



# Minimum Economic Recovery Standards

Second Edition  
November 2010

THE SEEP NETWORK





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*Minimum Economic Recovery Standards*

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# How to Read the *Minimum Economic Recovery Standards*

The *Minimum Economic Recovery Standards* articulate the minimum level of technical and other assistance to be provided in promoting the recovery of economies and livelihoods affected by crisis. This book uses the same structure developed by Sphere (as described in the *Handbook*) for its standards, namely, key actions, key indicators, and guidance notes:

- “The individual standards are qualitative in nature and specify the minimum levels to be attained.
- “The Key Actions are necessary activities and inputs to be taken in order to meet the minimum standards.
- “The Key Indicators are ‘signals’ that show whether a minimum standard has been attained. They provide a way of measuring and communicating processes and results of key actions.
- “The Guidance Notes include specific points to consider when applying the minimum standards, key indicators, and key actions in different situations. They provide guidance on tackling practical difficulties, benchmarks, or advice on priority issues. They may also include critical issues relating to the standards, indicators, or actions, and describe dilemmas, controversies, or gaps in current knowledge.”<sup>1</sup>

The indicators of the Core Standards for Economic Recovery (hereafter Core Standards) accommodate wide variations in a user’s application. They are not, therefore, “SMART” (specific, measurable, attainable, relevant, and time bound). Measurable and time-bound specifications (for project plans, logical frameworks, and monitoring) depend greatly on context and sector specific; users should adapt the indicators to their particular situation, as appropriate.<sup>2</sup>

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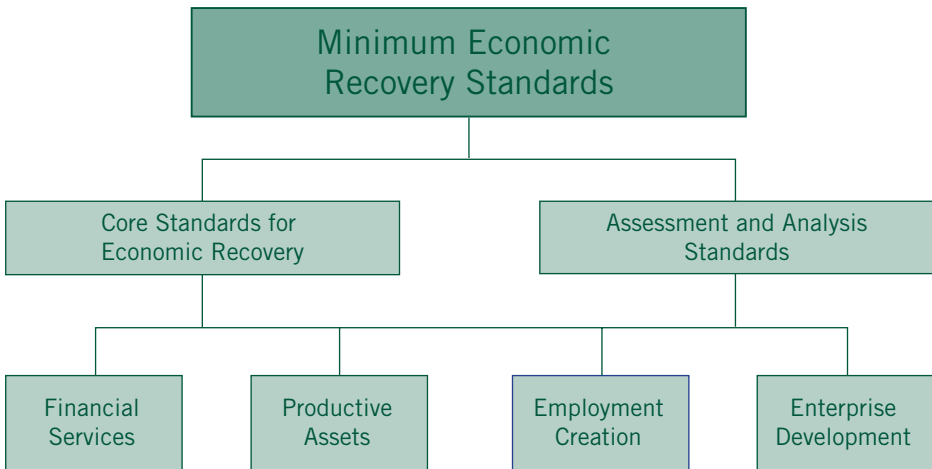
1. Sphere Project, (2004 edition), “Minimum Standards Common to All Sectors,” in *Humanitarian Charter and Minimum Standards in Disaster Response: Sphere Handbook*, (Geneva: Sphere Project), 22.

2. Adapted from *ibid.*, “Minimum Standards Common to All Sectors.”

# Note to Readers

The *Minimum Economic Recovery Standards Handbook* are presented in six categories. The first two sections, Core Standards and Assessments and Analysis Standards, set out the basic considerations essential to the other technical standards and all activities supporting economic recovery. The Core Standards are the minimum requirements to ensure quality and accountability, and provide the processes and procedures required to implement good practice. The Assessments and Analysis Standards deal with market systems, household economies, and broader economic constraints and opportunities—the pre-conditions to economic recovery. Each subsequent set of standards in SEEP’s *Minimum Economic Recovery Standards Handbook* assumes knowledge, use and comprehension of these chapters.

**Figure 1 Overall Standards Structure**





# Introduction

“The Sphere Project is based on two core beliefs: first, that all possible steps should be taken to alleviate human suffering arising out of calamity and conflict, and second, that those affected by disaster have a right to life with dignity...”<sup>3</sup> The opportunity to earn an income via employment or operation of a business is also fundamental to the dignity of individuals and to assisting them in recovering from crises. A vocation—and the ability to practice it profitably—empower affected individuals and communities to regain charge of their lives by meeting their own needs as they best see fit. This right is articulated in many international conventions and documents, including the Universal Declaration of Human Rights of the United Nations (1948), the Declaration of Philadelphia of the International Labor Organization (1944), the United Nations Charter (1945), the International Covenant on Economic, Social, and Cultural Rights of the United Nations (1966), and most recently in the preamble to the United Nations Millennium Development Goals (2005).

Increasingly, practitioners and donors who respond to disasters are recognizing the need for rapid, tailored support for the livelihoods, enterprises, and economies affected in the wake of a crisis. This is often done in parallel with emergency efforts to meet basic human needs for shelter, water, food, and health services. In the past, economic recovery assistance had been viewed as a later-stage activity. However, disasters—such as the 2004 Indian Ocean tsunami, the prolonged conflicts in the Middle East and South Asia, and the 2010 Haiti earthquake—illustrate that an economy continues to function during a crisis, albeit at a reduced or shrinking rate of growth. Affected populations require sources of income, at a minimum to survive and at best to thrive once again.

“Phased” approaches refer to relief and/or emergency activities that are conducted for a period of time, followed by a time gap before development activities are introduced. However, many crises become stuck in the relief phase, and economic development programs are not implemented quickly enough.

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3. *Sphere Handbook* (2004 edition), “What Is Sphere?” 5. “Sphere is three things: a handbook [*Humanitarian Charter and Minimum Standards in Disaster Response*], a broad process of collaboration, and an expression of commitment to quality and accountability” (ibid.). The project has developed several tools, but the key one is the *Sphere Handbook*.

There is often little coordination or handoff between emergency response and recovery. Additionally, research shows that, in conflict environments, phased approaches hamper economic reconstruction and may even exacerbate the risk of renewed tensions.<sup>4</sup> Phased approaches may also lead to higher aid dependency by beneficiaries.

Economic recovery programming in such environments may include channeling basic relief through local businesses, using local procurement and cash-based assistance. It can also include activities that support the more rapid recovery of affected enterprises by enabling them to re-establish viable economic activities and/or increasing their productivity.

In reality, not all assistance to support the recovery of affected livelihoods and enterprises is as effective as it could be. Assistance efforts often ignore market dynamics and trends, and as a result support unviable economic activities or promote activities that crowd out local enterprise. This results in assistance with fleeting or even harmful impacts. Individuals' incentives to invest in and operate practicable businesses are distorted, and thus the pace of overall economic recovery slows. The *Standards* contain several examples<sup>5</sup> of these types of programs and illustrate the impacts on local economies and household livelihoods. Then, within the key indicators, actions, and guidance notes, there is guidance on how these types of efforts can be strengthened going forward.

This lack of an effective response is due to many factors. If the economic recovery field is to find practices with stronger and more scalable impact, it must develop consensus among the practitioner and donor communities regarding minimum standards for economic recovery practices. This requires an examination of critical program elements, such as assessment, program design, implementation, monitoring and evaluation, coordination, and technical best practices.

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4. Stephen Lewarne and David Snelbecker, 2004, "Economic Governance in War-Torn Economies: Lessons Learned from the Marshall Plan to the Reconstruction of Iraq—Long Report," prepared for USAID Bureau for Policy and Program Coordination (Washington, DC: USAID); Paul Collier, Anke Hoeffler, and Mans Söderbom, 2007, *Post-Conflict Risks* (Oxford: Centre for the Study of African Economies, Department of Economics, University of Oxford).

5. Examples without sources were either provided anonymously or are compilations of various experiences by practitioners in the field.

## **Focus of the *Minimum Economic Recovery Standards***

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The programmatic focus of the *Minimum Economic Recovery Standards* is on strategies and interventions designed to improve income, cash flow, asset management, and growth among crisis-affected households and enterprises. These include four distinct technical program areas: financial services, productive assets, employment, and enterprise development. It emphasizes encouraging the re-start of enterprises and livelihoods strategies, and improving market productivity and governance.

The *Standards* set out here do not attempt to cover the related but separate field of market-integrated relief, which is the practice of working through markets to provide relief and basic services (e.g., local procurement of food aid or cash grants to purchase basic household items). To some extent, market-integrated relief and economic recovery can overlap in the measures and activities undertaken. However, market-integrated relief programs do not necessarily promote broad-based economic recovery. Additionally, economic recovery interventions have a different target population. While market-integrated relief is meant for all crisis-affected populations (who are often the most vulnerable), economic recovery focuses on market systems that have a major impact on income and employment and that can reach a large number of targeted enterprises and households.

These *Standards* also do not address macroeconomic interventions to promote economic recovery, such as fiscal and monetary policy or trade policies and institutions. These interventions are outside the purview of most international humanitarian agencies and tend to be undertaken by governments and bilateral or multilateral organizations.

