demand: Businesses reluctant to invest due to uncertainty Individual relationship to the market: Entrepreneurs isolated from formal business networks and services Supply: Consultants, trainers and business service providers have low capacity | <ul style="list-style-type: none"> Assess business needs and determine need for services Link small enterprises with business service providers, at a discount Offer similar service to business service providers, to build their capacity | <ul style="list-style-type: none"> 160 clients in the first year High sales (19%) and employment (16%) increases, compared to a control group (-27% and -24%) |

Market Assessment Methodology in Post-Crisis Settings

In order to match program strategy to the market constraints, one must understand or assess the market opportunities and constraints in a particular market. Crisis situations present special logistical challenges that render market assessment more difficult, and simultaneously are more critical to undertake. Implementers face logistical challenges of undertaking research in areas where they may face security threats, where infrastructure for research may be dam-

aged or out of commission; where industry experts may be unavailable (displaced, deceased, or occupied with survival needs); and where data may be lacking, unavailable, or simply no longer valid.

Personal Accounts of Post-Crisis Market Assessment Challenges

“I vividly recall making the long journey to Afghanistan to assess the Afghan commodity markets during its presidential elections in 2004. Upon my arrival in Kabul, at a mandatory security briefing that all new arrivals to the country were required to attend, I was told in no uncertain terms that my eagerly anticipated visit to the city’s bazaars to meet the traders and see their wares was ‘absolutely out of the question for security reasons.’ I recognized this as a challenge to my market assessment.”

– David Rinck, *Catholic Relief Services*

“Doing an assessment requires access to data and statistics, and meeting with people. The long, drawn-out conflict has shattered the infrastructure of Liberia. Making an appointment is a Herculean task when there are no telephone land lines, and no receptionists to set up appointments or to respond to simple inquiries. So, one has to go to the location where you want to have an appointment and set a time with the appropriate person and then return again for the appointment. Rural or urban communities are affected equally by this disruption in the communications systems. This made it extremely difficult to identify and speak with key industry contacts.”

– Mary Morgan, *Mercy Corps*

Typical data sets that normally are challenging to obtain in developing countries simply do not exist in most post-crisis settings. This includes basic data such as:²⁶

- Number of micro and small enterprises working in an industry (including farmers)
- Profiles of potential/existing service providers operating in an industry and gaps
- Market potential and demand trends
- Market size in terms of local, domestic and regional markets
- Extent of and character of competition from other regions
- Market access (i.e. ability of local enterprises to enter this market)
- Regulations and standards
- Distribution practices

If such information existed pre-crisis, it is often woefully out of date and irrelevant, given the disruptions. Thus, primary data collection is often required.

The challenges in conducting surveys and discussion groups in a post-crisis setting are numerous, and include:

- Time
- Low capacity of partners and staff in terms of economic literacy and survey and interviewing techniques
- Mistrust of potential participants, unwillingness to share due to insecurity or trauma
- Distortionary answers in anticipation of increased donations
- Secrecy due to interviewees’ political viewpoint, veiled unwillingness to work with particular groups, etc.
- Staff motivation—data collected is often quickly out-of-date when situations destabilize again

Although these challenges exist in any market assessment situation, they are made acute by crisis.

Practitioners in the cases presented here found some ways to assess markets, despite these challenges. Their strategies include:

- **Qualitative constraint analysis.** The Consortium for the Southern Africa Food Security Emergency conducted a market assessment in Zimbabwe that identified the problem of supply breaking down in urban areas because producers were diverting commodities from (unviable) market channels due to policy controls.
- **Participatory assessment:** Practical Action trained community groups and leaders in Darfur, Sudan, to conduct market assessments themselves using participatory planning methods. Community groups conduct market assessment on their own and then meet regularly in a central place to share information. These assessments function to inform the program of target group needs, to provide participants with ongoing market

26. Morgan, 2006, “Cowpea Sub-sector Approach.”

information, and to provide the program with some level of monitoring information about the progress of participants in surviving the turmoil and reaching markets.

- **Conducting multiple assessments, during program implementation.** The LINKS program in Sierra Leone conducted several sector studies as the program began implementation. Program staff and consultants used sub-sector analysis techniques for the initial assessment, then followed up first with more specific value-chain analysis and frequent reassessments of the situation based on recurring field visits.
- **Dialogue and Action-Learning.** To design the FINaP program, a Mercy Corps team met with local financial institutions and individual entrepreneurs to assess their current situation vis-à-vis access to financial services and the barriers to expanding access. The program then evolved over time as additional information was gathered and as long-term barriers to credit access were identified. Essentially, the program started with small, focused initiatives and learned on the job, gathering lessons from the partner institutions and from the circumstances of local entrepreneurs.

These strategies echo market assessment methods devised for reaching the poor in weak markets.²⁷

5.5 Grants, Financing and Market Development

Market development programs in crisis environments focus on rehabilitating sustainable markets and the private sector, while enabling poor, small-scale producers to reap benefits from these markets. However, commercial solutions to achieve this goal are hindered by the limited (or lacking) assets and purchasing power of producers. While commercial solutions are being developed, clients' immediate needs must be addressed by subsidized solutions. Target communities often cannot wait until private sector networks are established to rebuild their businesses. The cases submitted for this study demonstrated that grants, when appropriately designed, can be an effective interim tool to support private sector involvement. It is important to highlight that grants are not always the most appropriate program response to diminished asset levels. Grants to enterprises with weak business models and insufficient market potential, or to those based on weak groups may not have the desired impact. Similarly, grant programs that fail to incorporate appropriate timing and funding amounts into their design might be unsuccessful in addressing the enterprises' assets constraints. However, programs that ensure due diligence on recipients and incorporate relevant funding amounts and timing can have substantial impact on a client's ability to recover from the crises.

In the cases here, grants are either provided as cash disbursements for asset replacement or distributed as vouchers to access business management training and consulting. In most cases, grants carry pre-conditions, such as completion of training programs or other activities. Agencies use a variety of disbursement methods: some provide the grant as a one-time disbursement, others, such as ARC, use the "trickle up"²⁸ model of two installments in order to ensure effective investment. These agencies also sometimes offer one-time disbursements for large asset replacement, with matching or cost-sharing conditions.

While grants can be an effective market catalyst, programs studies here recommend that steps are taken to address accompanying risks. Most of the agencies in the case studies presented offer technical assistance to microfinance organizations in concert with their market development initiatives. For example, CHF in Bosnia and Herzegovina help develop links between target enterprises and LIDER, a CHF-supported microfinance institution (MFI), while at the same time facilitating the enabling environment for these enterprises. If grant eligibility requirements are not clear, programs face the threat of undermining the market for MFIs. Successful programs clearly define when clients are eligible for grants versus microfinance loans, with these criteria communicated clearly to clients. To prevent future market distortion, programs also work to manage the expectations of clients, highlighting the short-term nature of these grants. Failure to do so may serve to further support the "relief" mindset.

27. See www.seepnetwork.org/marketdev and www.bdsknowledge.org

28. See www.trickle-up.org

Delineating Grants for Clients Mercy Corps, Indonesia

As part of their overall Aceh Recovery Program, Mercy Corps offered cash grants to program clients founded on an asset-replacement methodology. Grants were available for clients who had lost all of their assets (up to \$400) based on proposals prepared by groups of individuals in Mercy Corps' target communities. Members of the community with some remaining assets were able to access loans ranging between US \$500 and \$10,000 through the Financial Access Program. Mercy Corps developed partnerships with existing commercial lenders (both those within the affected zone and in neighboring districts) to deliver business-oriented financial services to these clients. Clear criteria were set to ensure that transparent lines were drawn between the program's different clients.