## **Audience for the *Minimum Economic Recovery Standards***

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In crisis environments, a broad range of practitioners engage directly or indirectly in strategies to promote economic recovery. Thus, these *Standards* were developed with the following three groups in mind:

- Practitioners experienced in humanitarian situations, but less familiar with economic recovery initiatives
- Practitioners experienced in economic development, but unaccustomed to crisis environments

- Practitioners and programs working in multiple sectors in crisis environments (e.g. health, education, infrastructure, or HIV and AIDS)

## **Background and Development of the *Minimum Economic Recovery Standards***

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The origins of the *Minimum Economic Recovery Standards* are rooted in past crises, such as the Indian Ocean tsunami and the 2010 Haiti earthquake, and the increasing prevalence of prolonged complex emergencies, such as in Ethiopia and Afghanistan. These crises highlight the need for strategies that 1) support the stabilization and/or re-emergence of enterprises as a source of income and employment for affected populations, and 2) support the development and strengthening of institutions to support the stabilization and coping mechanisms of households to weather these crises.

Member organizations of The SEEP Network, like practitioners more broadly in the humanitarian assistance community, noted the same trend. Often, too little too late was done to promote the re-emergence of the local private sector in NGO (non-governmental organization) responses. SEEP members were frustrated at these missed opportunities and concerned that poorly implemented responses risked fostering dependency among the affected populations. They were also concerned that affected populations were choosing their economic activities and investments based on the amount of humanitarian support available, rather than the potential profits or other benefits the affected population could gain.

In response to these concerns, over the past six years, The SEEP Network has hosted member efforts to explore the challenges and emerging practices of economic recovery in crisis environments. Members repeatedly identified the need for more consistent, technically sound interventions, and for the documentation of field-based knowledge.

SEEP received funding from the U.S. Agency for International Development (USAID) through the FIELD-Support LWA (Leader with Associates) mechanism to convene a task force to develop the first draft of economic recovery standards. In September 2007, SEEP hosted a workshop in Washington, D.C., to launch the *Minimum Standards* process. A broad consortium of practitioners from 30 international humanitarian agencies discussed key issues in the field and together defined the technical focus and structure of the *Minimum Economic Recovery Standards Handbook*. Each of the six sections of the *Minimum Economic Recovery Standards Handbook* was

developed by a practitioner-led working group, comprising a mix of experience in relief and development environments. The draft produced by this group was shared for two rounds of feedback and input in 2008; the result was the first edition of the *Minimum Economic Recovery Standards Handbook*, published in early 2009.

During 2009 and 2010, SEEP organized regional consultations on the *Minimum Economic Recovery Standards* in East Africa, Latin America, the Middle East, Europe, and Southeast Asia. Multiple participant NGOs, including ACDI/VOCA, AED, Catholic Relief Services, and Mercy Corps, tested the *Standards* with existing field projects in a diverse group of crisis-affected contexts. The first edition of the *Minimum Economic Recovery Standards* has been downloaded over 5,500 times and more than 400 people have been trained to use them. In June 2010, SEEP reconvened many of the original contributors to the *Minimum Economic Recovery Standards Handbook*, as well as new members from NGOs, academic institutions, donors, and international organizations. The group reviewed the input from the regional consultations and field tests and updated all the *Standards* to reflect recent industry advances. In all, more than 200 individuals have contributed or shared feedback in some way to the *Minimum Economic Recovery Standards*. The result is this second edition of the *Minimum Economic Recovery Standards*. After its publication in fall 2010, this edition will be submitted for consideration as a companion module to the *Sphere Handbook*.

The SEEP Network, founded in 1985 and headquartered in Washington, D.C., is an association of more than 80 international NGOs that support micro- and small enterprise development programs around the world. SEEP's mission is to connect microenterprise practitioners in a global learning community. As such, SEEP brings practitioners together to produce practical, innovative solutions to key challenges in the industry; SEEP then disseminates these solutions through learning events, publications, and technical assistance.<sup>6</sup>

## **Frameworks and Sequencing in Designing Strategies for Economic Recovery**

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The *Minimum Economic Recovery Standards* are founded on the understanding that an array of strategies and interventions that address different needs and different timelines are required in crisis environments. In practice, however, donors and practitioners often lose sight of how short-term, immediate strategies

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6. For more information about SEEP, visit [www.seepnetwork.org](http://www.seepnetwork.org).

impact longer-term recovery. This is due to the pressures and rapid evolution of the environment, funding cycles, and the limited information available.



In crisis environments, short-term goals necessarily focus on stabilizing households and providing basic needs. However, the philosophy of these *Standards* states that immediate post-crisis programming can, and in fact should, consider the longer-term needs for recovery of markets and institutions. This requires an up-front commitment to consider local institutions and markets early in the recovery process, so as to not undermine longer-term recovery. It also requires consideration of how to strengthen these markets and institutions to hasten the transition. Increasingly, practitioners, donors, and governments are also seeking to mitigate or at least prepare better for future crises. This concept, widely known as disaster risk reduction (DRR), or scenario planning, is considered in each of the *Minimum Economic Recovery Standards*, with some guidance for the minimum actions that can be undertaken to promote DRR.

In the past, practitioners and donors have tried to identify a correct sequence to recovery and development interventions in crisis environments. Unfortunately, the steps to economic recovery cannot be simplified to one sequence or even one list of interventions, due to the broad range of countries and livelihood systems affected by crisis. Rather, in selecting appropriate strategies, the *Minimum Economic Recovery Standards* urge taking into consideration a number of factors, such as the economic resources (e.g., land, human capital), the state of existing institutions, the type of crisis, and its root causes and effects.

Currently, there is no consensus on a definitive framework for economic recovery programs in crisis environments. Therefore, the *Minimum Economic Recovery Standards* are not based on any one framework for economic or livelihoods programming. There will likely always be a variety of frameworks used in these programs, since different economic development programs boast a wide array of assessment methodologies, goals, target populations, and available means. To address this issue, the Core Standards offer recommendations for structuring program strategies, operations, and decision-making across different crisis contexts and economies.

Table 1 reviews the range of determinants and impacts of different types of crises at different levels of an economy. This framework can be an analysis tool to identify appropriate strategies and interventions, depending on the impacts of the crisis and the economy and environment in which it occurred.

**Table 1 Impacts of Crises at the Household, Market, and Macro Levels<sup>7</sup>**

Crisis type*	Level of economy			Influencing factors for each crisis type
	Household/ Enterprise	Market	Macro	
Slow-onset disasters	<ul style="list-style-type: none"> <li>• Loss of assets</li> <li>• Loss of skills due to migration</li> <li>• Declines in productivity</li> </ul>	<ul style="list-style-type: none"> <li>• Weak marketing networks due to migration</li> <li>• Damage to or loss of natural resources</li> </ul>	<ul style="list-style-type: none"> <li>• Reduction in capacity to enforce laws and provide basic services in affected areas</li> </ul>	<p><b>Level of development</b></p> <p>Determines ability of affected households, enterprises, and institutions to cope and the speed of recovery.</p> <p>(Least developed, medium developed, or highly developed countries/regions)</p>  <p><b>Informal and formal norms and institutions</b></p> <p>(Social cohesion and economic networks, available natural resources, land ownership structure, political structure and institutions, predominant industries, e.g., agriculture, services, etc.)</p>  <p><b>Level of severity</b></p> <p>Determines depth of impact at each level.</p> <p>Limited: Limited region affected with low level of impact</p> <p>Moderate: Limited region affected with high level of destruction, or a large region with low level of impact</p> <p>Extreme: Large area affected with high level of destruction</p>
Rapid-onset disasters	<ul style="list-style-type: none"> <li>• Loss of assets</li> <li>• Disrupted markets</li> <li>• Trauma</li> </ul>	<ul style="list-style-type: none"> <li>• Infrastructure damaged or devastated</li> </ul>		
Conflict	<ul style="list-style-type: none"> <li>• Loss of assets</li> <li>• Loss of skills due to migration and ineffective education</li> <li>• Instability or loss of networks</li> <li>• Increased operating costs limiting market scope</li> <li>• Trauma</li> </ul>	<ul style="list-style-type: none"> <li>• Infrastructure damaged or devastated</li> <li>• Legitimate networks disrupted; illicit networks strengthened</li> </ul>	<ul style="list-style-type: none"> <li>• Reduced national capacity to enforce laws and provide basic services</li> </ul>	
* Determines impact at each level.				

7. Adapted from Tim Nourse, Tracy Gerstle, Alex Snelgrove, David Rinck, and Mary McVay, "Market Development in Crisis Environments: Emerging Lessons for Achieving Pro-Poor Economic Reconstruction" (Washington, DC: The SEEP Network, 2007).

## Cross-Cutting Issues, Including Working with Vulnerable Groups

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In the development of the *Minimum Economic Recovery Standards*, care has been taken to address several important issues, including children, older and disabled people, gender and the environment. Rather than addressing these issues in a separate section, they are incorporated into the relevant indicators, with an emphasis on the Core and Assessment and Analysis Standards, given that these Standards act as the foundation for all the other standards in the *Minimum Economic Recovery Standards Handbook*. These issues were chosen given their relation to vulnerability and as these were the issues more frequently raised in feedback from users of the Sphere Standards in the field.<sup>8</sup> Specific vulnerabilities include people's ability to cope and survive in a conflict or disaster, and their risk of being exploited during recovery. As with all people, vulnerable people differ in their ability to protect their assets and renew their livelihoods after a disaster.<sup>9</sup> As appropriate to the strategy and intervention undertaken, those most at risk should be identified. The *Minimum Economic Recovery Standards* cannot address all of these cross-cutting issues comprehensively, but it recognizes their importance and provides practical guidance on how to identify the different needs. It also in some sectors, where there is consensus on good minimum practice provides indicators and examples of how these issues can be addressed in humanitarian contexts.