Source: Sasha Muench, "Financial Access Program: Aceh, Indonesia," Mercy Corps, SEEP Case Studies, Washington, DC, 2006.

Another lesson from the cases was that program design should include the plan for transitioning from subsidized to commercial services. Successful grant programs also strengthen the supply of services, identifying commercial providers and building their capacity to serve clients' needs over the long term. Programs then link clients to commercial providers of services to facilitate long-term, commercial transactions and grant phase-out. Vouchers or matching grants for services are useful tools in this kind of program, as demonstrated by GTZ in Palestine and ARC in Sierra Leone. Thus, grant programs can be effective market development tools if they are implemented as a means to catalyze economic activities, as opposed to replacing it.

In addition to addressing the needs of vulnerable households, grants can also be used to kick-start the re-entry of larger enterprises in the targeted economy, generally businesses with the capacity to spur more widespread growth because of their central roles as commodity, input, or equipment suppliers and/or wholesale buyers of products produced by small enterprises. CHF in Colombia found that medium- to large-size businesses or more profitable small enterprises, not just those operated by disadvantaged households, would benefit greatly from matching grant or other programs allowing them to expand their market, with the benefits of expanding local employment opportunities for vulnerable populations. Grant programs to more stable businesses can also promote greater firm upgrading by fostering early adopters and creating model enterprises. Demonstration effects would highlight successful firms and address risk concerns for other enterprises that may be reluctant to invest in their business post-crisis. These programs would also emphasize innovative technologies and techniques that firms can adopt to advance their business. As with the other grant programs described, agencies channeling grants to larger or more stable businesses need to assess the market for commercial finance and services, and work to stimulate that market as part of the initiative.

5.6 Direct Client Targeting vs. Market Development

The need for program and funding flexibility in post-crisis market development arises in many program dimensions, but perhaps the most crucial is an area in which typical relief programming and market development clash on principle. That is, relief programs usually target large numbers of specific categories of crisis-affected people, such as returning refugees or small farmers in a geographic area. Institutional delivery and control systems channel services and resources directly to these populations. Presumably, these ensure that donations are getting to the people in need and are not co-opted by the elite. However well-intentioned the original program rules, they clash with the market development goal of stimulating and strengthening markets, which generally engage a broader range of people and businesses in an industry. They also clash with the sustainability strategy of market development in which programs provide training and resources to private businesses that serve the target vulnerable population, through small enterprises. Market development programs, in order to be effective, need to channel resources to small, medium, and large enterprise suppliers, buyers, consultants, and trainers, who do not differentiate between refugees and host communities, men and women, different ethnic groups, the poor and the ultra poor. This is a clash of strategy, not of value, but one that requires donor and high-level implementing agency attention in order to change.

While demonstrating success, the following are three examples of programs that are limited in their ability to work more broadly, reducing their potential to scale this impact.

- In Colombia, CHF International runs the Program for Economic Assistance, which works to promote economic opportunities for people displaced by conflict. One of its goals is to promote formal employment for

this target group via vocational training and links to employers. However, there are limited formal employment opportunities and the program's guidelines prevent it from working with potential employers so as to expand their workforce.²⁹

- Similarly in Kosovo, Mercy Corps works with the U.S. State Department's Bureau of Population, Refugees, and Migration (BPRM) to promote potential livelihoods for minority returned populations, by building upon or diversifying households' sources of income. The program requires that Mercy Corps work only at the level of individual households, without any analysis of or linkages into the larger markets with which these household businesses interact nor any determination if the activities they will start with the BPRM grants are feasible.³⁰
- In Darfur, Sudan, Practical Action (PA) works with rural communities and small holders by helping them link into high value agricultural and livestock markets. The program builds community members' capacity to develop their own livelihood diversification strategies and to successfully engage with local markets for inputs and selling. As the security situation around El Fashir deteriorated, PA could no longer travel to its partner communities, and many community members were displaced to camps. PA hoped to continue to work with these community members in the camps; however, this structural change to the program was not approved by the program's funders.³¹

These challenges reinforce the earlier recommendation that programs focus on goals, and allow flexibility in strategy as long as program targets are met. Additionally, they highlight the need for donor and practitioner education on the value of a broader, market development approach. The conflict is particularly acute when programs are sector specific and tailored to a particular value chain that links producers to market opportunities.

However, some programs have worked their way around this challenge. CHF in Colombia, for example, worked with target recipients to identify income potential and provide the requisite training and support to either secure employment or develop their own business in the identified sector. Some additional successful strategies used or recommended by practitioners in the case studies are:³²

- concentrating on sectors in which a large number of target population—small enterprises—operate;
- focusing on cross-sector services that support several key sectors;
- developing industry clusters in targeted sectors;
- directing efforts towards sectors with high potential, such as construction, in post-crisis environments in which target populations have relevant skills;
- selecting related or synergistic sectors, such as boat construction and fishing;
- expanding focus to the larger sector, such as agriculture, to ensure larger numbers of potential clients;
- enlarging the number of sectors in which the program operates to ensure reach to target populations; and
- designing a series of value-chain specific programs that fall under a larger sector.

In all of the cases, practitioners ensured that vulnerable populations benefited by devising activities that address the needs and requirements of target groups in their efforts to participate in target markets.

29. Pancholek et al., "Economic Assistance Program for Internally Displaced Persons," 2006.

30. Mercy Corps, "Population, Refugees, and Migration Project: Lessons Learned and Next Steps for Rural Refugee Assistance in Kosovo," May–June 2004. Washington, D.C.

31. Mike Albu and Izzeldin, Shibeka, "Developing Pro-Poor Agricultural Markets in North Darfur," Practical Action, SEEP Case Studies, Washington, DC, May 2006.

32. These are similar to sector targeting strategies identified in Michlbradt and McVay, *The 2006 Reader*.

Targeting Sectors
American Refugee Committee, Sierra Leone

The LINKS program targets households engaged in farming and marginalized youth. While focusing broadly on agriculture, the program developed targeted, value chain–specific programs to help poor people take advantage of growing market opportunities. For example, the initial market assessment identified cassava, rice, and horticulture as value chains that provided opportunities for increased profits and extensive participation by rural communities. Based on this initial assessment, broad services that were applicable to all three chains (such as techniques for improved input supply and storage techniques or business management training) were identified. Follow-up assessments helped program staff design additional value chain–specific services, such as marketing and transport for the horticulture value chain. These assessments also led to the addition of groundnuts as another value chain with higher potential that the program activities could support. The choice of a few broadly targeted value chains with an additional high-profit chain allowed ARC and the LINKS consortia to serve a large number of farmers effectively.

Source: Tim Nourse, “Promoting Linkages for Livelihood Security and Economic Development—The LINKS Program: ARC,” SEEP Network Case, Washington, DC, April 2006.

There is a side benefit to market development programming that engages a wide range of people and businesses, rather than targeted at specific population of affected people. In targeted programs, some groups receive resources while others are excluded. This runs the risk of exacerbating conflict or inequity. Focusing on entire sectors and the various population groups that operate in that industry allows agencies to include both target and non-target groups. This approach helps to avoid any additional stigma as benefits will be realized by both target and non-target segments. While focusing on an entire sector, it is imperative that agencies design their programs to ensure that the needs of targeted groups are addressed and their unique requirements and ability to access services are taken into consideration.

5.7 The Political Economy of Post-Crisis Market Development

Relief and development programs often operate in the pretext of political and often social neutrality, but market development and post-crisis settings both call for examining, taking account of and often influencing power relations. Why is political economy so important in post-crisis settings? First, the poor and disempowered are usually disproportionately affected by crisis and have less access to safety nets. Second, elite and more powerful groups sometimes take advantage of the chaos of crisis and the lack of rule of law to exploit business opportunities, co-opt relief resources for personal or political gain, or to consolidate their market position. Third, underlying many conflicts is strife over economic resources. Any economic development activity in post-conflict environments has the potential to influence the conflict, as it influences economic power and benefits. Why is political economy so important to market development? Market development seeks to open markets in such a way that poor people reap more rewards. It supports open, transparent, and competitive markets where people conduct business on mutually beneficial terms. Underlying most market failures are powerful monopolies, only sometimes based on true competitive advantage. More often, they are based on ethnicity, political and family connections, military control, or bureaucratic control, which reaps rewards for corrupt officials. Market development programs attempt to understand, transform, work around, or confront such powerful market interests to open markets so that they benefit the poor. Such political interests may exist at the international, national, or community level.

Afghan Research and Evaluation Unit
Afghanistan

The Afghan Research and Evaluation Unit (AREU) recently published a study reflecting the importance of political economy in economic reconstruction in Afghanistan. It reports that plans for reconstruction are premised on economic growth created by the rejuvenation of “collapsed” markets, driven by the private sector and organized within the “free” market. The key concerns of policy making have centered on the need to create a light regulative state to promote private sector growth. However, the report critiques this approach because it risks reinforcing the very economic interests that were in power under the Taliban regime. According to the report, the primary beneficiaries of the new “open” policies are the same individuals who help economic power in the previous regime. They are organized in flexible, informal markets that control a wide range of trade, at the community and import-export level. At the local level, they control trade in particular regions—access to inputs, commodities, and markets flow through them. Opium production and trade are intermingled with licit trade. The traders trade in whatever products suit the market, and do not invest in strategic positioning, capacity building in particular value chains, or their business partners, least of all the poor. They are highly connected to powerful political interests at the regional level. The report concludes that promoters of peace and democracy ignore the politics of current economic development patterns at their peril.

Source: Sarah Lister and Adam Paine. “Trading in Power: The “Politics of “Free” Market in Afghanistan,” Afghanistan Research and Evaluation Unit, Kabul, Afghanistan, 2004.

In contrast, market development initiatives call for an examination of political influences in the market, however large or small, and they seek to influence them to benefit the poor. For example, in Colombia, where the economy has been damaged over the long term by drug related civil conflict, CHF found ways to bring conflicting parties and parties with different interest together for the purpose of economic development. CHF works with local NGOs in a range of regions, and targets assistance both to internally displaced and host communities, encouraging a wide range of individuals and communities to become engaged in market development.³³ In another case, detailed earlier, VSF is in the process of disempowering veterinarians who developed a significant economic and social power during the long-term civil war due to their exclusive access to regulated medicines and services. The strategy is to open supply and promote a wider range of pharmacies and vets with access to medicine through commercial channels.³⁴ It is in this manner—at the local, national and international level—that market development programs seek to influence economic power structures to increase power and benefits to the poor.

5.8 Staffing and Capacity Building

Development agencies face significant challenges when addressing staffing and capacity issues in post-crisis situations. On the one hand, relief staff is not often well-versed in the concepts and terms related to markets and the economy. Their vast experience in traditional relief programs can instill a “relief” culture that hinders their ability to see and pursue commercial solutions to market constraints. Those with a more commercial mindset may find themselves struggling to develop appropriate skills and gain access to relevant tools. Market development tools and techniques constantly evolve as market development practitioners apply market research in new situations and new environments; the lessons learned from these experiences are often inaccessible and are not communicated effectively and concisely with those in the relief field. There are few if any tools developed for market development in post-crisis settings.

On the other hand, market rehabilitation work draws market development practitioners into environments in which they have no previous experience. Traditional relief implementers may receive training in crisis survival strategies, and frequently have specialized support staff on hand to support operations, or can contract such staff easily. However, market development experts typically have no such training and may not be aware of such resources. In some cases, market developers are venturing into post-crisis settings knowingly. In other cases, market development practitioners have found themselves thrust into post-crisis environments when conflict or sudden onset disasters beset their areas of operations. When market development implementers find themselves in crises, they may or may not have staff on hand that is trained to operate in these environments. In these cases, although they have the advantage of knowing how a given market is “supposed to function,” they are forced to adapt or devise strategies for new circumstances as they evolve because guidelines, to date, are not developed or accessible.

33. Pacholek et al., 2006 “Economic Assistance for Internally Displaced Persons.”

34. Simon Kihu Mwangi, “Veterinarians without Borders-Belgium Project in South Sudan,” VSF, SEEP Case Studies, Washington, DC, 2006.

To improve market development understanding amongst relief-oriented staff, development agencies are attempting to address this knowledge and skill gap. A range of innovative strategies were identified in the case studies to address this issue, such as:

- building up the capacity of staff and local partners through in-person and online training, mentorship, and on-the-job training within institutions;
- working with short-term consultants with requisite experience and building training activities into the consulting work;
- implementing activities with immediate impact while taking more time to develop solutions that require greater staff capacity;
- developing innovative strategies to recruit and retain individuals in-country with private sector backgrounds; and
- providing increased resources for technical assistance for staff.

This paper represents an effort to document and disseminate some of the practitioner innovations of post-crisis market development in the field. This year, there is increased attention to market development post-crisis, with a particular focus on conflict-affected areas. Some new or forthcoming resources include:

- *Conference*—“Private Sector Development and Peace: Exploring Local and International Perspectives,” September 14–15, 2006, in Berlin, Germany, organized by DFID, International Alert, BMZ, and GTZ. Although the conference will have passed by the time of this publication, proceedings may be available. For more information, see www.businessenvironment.org
- *Conference*—“Poverty Reduction in Conflict and Fragile States: Perspectives from a Household Level,” November 8–9, 2006, in Washington, DC, organized by USAID’s Office of Poverty Reduction, the Households in Conflict Network, and the German Institute for Economic Research (Berlin). For more information, see www.diw.de/fragilestates.
- *Guideline and case studies*—M.H. MacDonald, “Private Sector Development in Reintegration and Reconstruction Programmes”; “Post-Conflict Reconstruction and Private Sector Development: Case Study of the GTZ Project for Food Security, Regional Cooperation and Stability in the South Caucasus”; “Post-Conflict Reconstruction and Private Sector Development: Case Study—Sierra Leone” (Eschborn, Germany: GTZ, 2006). For more information and to access publications, contact Sabine Becker at Sabine.Becker@gtz.de or private.sector@gtz.de.

For forthcoming dialogue and research by the SEEP network, please see www.seepnetwork.org/marketdev. It is hoped that these events will spur momentum for increased action-research, dialogue, development of tools and techniques, and begin to address some of the staffing and capacity building needs of post-crisis market development initiatives.