From an economic recovery perspective, effectively addressing economic shocks and promoting early recovery may require targeting of individuals whom may not be considered vulnerable from a humanitarian perspective. For example, assisting a young, healthy man whose job is the sole source of income for his large family, may be the most viable strategy for assisting his family to weather the crisis.<sup>10</sup>

Gender cuts across all the other issues identified here. Humanitarian responses are more effective when they are based upon an understanding of the differ-

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8. This list is not exhaustive, and in certain contexts, people may also become vulnerable by reason of ethnic or cultural origin, religious or political affiliation, or displacement. *Sphere Handbook*, (2011 edition, forthcoming).

9. *Sphere Handbook*, (2011 edition, forthcoming).

10. See Core Standard 5: Well Defined Targeting and Intervention Strategy, for more specific guidance on targeting.



ent needs, vulnerabilities, interests, capacities and coping strategies of men and women and the differing impacts of the crisis upon them. “Understanding these differences, as well as the inequalities in women’s and men’s roles and workloads, access to and control of resources, decision-making power and opportunities for skills development and engagement in markets requires gender analysis. Humanitarian aims or proportionality and impartiality mean that attention must be paid to achieving fairness between women and men and ensuring equality of the outcome.”<sup>11</sup>

“The environment is understood as the physical, chemical and biological surroundings in which disaster-affected and local communities live and develop their livelihoods. It provides the natural resources that sustain individuals, and determines the quality of the surroundings in which they live. It needs protection if these essential functions are to be maintained. The *Minimum Economic Recovery Standards* recognizes that many economic activities risk over-exploitation, pollution and degradation of environmental conditions.”<sup>12</sup> The *Standards* seek to assess these risks and to propose minimal preventive actions that allow for the sustainable economic recovery.

## **How to Use the *Economic Recovery Standards***

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Each of the *Minimum Economic Recovery Standards* spans the program cycle from initial assessment of affected markets, enterprises, and households; through program development and implementation; to impact monitoring and knowledge management. It offers a set of minimum standards, primary actions, chief indicators, and notes for guidance that inform humanitarian action and economic recovery efforts in crisis-affected environments.

Like the *Sphere Handbook* on which it is based, this document is not intended as a step-by-step instruction booklet and therefore does not provide detailed strategies or resources for assessing, designing, and implementing economic recovery programs in the field. For readers who desire detailed direction, there are a number of manuals and toolkits emerging from international organizations that provide practical advice in the field of economic recovery, across a number of crisis environments for different types of interventions. At the end

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11. Inter-agency Standing Committee, *Gender Handbook in Humanitarian Action*, December 2006.

12. *Sphere Handbook*, (2011 edition, forthcoming),

of each of the *Minimum Economic Recovery Standards*, there is a list of resources (appendixes) that offer more information in the specific technical area.

The *Standards* are presented in six categories, but we emphasize that you must read the Core Standards and “Assessments and Analysis Standards before going on to the other four more technical standards. The standards outlined in these two essential sections provide the overarching system within which all the *Minimum Economic Recovery Standards* operate.

### **How to Read the *Minimum Economic Recovery Standards Handbook***

The *Minimum Economic Recovery Standards* articulate the minimum level of technical and other assistance to be provided in promoting the recovery of economies and livelihoods affected by crisis. Each standard is presented as follows:

- “The individual standards are qualitative in nature and specify the minimum levels to be attained.
- “The Key Actions are necessary activities and inputs to be taken in order to meet the minimum standards.
- “The Key Indicators are ‘signals’ that show whether a minimum standard has been attained. They provide a way of measuring and communicating processes and results of key actions
- “The Guidance Notes include specific points to consider when applying the minimum standards, indicators and key actions in different situations. They provide guidance on tackling practical difficulties, benchmarks or advice on priority issues. They may also include critical issues relating to the standards, indicators or actions, and describe dilemmas, controversies or gaps in current knowledge.”\*

\* Sphere Project, (2004 edition), “Minimum Standards Common to All Sectors,” in *Humanitarian Charter and Minimum Standards in Disaster Response: Sphere Handbook*, (Geneva: Sphere Project), 22.

Effective economic recovery programs must be based on a clear understanding of the context. Additionally, in volatile environments, quality programs need mechanisms and resources to monitor changing conditions and adapt their strategies and activities accordingly. The flexibility to provide high-quality analysis and program implementation requires technically sound staff and the willingness and ability to partner with a range of organizations and market actors, both local and international. A culture and system of learning and knowl-

edge sharing, within and among all organizations engaged in the response, is also critically important.

The fundamental Core Standards and Assessment and Analysis Standards provide actions, indicators, and guidance on what is needed to ensure this level of response. The remaining four sets of standards then address specific technical areas regularly used by economic recovery practitioners to promote incomes, employment, and household resource management among affected populations.

## **Six Categories of *Minimum Economic Recovery Standards***

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### **Core Standards for Economic Recovery**

The Core Standards are the entry point for all the other technical standards. They lay out the minimum requirements to ensure quality and accountability, providing the processes and procedures required to observe good practice. Each subsequent set of standards in the *Minimum Economic Recovery Standards Handbook* assumes knowledge and use of this chapter.

The Core Standards here adapt the “common standards” of the *Sphere Handbook* to the context of economic recovery. Also like them, these Core Standards are critically linked to other key accountability initiatives, promoting coherence and reinforcing a shared commitment to accountability<sup>13</sup>. The Core Standards ensure that programs meet the essential responsibilities of economic recovery activities. These minimum standards are critical for interventions supporting opportunities for people to earn an income via employment or operation of a business and to rebuild their lives with dignity.

### **Standards for Assessment and Analysis**

In this second elemental section, the standards center on market systems, household economies, and broader economic constraints and opportunities, the careful assessment of which is a necessity for sustainable economic recovery. Continuous and ongoing analysis of market dynamics and its inter-relationship to a given program is necessary throughout the duration of an intervention. The Assessment and Analysis Standards also address the vital importance of ongoing program monitoring, evaluation, and dissemination of results.

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13. See Introduction section in Core Minimum Standards for all Sectors, *Sphere Handbook* (2011 edition, forthcoming).

### **Standards for Productive Assets**

This section focuses on interventions used to protect, replace, and increase the productive assets lost by households and enterprises during crises, via means that are complementary to other economic recovery strategies used in the medium and longer terms. Productive assets are those used to generate income and profit (as opposed to household items). This section includes standards on asset interventions to revive pre-existing livelihoods, grow and expand new and diversified livelihoods, and protect existing assets.

### **Standards for Financial Services**

This section focuses on interventions used to introduce and/or expand financial services (including credit, savings, remittances, or insurance) to affected enterprises and households, in coordination with complementary interventions, including asset accumulation. Financial services are critical for creating and expanding economic opportunities, mitigating risks, and helping individuals and households meet their economic and social needs. In post-crisis environments, financial services are critical to spurring and supporting economic recovery, reconstruction, and repairing the well-being of individuals and households.

### **Standards for Employment**

This section focuses on interventions that prepare individuals for work or create employment—both short and long term—through humanitarian projects.

### **Standards for Enterprise Development**

This section focuses on promoting economic activities by both individuals and businesses, ranging from self-employment to large commercial operations, whether formal or informal. This can include directly supporting businesses, but more broadly refers to interventions that help an entire market system or value chain function more effectively and in a manner that helps the target beneficiaries.

## **Timeframe of the *Minimum Economic Recovery Standards***

The *Minimum Economic Recovery Standards* are applicable across a range of crisis settings, from early response in emergencies to the transition into early reconstruction and longer-term development. Importantly, these *Standards* are designed to promote strategies and interventions that are cognizant of the

longer term, namely, rebuilding working markets that will endure for years to come, well beyond the recovery phase to a non-emergency phase.

The Key Actions and Key Indicators in this book are not universally applicable to every situation or to every potential user. Where relevant, the Guidance Notes suggest ideal timelines for the implementation of the indicators. However, it will often be necessary for agencies to coordinate with one another and with other recovery organizations to achieve them. In all contexts, program strategies and interventions should not undermine, but support and/or complement, existing local services, markets, and institutions, in order to promote the transition to long-term sustainability.

## **Scope and Limitations**

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Inevitably, there is a tension between the formulation of universal standards and the ability to apply them in practice. Each context is different. In some instances, local conditions may make realization of all standards and indicators unattainable. When this is the case, the gap between the standards and indicators put forth here and the actual result must be described, including the reasons for the difference and what needs to be changed.

The *Minimum Economic Recovery Standards* for the six technical areas do not stand alone; they are interdependent. Frequently, the standards described in one section need to be addressed in conjunction with standards described in others. When appropriate, Guidance Notes cross-reference other relevant standards, actions, indicators, and guidance notes.