6. Lessons Learned and Recommendations

This synthesis of experience of market development practitioners and innovators operating in post-crisis settings has resulted in this set of preliminary recommendations that need further exploration, testing, and elaboration through action research:

1. Timing

It is possible and recommended to engage in market development very soon after a crisis or in the midst of low-intensity crisis, as long as populations are stable in terms of mobility, and security is reasonable.

2. Effectiveness

When adapted to the crisis setting, market development approaches can be effective.

3. Funding

Donor funding cycles and targeting criteria need to be adapted, to integrate relief and development goals, to be more flexible in implementation strategy, and to reflect the power of in-direct targeting—to larger or less affected enterprises—to benefit the crisis affected poor. Specifically, donors might consider the following:

- Funding raised post-crisis should be spread out over longer periods of time to equalize investment in relief and development, particularly in high-profile situations where sufficient resources for survival are ensured.
- Program goals, performance criteria, and staff/recipient incentives should be more closely tied to outcomes than fund disbursement.
- Enhanced coordination between donors and implementers on responses, particularly in terms of task allocation based on target regions, programs, and beneficiaries, that would reduce irrational spending, market distortion, and “competing” for clients. This may include creating alliances between implementers and donors based on their specializations or by region or group.
- Designing program contracting mechanisms that lock in program goals, but leave program implementation more open to change based on the environment and would provide implementers with flexibility to be more effective in volatile situations.
- More programs should envision and incorporate the transition from relief to development, allowing for longer term vision and adaptation as environment evolves and facilitate implementation partnerships between agencies specializing in relief with agencies specializing in development.
- To accommodate a market development approach, allow for broader programs that work with other actors outside the target population, but whose development is instrumental to the sustainable livelihoods of the target group.

4. Market Assessment

It is important for market development programs, even in post-crisis settings, to tailor program activity to the nature and extent of the particular market disruption. In order to do this, although the challenges are significant, agencies should attempt to understand the markets they target, if not up front, then at least as they implement the program.

5. Market Development Opportunities

There are ways of developing markets even in a highly subsidized relief environment, specifically:

- Develop services and products in markets that relief programs do not target (for example: appropriate technologies and market information)

- Leverage existing relief activities (for example: working on market links in sectors where relief programs are providing free inputs)
- Differentiate program services (for example: providing more market-oriented or interactive training)
- Ensure focused analysis on client needs prior to program design (for example: surveying target enterprises to guarantee demand driven services)
- Incorporate programs for different levels of clients (for example, developing services for affected groups that are not eligible for relief programs)

6. Grants

Grant programs need to ensure proper feasibility studies of target enterprises and give greater consideration to grant timing and funding; Grant programs and strategies need to address market distortion risks and ensure that their goals and objectives are clearly communicated to recipients.

7. Importance of Political Economy

It is critical to take the political economy of markets into account, lest market development programs inadvertently exacerbate inequality, vulnerability, and conflict. When appropriately considered, strategy may emerge to work around, transform or confront powerful interests in order to benefit the poor on a sustainable basis and reduce vulnerability to disaster and conflict.

8. Capacity Building

Capacity building, and the adaptation of market development tools, are critical to transfer knowledge to donors, implementing agencies, and host governments.

9. Further Research

Additional exploration and action research should focus on:

- dissemination of these findings,
- ongoing exchange of experience and information,
- additional open pilot initiatives to spur innovation, further test and elaborate on current recommendations, and investigate unresolved challenges,
- adapting the market development framework for crisis conditions,
- innovative capacity building of implementing agency staff and partners, and
- recommendations to donors to adapt their policies and guidelines for emergency assistance and private sector development to better support market development in crisis-affected areas.

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Annexes

Annex 1: Research Request and Questionnaire

Share Your Experience!

Identifying Effective Approaches to Enterprise Development and Economic Reconstruction Following Conflicts or Natural Disasters

The SEEP Network (www.seepnetwork.org), an organization of more than 50 international private and voluntary organizations that support enterprise development, microfinance, and livelihood programs, is soliciting brief case studies on enterprise development and reconstruction following conflicts or natural disasters. This research builds on previous discussions held by SEEP since 2004,³⁵ to explore these questions:

- How do enterprise development and economic reconstruction programs promote the recovery of enterprises, strategic industries and local economies, that provide incomes and/or employment to large numbers of the effected population?
- Do these programs change as the operating environment transitions from relief to development?
- Does the nature of the challenge—e.g. long-term civil war versus brief conflict or a tsunami versus annual flooding—require different programming?
- What are the operational challenges faced in these environments, and how do practitioners respond?

Case studies will allow us to document some of the approaches different programs are taking. SEEP members will review the case studies to identify and analyze program trends and lessons learned. Afterwards, findings from the cases will be disseminated to the broader practitioner community to promote innovation and development of programs that fast-track reconstruction efforts while achieving high impact.

We encourage programs to contribute case studies of both unsuccessful and successful programs to advance the understanding of what works well and what does not. While we understand that microfinance is a core component of economic recovery, we are specifically seeking out complimentary initiatives that focus on enterprises, industries, and local economies. Programs with a microfinance component as part of a larger initiative are especially encouraged to submit.

Organizations contributing case studies will be recognized in the study publication. For participating organizations that attend SEEP's annual conference in October 2006, there will also be opportunities to present their case studies there.

Case Study Criteria

For the purposes of this research, SEEP is particularly interested in programs in post-conflict or natural disaster environments that have the following characteristics:

- Programs follow a well-defined strategy for sustaining the initiative that does not rely on continued subsidies or implementing agency activities.
- Program design and/or implementation include some type of analysis of supply and demand trends in the market or industry in which the program is operating.
- Program is, if not already, moving away from directly providing services to prompting the local private sector (or other actors) to provide services on a cost-recoverable basis.
- Program has a concrete, long-term plan for developing the market (or industry) in which it is working, including the development of supporting services and/or financing.

35. The two earlier discussions are described in Mary McVay, "BDS in Conflict Environments—Neglected Potential? A Thinkpiece from the SEEP Network" (Washington, DC: SEEP Network, 2004); and "BDS in Conflict Environments—Synthesis of a SEEP Network Online Discussion" (Washington, DC: SEEP Network, October 2004). Both publications are available online at www.seepnetwork.org/bdsguide.

How to Submit:

1. Please supply the information requested in the attached case study format.
2. Save the case study file as "SEEP Case_Program Name_your initials_date.doc
3. Send case study file via e-mail to Tim Nourse [timn@archq.org] AND to Tracy Gerstle [tgerstle@yahoo.com]
4. Attach relevant project documents.
5. Deadline for submitting case studies is April 30, 2006.

The SEEP Network thanks you in advance for sharing your experience with other practitioners.

Please feel free to contact us at any time with questions or concerns. We look forward to hearing from you.

Sincerely,

Tim Nourse, *American Refugee Committee*

Tracy Gerstle, *independent consultant*

Mary McVay, *facilitator, the SEEP Market Development Working Group*

www.seepnetwork.org/bdsguide

Case Study Format

Contributors should try to provide as much relevant information as possible per the guidelines below, but to keep submissions to 3–5 pages. Submissions need not be formal write ups—bullet points or summary responses to questions are also acceptable. Supporting documentation in terms of program reports, evaluations, market assessments are welcomed.

I. Basic Information

- Title of project or program
- Organization name(s)
- Address(es)
- Website(s)
- Location (country where project located)
- Author(s), including e-mail addresses and phone numbers
- Project start and end dates
- Date submitted

When providing data, please provide date data was published or collected, including data pre- and post-event, if available.

II. Operational Environment

- Type of Event—Natural disaster or conflict
 - Are these events acute, recurring, or one-time?
 - Current economic and political environment
- Timing of the intervention following the event
- Any precursor programming before or after the event
- Main industries both in the region and in which your target groups participates

III. Target Population (socio-economic status at household and enterprise levels)

IV. Program Methodology

A. Program Rationale

- What are the intended impacts of your program, both for your target population and for the industry or the local economy as a whole?
- How will the program achieve this impact?

B. Program Design

- What was the process followed to design the program?
- Was an assessment conducted? What types of information did it collect? How was the information analyzed?

C. Program Description

- Briefly describe how the program works.
- What is the role of the implementing agency, partners (if any) and other stakeholders in the program?
- What types of services are being provided by the different actors?
- What is the budget of the program?

D. Program Monitoring and Management

- How does the program track its progress—type of information collected, tools used and frequency?
- What results can the program show to date?
 - Number of participants, in terms of households and/or enterprises
 - Changes in income or production, versus pre-event and post-event levels
 - Prevalence of higher value activities
 - Anecdotal evidence

V. Lessons Learned

1. What are the most important challenges in a relief environment to program implementation? How do you overcome them?
2. Were there event or program results that prompted you to change your program design?
3. What would you change about your program if there were no constraints in terms of funding, donor requirements, etc? Why would you change your program?
4. What kind of donor frameworks and structures support sustainable development and what kind hinder it?
5. How do you put in place sustainable programs when there are relief programs in the same area offering free services?
6. How do you see the operating environment evolving over time, and will this affect your program design and implementation?

Annex 2: Case Study Summaries

Market Assistance Pilot Program Catholic Relief Services Zimbabwe

Operational Environment: For three years, Southern Africa experienced successive poor harvests due to recurring droughts, resulting in the wholesale erosion of family livelihoods due to selling off assets and loss of household labor from HIV/AIDS. Zimbabwe had a relatively developed food industry sector, which included milling, refining, and most types of food processing industries. As a result of the drought, observers estimated that maize production fell to approximately 650,000 metric tons by 2005. The decline in output was largely attributed to parastatal control of trade in “gazetted” commodities, including cereals.

Period of Operation: August 2003–present

Budget: Not provided (funded by USAID)

Target Population: Target beneficiaries of the Market Assistance Pilot Program (MAPP) were urban low-income households in Bulawayo, a semi-arid region that relies on commercial market channels to bring in cereals from the north.

Program Goal: Increased food security in the southern African region

Project Activities: The program aims to help the large number of people who became food insecure when the “black market” prices of food skyrocketed and food at the government controlled prices became unavailable. Project activities supported the delivery of food aid through market channels at an affordable price. The principal activities of MAPP were commissioning the milling, packaging, and sale of sorghum; through competitive tender, a miller was identified. MAPP staff developed an estimated affordable price for retail consumers and collaborated with the miller to sell the sorghum pack through retail outlets located in low income (high density) neighborhoods, and other areas accessible to the urban poor.

Results to Date

- Provision of 6,180 metric tons of sorghum to targeted households
- Eighty percent of targeted households purchased sorghum at least once during the program

Key Lessons Learned

1. Relief assistance can be delivered through market channels successfully
2. Relief and market development programs can complement one another if coordinated.

For more information, contact David Rinck, Catholic Relief Services, at drinck_crssaro@yahoo.com, or go to www.crs.org.

Promoting Linkages for Livelihood Security and Economic Development American Refugee Committee, CARE, Catholic Relief Services, World Vision International, and Search for Common Ground Sierra Leone

Operational Environment: Between 1990 and 2001, Sierra Leone suffered a brutal civil war characterized by large-scale killings, rape, and other atrocities. The war ended in 2001 with a peace agreement and involvement of UN peacekeepers. The country remains one of the poorest countries in the world, characterized by weak infrastructure, lack of human capital, and a frail democratic culture. The LINKS program (Promoting Linkages for Livelihood Security and Economic Development) started in 2004 during the transition from relief to development programming.

Period of Operation: December 1, 2004–November 30, 2007

Budget: US \$8.5 million (funded by USAID)

Target Population: The program targets farming households and marginalized youth.

Program Goal: The program goal is to “contribute to the sustainable reintegration of communities into dynamic economies.”

Project Activities: Activities at both the community and regional level focus on restoring assets, increasing knowledge, and developing more effective links between producers and markets. Specifically, LINKS includes the following efforts:

- Microfinance loans to “table-top” traders and input suppliers (through local MFI)
- Facilitating formation of informal, community-based savings and loan groups
- Piloting an agricultural lending product
- Making small grants to vulnerable households who are ineligible for loans
- Building the capacity of local NGOs to provide business management and other consulting services to microentrepreneurs through a voucher system
- Facilitating the creation of farmer field schools (FFS) to disseminate information and test new agriculture technologies
- Funding community infrastructure projects to help to link communities to markets (feeder roads and bridges)
- Producing agriculture and microenterprise management content for local radio stations
- Piloting improved cart designs to assist in goods transport

Results to Date: After 15 months of activities, 7880 farmers have participated in field school activities, 1,600 trained in business management, 3,100 loans were disbursed, and 1,500 grants were provided to vulnerable entrepreneurs.

Key Lessons Learned

1. Direct delivery mindset is difficult to overcome, both for staff and clients, and has significant impact on program design and participation levels.
2. The combination of relief and market development activities makes monitoring and evaluation difficult because more sustainable impacts are overshadowed by relief activities, which have clear results.
3. Successful strategic alliances are those with a specific geographic or value chain focus. Involvement of many NGOs in consortium makes coordination and a unified approach very difficult.
4. More flexible donor structures are required funding programs as they meet changing needs, rather than in set stages.

For more information, contact Tim Nourse at timn@archq.org.

Economic Assistance Program for Internally Displaced Persons CHF International Colombia

Operational Environment: For the past four decades, Colombia has experienced an internal armed conflict. Fuelled by the illegal drug trade, the violence has caused the displacement of nearly three million people in the past 10 years alone. Few internationally displaced persons have been able to return to their homes or place of origin, which has negatively impacted the country's recovery. Economic opportunities for displaced people are limited, given general low education levels and lack of job training.

Period of Operation: July 2002–June 2006

Budget: US \$20 million (funded by USAID)

Target Population: Internally displaced persons and poor residents of host communities

Program Goal: Improved lives and living conditions of internally displaced persons and host communities.

Project Activities: Prior to designing this program, CHF conducted a rapid assessment in the five target geographic areas to identify existing actors, potential partners, needs, threats, and economic potential. The program works with local NGOs to help beneficiaries identify their income generation potential. CHF provides training and job placement tailored to the specific needs of the individual businesses. Training includes both in-class and on-the-job training. Microenterprises are also supported through seed grants, specialized technical assistance, and access to credit.

Results to Date

- Over 20,000 individuals have been trained, with 14,232 business plans funded and 35,414 jobs created.
- The program made 15,206 business loans and disbursed 594 home improvement loans.
- After two years of implementation, 94 percent of client enterprises were still in operation, creating an average of 2.6 full-time jobs.
- Eighty percent of training recipients were placed in full-time jobs.

Key Lessons Learned

1. Greater coordination among donors is required to avoid competition for beneficiaries and duplication of efforts.
2. Participation by target populations in program design and implementation is vital to ensure that new technology, services, and strategies are delivered in a sustainable manner.
3. Greater donor flexibility is required to allow agencies to target and provide services to “more successful” enterprises which will provide benefits for vulnerable populations.
4. Successful programs strengthen local capacity as opposed to replacing it.