The SEEP Network's *Minimum Economic Recovery Standards* and the Sphere Project's *Humanitarian Charter and Minimum Standards in Disaster Response* will not solve all the problems of responses to crisis environments. However, they do offer tools for humanitarian agencies, governments, and local populations to enhance the effectiveness and quality of the economic assistance offered, and thus make a significant difference in the lives of people affected by crisis.

## **History of the Sphere Project and Its Usage**

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The Sphere Project's *Humanitarian Charter and Minimum Standards in Disaster Response*, which was launched in 1997 by a group of humanitarian NGOs and the Red Cross and Red Crescent movements, articulates what people affected

by disasters have a right to expect from humanitarian assistance. The *Humanitarian Charter* (also referred to as *Sphere Handbook*) is an affirmation to “achieve defined levels of service for people affected by calamity or armed conflict, and to promote the observance of fundamental humanitarian principles”;<sup>14</sup> and is backed up by minimum standards for the core sectors of water and sanitation, food security, nutrition and food aid, shelter and site management, and health services.<sup>15</sup> Today the *Sphere Handbook* is largely seen as the standard for humanitarian assistance in these sectors, and many humanitarian agencies, donors, and governments use it to guide their interventions and responses.

The *Sphere Handbook* is a living document, managed by the Sphere Project and the Sphere Board, which consists of 16 international humanitarian agencies. It was developed with the input of thousands of individuals from over 400 organizations representing 80 countries. Its adoption and use is regularly promoted through regional events on a global basis, as well as through other resources to promote understanding of the standards it lays out.

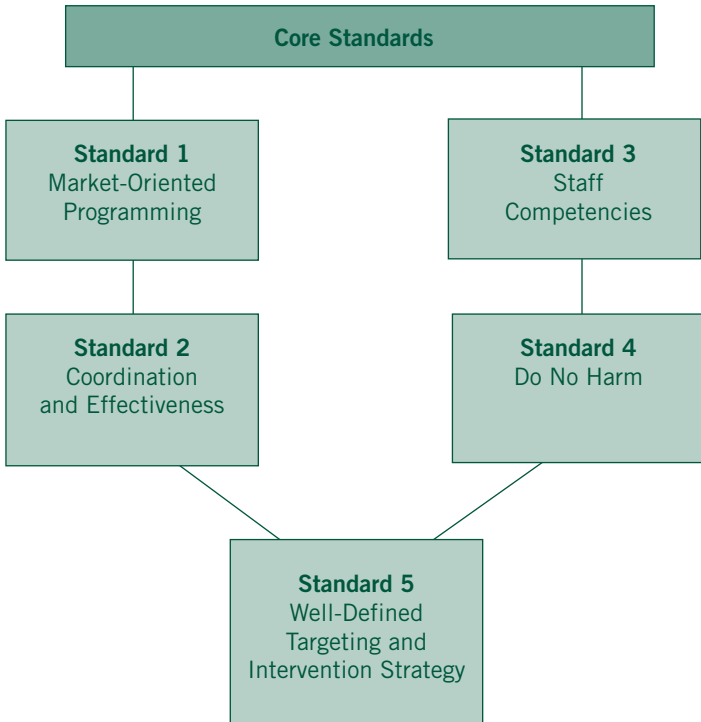
As a complement to the “common standards” presented in the *Sphere Handbook*, current and prospective companion modules have been developed in other areas critical to relief and recovery in crisis environments, such as education and livestock management. This second edition of the SEEP’s *Minimum Economic Recovery Standards* has been developed in coordination with the Sphere Project and will be presented to the Sphere Project for consideration as a companion module. By coordinating the development and format of these standards with the Sphere Project, the authors of these *Minimum Economic Recovery Standards* hope they will be easily accessible to the widest possible community of humanitarian workers and agencies.

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14. *Sphere Handbook* (2004 edition), *Humanitarian Charter*, 16.

15. *Ibid.*







# Core Standards

## Introduction and Importance of the *Core Standards*

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Economic recovery activities are undertaken within economies. There are many definitions of, and viewpoints on, the term “economy.” However, for the purposes of these standards, the most useful definition is the economic system of a country or other geographic area, made up of its labor, capital, natural resources, and its economic actors (people, businesses, and government) that participate in the production, distribution, and consumption of goods and services for trade. An economy includes externalities, in other words, those effects not directly linked to production and consumption, which affect actors not involved in these functions (e.g., pollution).

Within any economy, there are many market systems at work. Market systems function at one or more levels—local, national, regional, and global. Markets are a physical and/or virtual space, where people and businesses buy and sell goods and services. Market systems can be formal and informal, and often are a mixture of both, where individuals, households, and small, medium, and large firms participate. Market systems link together all these actors in an interconnected chain, with governance and power dynamics determining the gains or losses of the different economic actors.

Markets are inevitably affected by crisis, although not always in predictable ways. Crises can disrupt the functioning of specific activities and relationships within a market or cause markets to fail completely. Warning signs of market disruption are rapid increases in prices, lack of basic commodities, less available cash, and increased business failures. Markets and businesses can be negatively affected by conflict through a lack of security, damage to infrastructure, and increased social and power inequities. As a result, individuals, households and firms may be forced to engage in actions that undermine their well-being and future viability. For households, this may include eating less, reduced spending on medical care and other essentials, and sale of productive assets, such as livestock. Businesses may be forced to delay maintenance and investments, sell off equipment, and lay off workers. It is important to remember that some markets grow during and after a crisis, and some even thrive in this situation. (For more

information on assessing the causes, symptoms, and potential interventions to market disruptions, see Assessment and Analysis Standards.)

The Core Standards here emulate the common standards in the *Sphere Handbook*, adapted for an economic recovery context. The *Sphere Handbook's* common standards are intricately linked to other key accountability initiatives to promote coherence and reinforce a shared commitment to accountability<sup>16</sup>. They include the Humanitarian Accountability Partnership (HAP) 2010 Standard in Accountability and Quality Management, People in Aid, the Emergency Capacity Building Project, Groupe URD's Quality Compass, and the Active Learning Network for Accountability and Performance in Humanitarian Action (ALNAP).

The Core Standards outlined in this chapter are meant to ensure that programs meet the essential responsibilities of economic recovery activities and that interventions support opportunities for people to earn an income via wage employment or to work on their own account and rebuild their lives on their own terms.

## **Core Standard 1: Market-Oriented Programming**

Program design and implementation decisions consider economic and market dynamics.

### **Key Actions**

- Conduct and/or identify market analyses to develop projects and interventions.
- Evaluate the potential effectiveness of different types of interventions at various levels of a market, and with a variety of stakeholders.
- Establish monitoring systems to collect and analyze information on the market and the impact of the program to feed into project learning for ongoing improvements.

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16. See Introduction section in Core Minimum Standards for all Sectors, *Sphere Handbook* (2011 edition, forthcoming).

- Communicate with staff, partners, and community members the intent of economic activities and who they are able to serve. Not everyone affected by crisis can benefit from economic recovery programs: some beneficiaries simply need humanitarian assistance.

### Key Indicators

- Interventions invest only in activities that target viable markets (see Guidance Note 1).
- Interventions do not negatively distort markets (see Guidance Note 2).
- Interventions evaluate activities at various levels of individual markets. Staff should discuss the rationale for the chosen intervention (see Guidance Note 3).
- Interventions have a monitoring system in place to enable regular and ongoing monitoring of changes. Programs are regularly adjusted based on changing market conditions (see Guidance Note 4).
- Interventions focus on economically viable activities (see Guidance Note 5).

### Guidance Notes

- 1. Viable Markets:** Understanding the markets in which enterprises and households operate is essential to choosing the appropriate program activities. Economic recovery programs should target enterprises and households operating in markets that are growing, stable, or have unmet demand in order to provide opportunities for employment and/or increased income to sustain livelihoods. Shrinking or non-competitive markets are ultimately not viable. Assistance that allows people to stay in these markets will undermine their livelihoods in the long run. Additionally, these markets will have fewer incentives (signals) that encourage farmers or business owners to invest, adopt new technologies, or benefit from program activities. This limits program effectiveness and reduces the ultimate goal of providing viable livelihood opportunities in communities affected by crisis.

**Example of Poor Programming:** An agency conducts a livelihoods assessment and finds that many people are interested in raising livestock as an economic activity. The program provides beneficiaries with cattle, sheep, and goats with the plan that the beneficiaries will sell the animals' offspring as a way to earn income. However, the agency did not conduct a market assessment and so did not realize that most households did not have the resources to care for the animals, such as access to reliable feed sources and veterinary services. As a result, many households found it more expedient to sell the animals immediately, without gaining any value from them by fattening them or collecting milk. Other households lost their animals to disease.

- 2. Market Distortion:** Despite the best intentions, many emergency or development interventions can create market distortions. Market distortions include any unintended consequence that negatively affects a market system, ranging from extreme price fluctuations to the physical destruction of a market. It is the responsibility of those intervening in crisis situations to ensure that their interventions do not replace local products and actors or otherwise create harmful distortions. Interventions that create positive effects beyond their intended targets are of course encouraged; however, caution should be taken with any activities that have the potential to distort markets, whether in the immediate or long-term. Interventions that include local procurement and support local businesses, distribution, subsidies, and vouchers can be designed to mitigate the risk of market distortion.