For more information contact Lisa Pacholek (lpacholek@yahoo.com), Elissa McCarter (emccarter@chfinternational.org) or Rick Hill (rhill@chfinternational.org) of CHF International or visit www.chfinternational.org

CHF International Bosnia and Herzegovina

Operational Environment: Bosnia and Herzegovina continues to recover from the ethnic war ten years ago that displaced almost half of the population. Ethnic tensions continue, which hinders economic recovery and reform.

Period of Operation: September 2001–October 2004

Budget: US \$8 million (funded by USAID and SIDA)

Target Population: Small and medium entrepreneurs, homeowners, NGOs, and business associations

Program Goal: Improve the economic environment at the municipal level by establishing partnerships between local governments, the private sector, and civil society

Project Activities: The project supported the development of associations that worked with government to promote an environment that encourages economic development. CHF created small business and homeowner associations, and also provided training in organizational management. Members of these associations were able to access funds from the program's microfinance initiatives for business and home improvement purposes. Additionally, CHF promoted links between these associations and municipal governments to ensure greater transparency. As a market development initiative, the program created a regional enterprise network, comprised of representatives from the various associations, to facilitate advocacy with government.

Results to Date

- 14 multi-ethnic development centers with 2449 members
- 14 municipalities signed partnership agreements
- 321 new jobs created and 2,127 jobs sustained as a result of home improvement and business loans (totally \$5.2 million)

Key Lessons Learned

1. Exit strategies for relief activities are critical to ensure effective transfer from relief to economic development activities.
2. Financial incentives (such as credit) are important tools to ensure client participation, while establishing longer-term, sustainable benefits and incentives.
3. Economic development plays a critical role in the reconciliation period in a mature post-conflict environment as these activities foster inter-ethnic confidence building, communication, and cooperation.

For more information contact Vince Gamberale (vinceg@chfba.ba) or Elissa McCarter (emccarter@chfinternational.org) or visit www.chfinternational.org

Small Enterprise Center GTZ Palestine

Operational Environment: For most of recent history, Palestinians have lived in periods of substantial conflict with Israel. As a result of these conflicts, hundreds of thousands of Palestinians have been displaced. There are regular escalations in conflict that disrupt business activities. Political uncertainty, economic instability, and strict movement restrictions severely hinder continuous and profitable business for Palestinian microenterprises.

Period of Operation: 2003–present

Budget: Not provided (funded by German Federal Ministry of Economic Cooperation and Development)

Target Population: Micro- and small enterprises with up to 20 employees, with particular emphasis on women-owned businesses.

Program Goal: The program aims to improve the efficiency and achievements of micro, small, and medium enterprises through improved access to business development services.

Project Activities: The Small Enterprise Center (SEC) serves as a one-stop shop for small enterprises in Palestine, providing diagnostic, match-making, coaching, and information services. Originally, services were focused on specific sectors, but are now available for all businesses and business start-ups requiring business development services. SEC also provides services to private sector business development service providers, assisting them with referrals. The center does not provide services that are available by its members or already present in the market.

Results to Date: After one year of operation, the center has 160 clients. Employment for these clients grew by 19 percent over the same period, with income increasing by 16 percent. Control groups experienced a decline of 27 percent and 24 percent in employment and income, respectively.

For more information visit the center online at <http://www.enterprise-pal.org>.

Facilitating Radio and Internet Communications

Geekcorps

Northern Mali

Operational Environment: Mali has been a relatively stable democracy since civil unrest ended in 1992. The country is multi-lingual with a relatively poor and disproportionately illiterate population base. Access to information, particularly in the post-conflict north, is particularly difficult due to its harsh desert conditions, poor communications infrastructure, and sheer distance. Northern Mali has experienced a period of a tenuous peace since 1992.

Period of Operation: 2003–present

Budget: US \$804,937 (funded by USAID)

Target Population: Populations in remote areas of Mali

Program Goal: The program aims to facilitate access to relevant and timely information that will improve livelihoods and encourage growth in local economies.

Project Activities: Geekcorps works to bring modern technologies, including internet access, to radio stations since 2005. The organization is currently managing a pilot project to test technology solutions and business models for rural community radio stations through enhanced access to information and communication tools, including:

- A wireless architecture to connect community radio stations to each other and to community learning and information centers (CLICS);
- A digital recording and editing system to allow radio stations to create digital content;
- A client-server system to allow uploading, downloading, sharing, and retransmission of digital content; and
- A search portal to assist in gathering information for inclusion in radio programming.

Results to Date

- Since 2005, the center has 160 clients. Employment for these clients grew by 19 percent over the same period with income increasing by 16 percent. Control groups experienced a decline of 27 percent and 24 percent in employment and income, respectively.
- Introduction of a number of innovative technologies suitable for Mali, such as impermeable telecommunications enclosures (water proof electronics boxes), antennas, masts and computer cooling devices made with local and inexpensive materials that are being used by local internet service providers (ISPs) and other projects in Mali.
- Malian radio technicians are now digitally mixing, airing, and archiving locally produced radio programs using the training and tools developed by Geekcorps.

Key Lessons Learned

1. To date the only negative or unintended consequence of the program has been the delay of ISP's entering smaller Malian markets where Geekcorps has installed wireless broadband connectivity for the local radio stations, cyber cafes, and international NGOs. By sharing the cost of a VSAT or satellite Internet connectivity technology, the major commercial users of Internet share one connection, reducing the need and/or profitability of a private ISP in that area.
2. High heat (<100F), high dust, and low to no electricity infrastructure meant IESC Geekcorps had to abandon models developed for other regions and almost all computer designs on the market to develop a Desert PC, which is sealed against the dust, uses less electricity than a common light bulb, and dissipates the little heat it does produce via thermal heat sinks, not fans full of hot, dusty air. The experience highlighted the importance of developing context-specific solutions in post-crises environments.
3. The experience has highlighted the importance of partnerships in these environments and Geekcorps is expanding its work to develop solutions in partnership with local service providers.

For more information visit www.geekcorps.org or contact Wayan Vota at wwota@iesc.org or wwota@geekcorps.org

Cardamom Market Development Program SNV Nepal

Operational Environment: Nepal's conflict situation continues to escalate causing the security and political situation to continue to deteriorate. Livelihoods are impacted as peoples' movements are restricted and lack of transportation creates a scarcity of basic supplies as well as key inputs for micro-enterprises. Microenterprises are also forced into double taxation, paying taxes to both local governments and the Maoist insurgents.

Period of Operation: April 2004–December 2005

Budget: US \$ 45,000 (Advisory services from SNV advisors)

Target Population: Cardamom farmers (300 households)

Program Goal: The program aims to address market access issue for cardamom farmers by developing cardamom groups and networks.

Project Activities: SNV, representing donor groups, developed a set of basic operating guidelines to educate all parties involved in the conflict about areas of common understanding and principles. These guidelines were used by donors to help negotiate with various actors involved in the conflict. SNV has also developed cardamom groups and networks to facilitate their ability to negotiate with those involved in the conflict. These groups were mobilized to advocate on issues, such as double taxation and transportation barriers. Finally, the program incorporates a basic awareness program on human rights and humanitarian law to protect members of the community.

Results to Date

- Program has been widely accepted by local community, farmers groups, and traders.
- At least 450 small cardamom farmers were mobilized and organized into 40 cardamom groups.
- Ten improved cardamom dryers were installed during the pilot program, and when demand for technology (dryers) increased, an additional 30 cardamom dryers were installed.
- In the first year of operation, 120 clients produced 10 metric tons of cardamom; with 450 producers, this number is expected to rise to 50 metric tons.
- Cardamom groups are able to negotiate for improved prices and are more effectively organized for advocacy purposes.

Key Lessons Learned

1. All of the value-chain actors must be involved (producers, traders, service providers, and capacity builders/service facilitators) from the initial stage of market assessment through the project design phase to implementation.
2. The network of cardamom producers groups is instrumental for program success through the ongoing political conflict and deal with other conflicts within the community. The issues of benefits sharing among groups are solved by the producer's group/producers network.

For more information, contact Ekanath Khatiwada, advisor on sub-sector market development, at ekhatiwada@snv-world.org, or visit www.snvworld.org.

Developing Pro-Poor Agricultural Markets in North Darfur

Practical Action

Sudan

Operational Environment: Several years of low-level clashes between farming and pastoralist communities preceded the current full scale conflict, which erupted in 2003. The situation has been exacerbated by both long-term drought and environmental degradation. A peace accord was signed in May 2006 between the government of Sudan and the main rebel group. However, at least half the rural population is internally displaced in camps.

Period of Operation: April 2004–June 2006

Budget: € 786,000 (Practical Action)

Target Population: 17 farming villages (with a total population of 17,000) within 25 km of El Fashir (capital of north Darfur)

Program Goal: The project's aims to sustain production of poor small-scale rural producers, particularly women, and improve their access to reliable and high-value agricultural and animal product markets.

Project Activities: Prior to the design of the program, Practical Action carried out needs assessments using participatory methods in the targeted areas. These assessments were supported by secondary data, results of previous assessments, and operational experiences. The project works mainly through the democratically constructed village development committees (VDCs). Practical Action provides organizational training (strategic planning and market analysis) to VDC members and is assisting with the establishment of revolving loan fund for agricultural inputs. The VDC network is also supported in its development of a producer's association centre which is facility for collecting information on prices, demand, and areas of high production, as well as for obtaining and disseminating agricultural inputs for farmers.

Results to Date: The security situation makes field visits impractical. A formal evaluation was planned for the summer of 2006 but has not yet taken place.

Key Lessons Learned

1. The market development approach requires a light touch in insecure environments.
2. The ability to be creative and sensitive in response to deteriorating business environment is crucial.
3. Building capacity through local organizations is important in conflict situations.

For more information, contact Shibeika.Izzeldin@practicalaction.org.sd.

Vétérinaires Sans Frontières-Belgium Southern Sudan

Operational Environment: The pastoralist communities of southern Sudan have had their traditional way of life compromised by many years of civil war. Large numbers of people and livestock have been displaced, families separated, and social and economic services, including veterinary services, have broken down. The end result has been the reduction in the ability of the southern Sudanese to gain adequate nutrition from the traditional sources of grain, fish, wild foods, and livestock.

Period of Operation: 1995–2006

Budget: US \$1.16 million (funded by ECHO, USAID, EC)

Target Population: War-affected agro-pastoralist populations of southern Sudan

Program Goal: To improve the household food security of vulnerable livestock dependent communities through increased access to livestock and livestock products

Project Activities

- *Capacity building.* The basis of the program is to build the capacity of the locals to be able to implement and manage the program by themselves. The training focuses on organizational aspects for the supervisors and veterinary coordinating committees (VCCs) and technical capacity building for the community animal health workers (CAHWs) and animal health auxiliaries (AHAs).
- *Vaccination of livestock.* Vaccination against cattle diseases (blackquarter, hemorrhagic septicemia, contagious bovine pluro-pneumonia, anthrax), goat diseases (contagious caprine pluro-pneumonia) and poultry diseases (Newcastle disease) is provided.
- *Livestock treatment.* The community selected livestock workers, whom VSF trained and supported use a small selection of essential drugs to treat major endemic livestock diseases within their communities.
- *Community involvement.* The community and local supervisors are assisted to become more responsible for program implementation and quality.
- *Gender.* Women are involved in the care of livestock, yet due to cultural inhibitions, have previously not been fully involved in the program. Currently women AHWs and CAHWs have been trained and are working in the program. However, the VSF program will continue to be gender-sensitive and try to increase the participation of women.

Results to Date

- § More than 300 animal health workers have been trained, 50 of whom are women, and an extensive network of veterinary service providers developed in three states of southern Sudan
- § The communities and animal health workers have gained capacity to handle veterinary emergencies having been trained in emergency preparedness and response.
- § The veterinary input supply in Tonj County was privatized.

Key Lessons Learned

1. Community-based animal health service provision has worked well for animal health service provision in southern Sudan.
2. Working with government structures has helped the government of southern Sudan appreciate the success of community-based animal health programs.
3. Having a gender sensitive project in livestock will need concerted efforts from all participating stakeholders.
4. Support to market activities in livestock sector should to be facilitated in line with the market forces.

See the VSF website or for more information, contact Simon Kihu Mwangi, VSF, at smwangi@vsfb.or.ke

Herbs and Non-Timber Forest Products Partners for Development and Action for Enterprise Bosnia and Herzegovina

Operational Environment: Bosnia and Herzegovina is still recovering from the three year inter-ethnic conflict which ended in 1993. The war severely damaged infrastructure and industry. More than 2.5 million people were displaced as a result of the conflict. Agricultural production, which was a prime income source for much of the population, was also severely damaged.

Period of Operation: 2001–present

Budget: US \$2 million (funded by PFD and AFE)

Target Population: Unemployed villagers in rural communities, and informal herb and natural product collectors

Program Goal: Increase collectors' income and develop central Bosnia's herbs and natural products cluster through the provision of credit, agricultural information, and market linkages.

Project Activities: The program has worked closely with lead firms in the herbs and natural products sector, assisting them in relationship development with small herb and wild mushroom collectors. The lead firms train producers in proper collection techniques and procure the necessary collection licenses on their behalf from local regulatory institutions. Partners for Development is working with these firms to develop adequate storage and processing facilities, allowing them to improve their capacity and work with additional producers.

Results to Date

- The number of buyers has grown from 1 to 12 by 2005.
- Using appropriate technology (from the Independent Farmers Association [IFA] commercial office) has added value to wild-grown medicinal herbs (e.g. elder flower, chamomile, lyme tree), mushrooms, and berries.
- Vertical integration was created by PFD/IFA through the following commercial entities:
 - Agro-processors
 - Processing companies who make a semi-product and sell it later, and 4–5 companies who make herbal teas, baby food, and pharmaceuticals
- The IFA commercial office secured “pre-qualification” for organic certification of wild-gathered products (by KRAV, a Swedish organic certification company). It will secure full certification in 2006.

For more information, contact Michael P. Carson at mcarson@pfd.org or visit www.pfd.org.

RESTART: Help for Tsunami-Impacted SMEs

GTZ

Thailand

Operational Environment: The 2004 Indian Ocean tsunami devastated many coastal industries in the provinces of Phuket and Phang-Nga, particularly in tourism and fishing. Prior to the tsunami, GTZ operated a program to promote small and medium enterprise competitiveness in Thailand. Program staff mobilized within two weeks of the disaster to address the needs of small and medium enterprises (SMEs) affected by the disaster.