One particular market distortion warranting special attention is corruption. While corruption exists in many markets, not just post-crisis markets, it is important that programs are aware of it and take proactive measures against it, rather than reinforce or allow it to flourish. This can help reduce potential conflict.

**Example of Poor Programming:** After the Indian Ocean tsunami, many organizations promoted cash-for-work programs in an effort to inject cash into the economies and help households meet basic livelihood needs. Unintentionally, many of the cash-for-work programs provided daily wage rates that were much higher than those earned by local farmers via their normal farm activities or by other small-scale producers. Many households stopped farming or other small-scale production in order to benefit from short-term cash-for-work programs. Needless to say, this created a negative impact on the availability of local food and other locally produced items and potentially had a longer-range harmful impact on agricultural production. A more thorough market and social analysis could have assisted in better targeting of potential workers, by recommending daily labor rates that did not provide disincentives to continue local production, thus preventing such negative outcomes.

- 3. Market Systems:** People and businesses in market systems are interdependent. Therefore, economic recovery should consider comprehensive interventions at multiple points across a market, from input suppliers, to producers, to end-markets, to policy makers. Programs that work at only one level and do not recognize these interconnections risk missing opportunities and may create market distortions. Interventions may require a wide range of activities, from new financial services, to improved technology, to creating links to other market actors in order to have the greatest impact.

**Example of Standard-Responsive Programming:** Residents of camps for internally displaced people in northern Uganda have prior experience in cotton production, but no longer have the resources to begin to grow cotton again. Dunavant, the regional cotton processor, has a supply gap of raw cotton and seeks suppliers. Rather than supporting these displaced people directly by distributing cotton seeds, the recovery organizations work with Dunavant to resolve significant barriers facing cotton production in the camps, such as collection of cotton within the safety of the camp and access to equipment to clear and plow land. By working with both the beneficiaries and the private firm that will buy their produce, the project is able to create long-term livelihood opportunities for many of these displaced people, which seed distribution alone would not achieve.

*Source:* Joan Parker, 2008, "A Synthesis of Practical Lessons from Value Chain Projects in Conflict-Affected Environments," AMAP microREPORT, no. 105 (Washington, DC: USAID).

- 4. Responding to Market Conditions:** Markets are dynamic, particularly in crisis environments, requiring ongoing monitoring of the market system and the targeted enterprises or households to identify emerging opportu-

nities or constraints. Regular monitoring will help interventions determine how best to adjust investments for the greatest impact. Effective strategies can range from tracking changes in the availability of services and input supplies that are critical to small farmers, to local price monitoring and meetings with regional wholesalers, to more complicated tracking of regional and international commodity prices and trends (See Assessment and Analysis Standard 1).

**Example of Standard-Responsive Programming:** Cardno Emerging Markets USA, Ltd. (Formerly Emerging Markets Group) originally decided to promote entrance into the fishing industry among young women in Kenya and began market assessment in preparation for the program implementation. However, during the assessment phase, Cardno found that involving women in the fish sector made them more vulnerable to gender-based violence and harassment. Cardno changed its strategy and instead decided to promote alternative industries.

Source: Beatrice Kinyanjui, Cardno Emerging Markets USA, Ltd.

- 5. Focus on Economically Viable Activities:** Economic recovery activities should target those activities that have market potential beyond the assistance period. Often this means that the economic activity must be undertaken by groups or individuals that are capable of sustaining and expanding the activity into the future. Should vulnerable groups lack the ability to sustain an activity, they are best served by alternative forms of assistance, including cash transfers and other social safety-net interventions.

**Example of Poor Programming:** After the war in Bosnia and Herzegovina, many organizations distributed cows from Switzerland, which were twice as expensive but produced significantly more milk per cow than regionally sourced cows. Within a year, yields per cow dropped dramatically to the equivalent of local cows. After some investigation, it became evident that limited knowledge of the proper care of these animals and a lack of trained veterinarians were at the root of the problem.

Source: Mayada El-Zoghbi, contributor to *Minimum Economic Recovery Standards*

## Core Standard 2: Coordination and Effectiveness

Economic recovery is planned and implemented in coordination with the relevant authorities, humanitarian agencies, and civil society organizations, working together for maximum efficiency, coverage, and effectiveness—in partnership with the private sector for greater leverage and impact.<sup>17</sup>

### Key Actions

- Opt for participating in relevant sectoral coordination mechanisms from the outset (see Guidance Note 1), rather than creating new ones.
- Be informed of the responsibilities, objectives, and coordination role of government authorities and other relevant coordination groups, where present (see Guidance Note 2).
- Provide information about the agency's mandate, objectives, and economic recovery programs to the relevant coordination bodies and local stakeholders (see Guidance Note 3).
- Provide information about program objectives and progress on a regular basis, to enable coordination leaders to establish a clear division of labor and responsibility, gauge the extent to which economic recovery needs are being collectively met, and reduce duplication or gaps in coverage or quality.
- Collaborate with other implementing agencies to strengthen advocacy on critical concerns.
- Clarify agency practice regarding coordination and partnerships with the private sector and other actors in the response (see Guidance Note 4).
- Use coordination mechanisms to undertake joint assessments, disseminate findings and other relevant information, and/or formulate intervention strategies and programs.

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17. See *Sphere Handbook* (2011 edition, forthcoming) Core Standard 2: Co-ordination and Collaboration for more information.

- Use coordination mechanisms to assess the value of transfers to ensure local markets are not distorted while meeting the needs of beneficiaries.

### Key Indicators

- There is no duplication of Interventions and programs among agencies in the same geographical or sectoral areas (see Guidance Note 1).
- Programs regularly exchange assessment reports and information with donors, implementing agencies, beneficiaries, other humanitarian actors, and the private sector (see Guidance Notes 2, 3, and 4).<sup>18</sup>
- Commitments made at coordination meetings are acted upon and reported in a timely manner.
- Organizations, programs, and projects that either cannot address identified needs or are unable to meet the *Standards* make known gaps related to broader economic recovery needs, so that others may assist (see Guidance Note 5).
- The response strategy reflects the capacity and strategies of other humanitarian agencies, civil society organizations, and relevant authorities.
- Asset transfers and distributions are coordinated for parity among recovery interventions and aligned with the local economy (see Guidance Note 6).

### Guidance Notes

- 1. Coordination Mechanisms:** Uncoordinated responses lead to duplication, inefficiency, and potential conflicts in project strategies and interventions. This is particularly critical in economic recovery programs where different organizations' strategies and interventions may undermine each other if they do not coordinate. An example of this is where agencies in the same geographical area or location provide grants and loans to the same target group for the same purposes, but at different rates and conditions. Lack of coordination may burden disaster-affected people and subject them to the same information demands from a series of assessment teams. Collaboration optimizes resources: a coordinated effort by communities, host

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18. See Assessments and Analysis Standards for more information.



governments, donors, and humanitarian agencies with different mandates and expertise can maximize coverage and quality. Participating in timely interagency assessments and learning initiatives, and where possible sharing resources, equipment, information, and planning enhances the effectiveness, predictability, and accountability of responses.

- 2. Coordination Roles:** It is the primary role and responsibility of the affected state to respond to and coordinate the humanitarian responses from assisting organizations. Humanitarian agencies have an essential role to play by supporting them and respecting their coordination function. However, in some contexts, government authorities (and some civil society groups) may themselves be responsible for abuse and violations or their assistance may not be impartial. In this context, a response coordinated with belligerent parties may be inappropriate. Where the state is willing, but lacks capacity, humanitarian agencies should assist them in fulfilling their responsibilities. In these contexts, sharing information across all sectors, as rapidly as possible, will enable agencies to respond to the needs of the affected population more quickly and effectively. Common forums for international NGOs to share such information include the UN-led groups, such as the Office for the Coordination of Humanitarian Affairs (OCHA) and Humanitarian Information Center (HIC), and cluster meetings for UN-declared emergencies. Coordination mechanisms might include monthly or quarterly meetings, an email listserv, or an NGO forum.
- 3. Sharing Information with Those Affected by the Crisis:** Tensions can be high in crisis and post-crisis situations. Efforts must be made to effectively and openly communicate with all stakeholders. This can be done through transparent mechanisms, such as community meetings or local committees. Information about programs, decisions, and participation opportunities and criteria should be shared with all those affected by the crisis. Sharing information helps reduce misunderstandings, particularly when the program provides resources to only one group or provides a service that is new to the community. It builds local support for the program implementation.

**Example of Standard-Responsive Programming:** A financial services program operates in a conservative region of Afghanistan where religious leaders are wary of usurious practices. The program wants to price its loan products using standard interest rates on all of its lending and savings products. In this conservative location, interest is equated with usury, which is not condoned by religious leaders. Program coordinators meet with local government and religious leaders to discuss the intent of the program and obtain a *fatwa*, or religious edict, that enables the program to proceed without being perceived as usurious and undermining religious practices in the community.