Period of Operation: 8 weeks in January–March 2005

Budget: € 120,000 (funded by GTZ)

Target Population: Small and medium enterprises affected by the tsunami in the provinces of Phuket and Phang-Nga

Program Goal: To assist the enterprises in restarting their businesses as soon as possible following the disaster via access to credit and training in business management and planning.

Project Activities: The RESTART project established business centers in the two provinces in partnership with the Ministry of Industry. The centers were staffed with local ministry staff and 25 local business consultants. In addition to trauma counseling, the centers offered SMEs business plan training, motivational workshops, and one-on-one consultations, primarily in restructuring their balance sheets. The project worked closely with local banks in order to complete the paperwork for clients who were eligible for FAST TRACK loans.

Key Elements of Approach

- *The use of professional advisors:* RESTART staff members were all experienced small-enterprise development specialists who attended GTZ's CEFE (Competency-based Economies through Formation of Enterprise) entrepreneurship training courses.
- *The optimization of existing support:* Rather than trying to create something new, the RESTART project acted as a broker, scanning the environment to identify the most appropriate support packages that fit the needs of the SME clients.
- *Integration into the provincial administration:* The RESTART team reported to the provincial industrial officers in Phuket and Pang Nga, who had administrative responsibility for co-coordinating all ministry of industry assistance to tsunami-affected enterprises. This integration ensured that all concerned branches of the ministry of industry understood the aims and objectives of the project.

Results

- 440 enterprises participated in the program
- 105 enterprises applied for loans of which 39 were approved within the 8 week period for 13.1 million baht
- 54 enterprises completed business plans (worth 100 million baht) which they used for loan applications and to establish strategies and operational plans to restart and grow their businesses

Key Lessons Learned

1. Small businesses are most susceptible to economic shocks of this kind. They have few reserves, are usually unaware of possible support, and are confused as to what their practical options are for the future. Business counseling answered this need.
2. Investors (equity and banks) are naturally hesitant to invest at a time when no one is sure that the business will generate a return. Medium term bridging loans are essential.
3. Loan processing was slow and many businesses could not meet the collateral or documentation requirements, e.g., business registration, rental documents, backdated bank account, and personal documents. More flexibility to get the capital flowing is needed with regard to these requirements, particularly given that many SMEs lost these documents in the disaster.

For more information contact Jim Tomecko at James.Tomecko@GTZ.de.

Promotion of Micro, Small, and Medium Enterprises GTZ Sri Lanka

Operational Environment: The tsunami waves of December 26, 2004, devastated large portions of the coastal areas of northeast, south, and west Sri Lanka. More than 30,000 died. Destruction of houses, facilities, productive capital (boats, hotels), and infrastructure (roads, railways) were considerable. Prior to the tsunami, the ongoing political conflict slowed development of the private sector, which discouraged investments, particularly in the northern and eastern regions most affected by the conflict. Additionally, the government has no national policies to develop the small- and medium-enterprise sector. The tsunami highlighted the lack of development in these regions, while introducing new challenges in terms of the market distortions that have arisen by the large, uncoordinated inflows of humanitarian relief. The program started the summer prior to the disaster and has had to adjust to serve the needs of businesses affected.

Period of Operation: July 2005–June 2008

Budget: Not provided (funded by GTZ)

Target Population: Micro-, small, and medium enterprises operating in areas hit by the tsunami. These enterprises may or may not have suffered damage during the disaster.

Program Goal: Restore the economic strength of the support micro-, small, and medium enterprises in the tsunami-affected areas and increase it in the medium term.

Project Activities: The program aims to 1) strengthen existing micro- and small enterprises; 2) assist business associations; and 3) initiate sector investments that gather communities together around common programs to develop the private sector, while strengthening the peace process through local relationship building. The program will achieve these aims by working via nuclei, as well as value chains and use of PACA (Participatory Appraisal of Competitive Advantage) as appropriate. The nuclei are working groups of businesses in the same trade or industries that support and motivate one another in improving their businesses and in actively influencing the business environment via lobbying.

The nucleus approach is supplemented with two market development approaches, known as value chains and PACA per local needs. Based on the findings of the value chain and/or PACA assessments micro-, small, and medium enterprises receive assistance in strengthening their businesses, including advice, training, equipment and other forms of funding. These resources are channeled through regional chambers of commerce and other local actors.

Prior to the tsunami, the program undertook value chain assessments in several promising industries and uses the findings to inform its nuclei programs, as well as to identify new and high potential nuclei. In these value chains, financing is provided to address constraints identified via the market assessment, including re-establishing services and inputs and introducing new technologies that have high potential to increase market linkages. Up to 75 percent of the costs may be covered by the project with participating enterprises providing the remainder. Following the tsunami, construction is one of the emerging industries the program focuses on.

Results to Date: After one year, more than 800 entrepreneurs participating in 80 nuclei have already undertaken some common activities to improve their business in the affected districts.

Key Lessons Learned

1. Different operational strategies are required for conflict compared to post-conflict contexts.
2. Most enterprises, particularly at the micro-level, are focused on assistance to improve their production capacity. These enterprises require additional assistance initially to help them understand the value added potential of other less tangible activities such as market research and market research.
3. Working via the nuclei, helps the program in effectively gauging enterprises' needs and potentials for new programs and adds value in terms of new forms of assistance.

For more information contact Michel Jamar at michel@pmsme.org. More information is available at www.gtz.de and the Nuclei of Entrepreneurs in Business Chambers and Associations in Sri Lanka www.nucleus.lk.

Financial Access Program Mercy Corps Indonesia

Operational Environment: The province of Aceh has experienced ethnic conflict over the past 30 years with periodic flare-ups. The situation was compounded by the tsunami that hit in 2004. While the political environment improved after the tsunami, infrastructure and investment is still weak and economic recovery has been slow.

Period of Operation: April 2005–June 2008

Budget: US \$ 2 million (funded by Mercy Corps)

Target Population: The program targets tsunami-affected micro- and small enterprises.

Program Goal: The program started three months after the tsunami with the goal of long-term support for economic revitalization and development by supporting micro-and small enterprises.

Project Activities: The project works with local financial institutions, including a state-owned commercial bank and three privately-owned community banks. FinAP works with clients on applications and supports the completion of their business plans prior to submission to the banks. FinAP also provides loan guarantees to the banks for these clients. The program offers matching grants to enterprises that have lost all of their assets.

Results to Date: As of March 2006, more than 71 business plans have been completed with 59 enterprise loans disbursed and 270 permanent jobs created.

Key Lessons Learned

1. Given infrastructure challenges, development agencies must sometimes identify partners and service providers outside of the crisis zone and promote delivery to affected communities.
2. Coordination is vital as the number of NGOs active in the affected area increases; programs start contradicting one another to the detriment of the partner institutions.
3. Programs that rely on public donor funds are restricted in their flexibility as they are required to focus on producing quick, immediate results.
4. Transparent lines need to be drawn between program recipients to differentiate benefits.

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ABOUT SEEP:

SEEP is an international network of institutional and individual members committed to reducing poverty through the power of enterprise. Its over 70 institutional members are active in 139 countries and reach over 25 million microentrepreneurs and their families. SEEP promotes professional standards of practice in microfinance and enterprise development, conducts capacity building activities for its members and other practitioners, creates and disseminates publications for application in the field, and serves as a center for collaboration on a broad range of sector-related issues.

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