- 4. Disclosure of Practice with the Private Sector:** Organizations working with the private sector should articulate their policies clearly to beneficiaries and other stakeholders. The needs of those affected by crisis are significant and stakeholders may not understand or perceive how partnerships with the private sector can address livelihood needs of those most affected by the crisis. Transparency and disclosure on why organizations partner with the private sector and other local actors, including their commitments and potential gains, will reduce misconceptions of different partners' roles in the program.
- 5. Making Gaps Known:** When economic recovery gaps are identified and shared with other responding agencies, those with the required technical specialty or excess capacity can potentially step into that gap. Timely information sharing about project locations, involvement of local partners, and emerging needs should be promptly communicated to the appropriate coordination bodies.

**Example of Standard-Responsive Programming:** A humanitarian relief agency notices a high demand for credit and savings among its target population, but the agency does not have the technical capacity to provide these services. Instead, it lets other agencies in the area know of these needs, and an organization specializing in financial services is able to meet the demand.

- 6. Pricing, Wage Setting and Valuation of Transfers:** For interventions, where assets are given to beneficiaries and targeted groups (such as cash-for-work, distribution of equipment, cash grants, vouchers, etc.), the value of the distribution should be based upon an analysis of the current market prices and household needs. These values should be coordinated among

donors and implementing agencies, so that there are no distortions in terms of the prices or crowding out of existing private sector providers. Equitable principles should be followed in setting wages. Setting cash-for-work wages must also take into consideration the local labor market in order to avoid the exacerbation of economic disparities and their social consequences, and to prevent “poaching” or luring away workers from lower-paying, but more sustainable work.

**Example of Standards-Responsive Programming:** In post-earthquake Haiti, many organizations designed cash-for-work programs. Rather than each establishing a labor rate independently, the agencies worked together to establish a local daily labor rate that would not entice workers away from their regular employment (salaried work or self-employment activity), while still meeting the basic livelihood needs of those most affected by the crisis and in immediate need of cash assistance. This was then adjusted as needed for areas with different prevailing labor rates.

### Core Standard 3: Staff Competencies

Programs are staffed by individuals well versed in economic recovery principles and/or who have access to technical assistance. Programs include capacity building components to improve the skills of field staff.<sup>19</sup>

#### Key Actions

- Develop human resource systems that enable the organization to access competent talent with relevant experience for economic recovery responses.
- Invest in systems and processes, such as an online platform to share knowledge or annual face-to-face knowledge-sharing retreats that allow field staff to learn and exchange information, so that lessons from one crisis environment can be learned by others in the organization.
- Budget resources for staff training and professional development.

19. See *Sphere Handbook* (2011 edition, forthcoming), “Core Standard 6: Aid Worker Performance,” for more information.

- Develop staff assessment and management systems that promote accountability for results among staff.

### Key Indicators

- Staff working on economic recovery programs has the relevant technical qualifications; knowledge of local economic activities, cultures and customs, and conflict dynamics; and/or previous economic recovery experience (see Guidance Note 1).
- Technical and managerial staff is provided with the necessary training, resources, and logistical support to fulfill their responsibilities (see Guidance Note 2).
- Managers are accountable for achieving program objectives and adhering to the *Sphere Handbook* guidelines and their agency's economic recovery guidelines.

### Guidance Notes

- 1. Relevant Technical Skills:** Program managers of economic recovery programs should have prior experience in designing and implementing market-driven economic recovery programs in rural or urban settings. Technical expertise should be augmented with relevant short-term support, when expertise cannot be found locally. In conflict settings, staff members should have prior experience analyzing and managing efforts that seek to mitigate and manage conflict. If this experience is not available among the long-term staff, then a conflict specialist should be brought in at critical points in the program, especially during assessment and program design, and for periodic monitoring. National staff should be recruited wherever local capacities exist. Ideally, national staff should participate in market studies, program design, and monitoring and evaluation of project activities.
- 2. Staff Training and Capacity Building:** Staff should receive basic training in the methods employed by the economic recovery program, as well as general introductory training in the targeted sectors. Opportunities for on-the-job training, mentoring and attendance in higher-level economic development workshops should be made available to program staff to build their program development and management skill sets. Often, national staff will be transitioning from distribution or relief projects. Specialized training

should reinforce the importance of sustainability, the development of an appropriate exit strategy, fee for service payments, and other good economic recovery practices.

## Core Standard 4: Do No Harm

The operations, products, and waste of economic recovery interventions address or minimize potential harm and do not exacerbate economic disparity.<sup>20</sup>

### Key Actions

- Conduct a risk analysis in terms of potential harms, including women's potentially heightened risks due to their participation in economic recovery interventions, noting how identified risks will be addressed and/or mitigated.
- Put in place systems to minimize corruption, such as strong internal controls, to reduce the potential for staff corruption; and transparency systems to reduce the potential for corruption with partners and government.

### Key Indicators

- Programs apply a "do no harm" lens to selected market chains and enterprises to determine the wider social and environmental impacts of intervention (see Guidance Notes 1 and 2).
- Interventions do not fuel divisions within the targeted communities and contribute to bring people together and alleviate tensions.
- Programs have a system in place to ensure that no exploitative activities (such as corruption) are undertaken by staff, selected partners, and targeted enterprises (see Guidance Note 3).
- When possible, programs seek to identify solutions and contribute the means to assist people to become less vulnerable to future disasters by mitigating or diminishing risks (see Guidance Note 4).

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20. See *Sphere Handbook* (2011 edition, forthcoming), Core Standard 1: People-Centred Response and Protection Principles for more information.

## Guidance Notes

1. **“Do No Harm” Lens:** Assistance via market intervention may have an impact on the power dynamics in the affected society and potentially damage fragile relationships between discrete groups, including those between men and women. A market assessment should consider this dynamic to determine how program activities can, at best, reduce the risk and at least not increase it. In mapping market relationships and power dynamics, all actors (input suppliers, producers, processors, traders, wholesalers, retailers) should be included. Information should be gathered about the social networks in which they function and their traditional roles. Examples of questions to ask are “who are the traders,” “who traditionally lends the money,” “who sells retail in the market place,” “how are prices determined,” and “who runs the wholesale shops.” As understanding grows, the power dynamics will be revealed, as well as which groups (men, women, ethnic, religious, caste, or tribal groups) traditionally or predominantly fill specific roles in the market system. Sometimes when a program wants to assist a marginalized population, it can actually put market actors (or groups) at risk, if the social order is disrupted without the community’s input. The market assessment is an opportunity to understand what social networks exist, who is excluded or included, and why. With this information, interventions can be designed to support solutions that are acceptable within market and social networks—while pushing for more equitable and transparent relationships—and that leverage existing relationships and links.

**Example of Standard-Responsive Programming:** In a post-disaster, rural area, an agency identifies the need for financial services for poor farmers. Before the disaster, the farmers could only access money from money lenders of a particular ethnic group, which had more power in the area. The agency selects and trains leaders from among the poor farmers to be loan officers. The former lenders, now displaced from their livelihood, begin to sabotage the crops of the poor farmers, so that they cannot repay their loans. A good market analysis would identify which groups are the producers, traders, and lenders. The traditional lenders could be offered formal employment as loan officers so they could continue their role in the market system.

2. **Conflict Sensitivity:** Decisions must be based on an accurate and up-to-date conflict analysis which comprehensively considers the root causes of the conflict, the profiles of conflict-affected groups, and the dynamics

among stakeholders directly or indirectly involved in the conflict. Because conflict settings are volatile, the situation and its trends must be regularly monitored. Consequent actions must not fuel tensions and divisions; instead, they must develop and protect the society “connectors” from being undermined. Conflict sensitivity deals with being aware of the impact of the activities and the implementation processes in terms of raising or alleviating tensions among groups.<sup>21</sup> In order to do so, the voices of the most vulnerable and the marginalized must be heard; decision making and program design should be as participatory, inclusive, and transparent as possible; excessive emphasis on certain groups should be avoided, while assistance should be progressively extended to the community as a whole; psychological trauma must be addressed to facilitate reconciliation and eradicate resentment; institutional mechanisms for timely and equitable access to land and other assets must be established as early as possible; and the impact of interventions at the regional and sub-regional levels must be considered.<sup>22</sup>

- 3. Minimize and Mitigate Negative Impacts on the Environment:** Market development and post-crisis support of economic activity have the potential to put excessive demands on the environment, impeding economic development and growth, and potentially causing future food insecurity and other disaster risks. Livelihood and income generation activities often require natural resources as inputs, for example, water for farming or reeds for baskets. The steps in processing the products need to be analyzed to determine if any chemicals are required (another input) and what harm their use and disposal might cause the environment. In addition, decision-makers and program designers must carefully consider the role of natural resource management in contributing to peace building or, on the contrary, to fueling tensions and conflicts. Certain segments of the economy may be much more sensitive than others. The choice of interventions should be based upon the results of analyses of potential negative environmental impacts and the interventions should include methods for eliminating and/or minimizing negative impacts.

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21. ILO, 2010, “Local Economic Recovery in Post-Conflict: Guidelines” (Geneva: ILO), [http://www.ilo.org/wcmsp5/groups/public/---ed\\_emp/documents/instructionalmaterial/wcms\\_141270.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/instructionalmaterial/wcms_141270.pdf).

22. UN, 2009, “United Nations Policy for Post-conflict Employment Creation, Income Generation, and Reintegration” (Geneva: ILO and UNDP).

**Example of Standard-Responsive Practice:** An agency identifies the unmet demand for silk thread in a post-disaster context. The input for silk thread is cocoons. Fuel is needed for fires to boil the cocoons to extract the silk filaments, which are spun into thread. The extra demand for firewood begins to create shortages for the silk worm industry and local households. As part of the intervention, wood collectors and sellers are introduced to conservation methods and to replanting the scrub that was used for firewood. The agency commits resources to research alternative fuels, so that growth in the silk thread industry will not be impeded by lack of fuel to boil the tons of cocoons produced.

*Source: Sarah Ward, contributor to Minimum Economic Recovery Standards.*

- 4. Assess the Exploitative Potential of Individuals:** After a crisis, whether natural or man-made, there is often a gap in the governance that provides order in the society. It is very easy for illicit activities, including the worst forms of child labor, human trafficking, and sexual exploitation of women, to emerge without any consequences. Agencies need to be vigilant in selecting private sector partners and to comply with labor codes. Curbing illicit activities requires engagement with local communities and partnerships with non-economic programs, local government agencies, and multi-lateral donor agencies (see Employment Creation Standards).

**Example of Standard-Responsive Programming:** An agency identifies a market opportunity for hand-knotted rugs in a post-crisis region. The project requires sources of natural dye, thread, weaving, trading, and exporting. Rug-producing households see an earning potential and remove their children from school to produce the rugs. The agency recognizes the problem at the outset and partners with local government, local schools, and some international donors, which provide food vouchers for children who attend school. This gives the families an incentive to keep their children in school. The food vouchers reduce their household expenditures, which enables families to hire outside laborers to assist in the rug production.

*Source: Rob Henning, contributor to Minimum Economic Recovery Standards.*

- 5. Disaster Risk Reduction:** In areas prone to frequent or recurrent crises, helping people develop resilient livelihood strategies can lessen the damage they suffer from a future shock. This might include various activities, for example:



- ensuring that assets and interventions provided will withstand future shocks;
- providing training on income diversification, so that households can rely on other sources of income if a future crisis harms one source;
- conducting market assessments of key goods, natural capital and services in a crisis-prone area;
- setting up time-saving mechanisms to deliver economic recovery interventions;
- establishing and/or reinforcing formal and informal safety nets;
- implementing initiatives that protect eco-systems; or
- carrying out projects, such as cash-for-work, that rebuild or protect community assets.

Disaster risk reduction and the environment are linked. In many cases, the root cause of disaster risk is a degraded environment. The use of environmental management to reduce disaster impact is often less costly, more effective, and more socially sustainable than more traditional structural measures. When structural disaster risk-reduction activities are used, however, it is critical that they address environmental sustainability, so that future risk is not increased and neighboring communities are not adversely affected. It is critical that economic recovery interventions take into account people's likely methods of coping with a future shock. Risk reduction must not be placed above economic viability as a criterion for program selection.

**Examples of Standard-Responsive Programming:**

a) After massive internal displacement in Pakistan in 2009, a system was set up to provide cash grants safely and securely via debit cards. For the 2010 flooding in Pakistan, agencies could make use of and expand that same system, saving time and effort.

Source: Visa *currencyofprogress.com*, "Pakistan," <http://www.currencyofprogress.com/#/Pakistan>.

b) In Haiti in 2008, the market system for beans was assessed because this was both a key staple commodity and source of income for many Haitians. When the 2010 earthquake occurred, the 2008 assessment saved responders valuable time and effort in understanding the baseline market system.

Source: Karri Goeldner Byrne and Laura Meissner, *Minimum Economic Recovery Standards* contributors and EMMA analysts

**Core Standard 5: Well-Defined Targeting and Intervention Strategy**

Selection of the best intervention point is based on sound client and market analysis, and an understanding of the desired economic outcomes. These outcomes may be achieved through a variety of intervention points and partnerships, not only through direct intervention.

**Key Actions**

- Evaluate direct and indirect intervention strategies to determine the most effective strategies.
- Evaluate the risks of different intervention strategies.
- Conduct a market assessment to learn which points in the market system may be most in need of support, and which may have the greatest impact on the target population and the intended outcomes (see Assessment and Analysis Standards).

## Key Indicators

- Program design process evaluates direct and indirect intervention strategies, as required to achieve desired outcomes (see Guidance Note 1).
- Market assessment and analysis have identified possible impacts and risks associated with different intervention points for any given group (see Guidance Note 2).
- Program targeting and selection strategies include adequate risk mitigation and careful consideration of sociocultural and micropolitical factors (see Guidance Note 3).
- All programs clearly demonstrate and justify the linkage between the proposed intervention and the desired benefits for the target populations (see Guidance Note 4).
- Monitoring tools are developed to track the impact on the selected population.<sup>23</sup>

## Guidance Notes

- 1. Direct and Indirect Strategies:** A good assessment of the impact of the crisis on poverty levels of the targeted population, the specific enterprises they work in, and the economies in which they are based will set the context for identifying the most appropriate means to achieve the desired impact on the intended beneficiaries. In some cases, the intended beneficiaries have more to gain through indirect interventions than from direct engagement. In other cases, a direct intervention may be a more appropriate strategy. Organizations must analyze the context and judge each situation based on the expected outcomes. The intervention strategy decision will be based on the direct benefits to beneficiaries as well as the potential for scale and sustainability.

Direct assistance can be the best strategy if the constraints identified are clearly at the household level, rather than related to broader access to finance and market issues. For example, if the intended beneficiaries have

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23. See Assessments and Analysis Standards and their Guidance Notes for more information.

the capacity and desire to learn new marketable skills, direct assistance to the households may be one means of addressing this constraint.<sup>24</sup>

Indirect interventions may be more effective if the support required is long-term and cannot be addressed by a one-off activity. For example, if the intended beneficiaries have home-based activities that have the potential to grow, but lack financing for growth, partnering with a financial services provider may be the most effective means to expand access to finance for the intended beneficiaries. Similarly, should the constraint to their business growth revolve around market access issues, solutions, such as working with an association or wholesalers to establish marketing channels for their products, may be the most effective intervention.

A combination of approaches may also be required. In some circumstances, support to the intended beneficiaries or partnerships may be insufficient to achieve the desired impact. Thus, complementing direct assistance with supporting interventions may more likely result in the desired outcomes.

**Example of Standard-Responsive Practice:** Women in a fishing industry in a flood-affected area were seeking to re-establish their business drying fish for local and regional consumption. Prior to the disaster, they dried fish on tarps on the ground, which resulted in contamination and a high moisture content, which limited them to selling their dried fish in low-value markets. A local fish-processing firm was interested in sourcing dried fish locally and had staff with experience in low-cost, effective techniques that could increase the value of the fish. However, the firm did not see the women as valuable business partners. Direct assistance was provided to the women in business planning and group formation, which enabled them to link up with the firm and access its technology. At the same time, assistance was provided to a local bank to develop loan products for small-scale fishing operations (men and women), which gave them access to working capital to scale up their businesses.

*Source:* Ingrid Ardjosoediro and David Neven, 2008, "Growth, Finance and the Triple Bottom Line in Kenya's Fisheries Value Chain," AMAP microNOTE, no. 50 (Washington, DC: USAID).

- 2. Market Assessment:** Understanding where to place an intervention must go beyond identifying the needs of the intended beneficiaries. Assessment tools should look at the households, the economic contexts in which they

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24. See Employment Creation Standards for more information.

engage, and the various market dynamics that affect the value chains in which they work.<sup>25</sup> Such assessments help identify the kinds of impacts that may be feasible with any given intervention, as well as helping to clarify the potential risks that can occur as a result of an intervention.<sup>26</sup> Economic activity creates environmental consequences. These must be understood and mitigated when possible.

**Example of Standard-Responsive Practice:** Producing charcoal is an important “fallback” livelihood strategy in many places, which leads to deforestation and pollution. However, simply discouraging the activity on environmental grounds does not address the real economic need of families for the income this provides. Both the economic benefit and the environmental damage need to be weighed and balanced, with alternative solutions developed when possible.

*Source:* Jesse. C. Ribot , Center for Population and Development Studies , Harvard University , Theorizing Access: Forest profits along Senegal’s charcoal commodity chain, 1997, [http://pdf.wri.org/ref/ribot\\_98\\_theorizing.pdf](http://pdf.wri.org/ref/ribot_98_theorizing.pdf).

- 3. Risk Analysis Considers Stakeholders:** Local context and culture play a significant role in defining how different people interact in the market, based on their gender, religion, ethnicity, age, social status, and a host of other defining characteristics. Power structures within families and societies create various opportunities and restrictions on an individual’s access and opportunities within the market. The impact of these structures must be understood, and the project must respond accordingly by taking assigned roles into account and promoting access and opportunities for all by seeking or reinforcing incremental change.

**Example of Standard-Responsive Practice:** In many countries, women represent the poorest segments of society. As such, many organizations have intervention strategies that reach women directly. However, within some cultures, women’s roles are clearly demarcated and changes to their roles are considered a threat to the society at large. Providing women access to loans to expand their businesses, for example, may be perceived as a threat by their husbands as a shift in the power dynamics in the household. In such circumstances, organizations may choose to work with village elders, husbands, or fathers—all those who are at risk of losing power—to obtain their buy-in and to demonstrate overall societal and household gains in order to secure acceptance. Deciding to serve both female and male clients may be another means of addressing this potential risk.

- 4. Demonstration of Impact:** All interventions, whether direct or indirect, should articulate how the target population will be affected and note the key assumptions. This may be particularly important with indirect intervention strategies to ensure that the assistance provides benefits to the intended beneficiaries (see Assessments and Analysis Standards).

**Example of Standard-Responsive Practice:** A program aims to support isolated embroidery producers in rural areas by providing market assistance to create and train sales agents in the regional capital. The sales agents learn how to train and manage producers, and about designs and materials in demand. They are then linked to buyers in urban areas. The program lays out its key assumptions: that the sales agents will provide information about in-demand designs and materials to the producers and will be a vital link to buyers for producers who otherwise do not have access to urban areas. The producers in turn will produce higher quality items and thus command a higher price. In response, their incomes will rise. The sales agents will be motivated to sustain this service because they too earn more income from their commissions on sales. The program includes a pre-, during-, and post-project monitoring system to determine how many producers are reached, if incomes are rising, and if the system is viable and will continue to expand upon the completion of the project.

*Source:* Adapted from Alexandra O. Miehlebradt and Mary McVay, 2006, "Example 29, Stimulating Market Systems that Rely on and Support Small-Scale, Informal Intermediaries: MEDA and ECDI, Pakistan," in *Implementing Sustainable Private Sector Development, The 2006 BDS Reader*, ed. Jim Tanburn (Geneva: ILO), 46.

## Appendix to the Core Standards

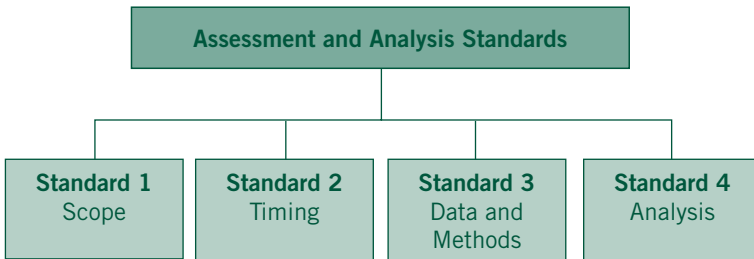
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# Assessments and Analysis Standards

Assessment and analysis of market systems, household economies, and broader economic constraints and opportunities are a precondition to the implementation of economic recovery programming. Continuous and ongoing analysis of market dynamics is necessary throughout the life of an intervention to ensure ongoing relevance and to identify opportunities for scale and potential threats to sustainability. The Assessment and Analysis Standards address the vital importance of ongoing program monitoring, evaluation, and dissemination of results. Each subsequent set of standards in the *Economic Recovery Standards* assumes use and comprehension of this chapter.

In this section, “assessment” refers generally to research (both in-person and secondary) conducted before (and periodically during) an economic recovery intervention on market, beneficiary, and surrounding conditions. “Evaluation” generally refers to post-intervention determinations of the program’s performance and effects.

## Assessments and Analysis Standard 1: Scope

Coordinated assessments synthesize critical information, including information about affected households’ livelihoods, market systems, socio-political and conflict dynamics, and considerations, such as gender, youth, and the environment.

### Key Actions

- Develop an assessment plan prior to beginning an assessment, based on identified gaps in knowledge needed for effective decisionmaking and resource allocation.
- Make use of existing assessments and other secondary data sources prior to undertaking an assessment that may duplicate and be wasteful of time and resources.

- Coordinate among agencies and organizations in assessing specific sectors, technical areas, and communities to make the best use of resources and areas of expertise (see Guidance Note 1).
- Define the scope of information requirements based on the consideration that assessments are instruments for decision making and are not self-purposed.
- Design assessments that consider how affected markets, households, and enterprises operated prior to the crisis; how markets were impacted by the crisis; and how markets respond on an ongoing basis following the crisis.
- Place economic recovery strategies within a wider context of market systems, economic trends, political and socio-economic institutions, and enabling environments.

### Key Indicators

- A clear assessment scope of work is developed prior to initiation, informed by relevant factors (see Guidance Note 2).
- Existing data sources are consulted to assess the availability of desired information.
- Assessments provide a picture of how affected households, enterprises, and market systems operated prior to the crisis; how they were impacted by the crisis; and how they cope now.
- Assessments use a systemic approach. They place economic recovery strategies within a wider context of market systems, economic trends, and political and socio-economic institutions (see Guidance Note 2).
- Assessments are sensitive to ethnic, gender, and wealth differences within populations. They measure the differences in economic opportunities between these groups and identify important existing or potential causes of conflict or marginalization.

### Guidance Notes

- 1. Coordination in Assessments:** Very often, multiple agencies may be able to use the same information. Coordination can help agencies either work

together on areas of mutual interest or focus their assessment efforts on sectors or geographical areas not covered by other agencies. Using tools, such as standardized interview forms or report templates, can facilitate joint analysis across agencies or within a cluster.

**Example of Standard-Responsive Practice:** After the 2010 earthquake in Haiti, there was a great need to conduct assessments of key goods and services, but staff limitations prevented any one agency from dedicating the time needed to do this. In response, 11 agencies, including the International Rescue Committee, ACDI/VOCA, Action Contre la Faim, American Red Cross, British Red Cross/IFRC, FEWS/NET, Haitian Red Cross, Mercy Corps, Oxfam GB, Save the Children, and the UN/World Food Programme came together to complete this task. The group completed four rapid market assessments in the Port-au-Prince area in just two weeks, using the Emergency Market Mapping and Analysis (EMMA) tool. Further assessments in southeast Haiti brought together analysts from multiple agencies and determined the scope of their assessment from a meeting with 16 agencies.

*Source:* International Rescue Committee, 2010, "Multi-agency EMMA in Haiti, February 2010," <http://emma-toolkit.info/?p=28>.

2. **Scope of Work:** Assessment scopes of work should take into consideration a) the technical and geographic mandate of the organization or project undertaking the assessment, b) knowledge of the technical and geographic scope of existing or planned assessments by other agencies or organizations, and c) an understanding of the informational needs of decision makers.
3. **Mapping Affected Households, Enterprises, and Market Systems:** In developing the assessment scope, the approach should be dynamic, considering how affected markets, households, and enterprises operated prior to the crisis; how they were impacted by the crisis; and how they cope now.

At the household level, livelihood strategies depend upon effectively integrating assets and skills, social and economic relationships, and access to both consumption and output markets. Households may have several diverse sources of income, as well as multiple contributors to household income. It is important to understand the balance and trade-offs between them in relation to conflict, the environment, and gender dynamics.

Similarly, the success of enterprises in weathering the crisis period depends on a set of internal factors, such as human and technical capacity and

capital, as well as their interactions within larger market systems including other enterprises, customers, financial and non-financial services, inputs, commodities, infrastructures, and regulatory frameworks. Assessments should recognize this complexity and identify and analyze the interdependencies involved.

Economic strategies for households and enterprises should always be embedded within the wider economic, political, and institutional contexts. The assessment team should attempt to include these contexts in their assessment or bring in outside expertise on the political and cultural contexts. This is particularly important in conflict environments, where programming needs to be aware of the dynamics of the conflict, including the roles of different actors and how it relates to targeted markets.

Other considerations for the scope should include:

- assets, skills, and capacity of market institutions and supporting structures;
- key social and economic relationships and power dynamics, including gender;
- governance within targeted industries;
- relevant policies and regulatory frameworks for key industries and economic activities, including as relevant land tenure and property rights;
- availability, access, and status of key market infrastructure; and
- related issues in natural resource management and conservation.

## Assessments and Analysis Standard 2: Timing

Assessments are both pre-conditions to designing program interventions and critical tools to regularly inform decision-making for program management and implementation.<sup>27</sup>

### Key Actions

- Consider economic and environmental factors in determining the timing of the assessment.
- Consider the need to stage assessments during the project design and implementation processes, and to keep the information collected up to date and relevant, and data collection cost-effective.
- Promote quick implementation of assessments following rapid-onset disasters to ensure that organizations for humanitarian assistance and recovery programs understand and respond to the capacities and needs of beneficiaries' and the markets (see Guidance Note 1).
- As market conditions change, revisit and update analyses with additional data or information on economic or livelihood conditions and allow for programmatic change.
- Schedule interviews, observations, or site visits at different times of day to ensure that all economic activity and potentially hidden populations are captured during the assessment.

### Key Indicators

- All economic recovery projects are informed by an assessment.
- Assessments are conducted at appropriate times, incorporating seasonal calendars, security, market and labor trends, and other relevant social and economic factors, conditions and trends.

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27. For further information, see *Sphere Handbook* (2011 edition, forthcoming), Core Standard 1: People-Centered Humanitarian Response, 3: Assessment and 4: Analysis and Design.

- Assessments include a wide range of economic actors, including women, men, and youth; producers, traders, transporters, and consumers; local, regional, and national markets; and private and public market support functions.
- Assessment and analysis are ongoing and integrated into program operations to allow for monitoring as the political environment and markets evolve (see Guidance Note 2).

### Guidance Notes

- 1. Initial and Rapid Assessments:** Initial assessments and/or rapid assessments are quick methods to gather basic facts about how a disaster has affected market dynamics. Initial and rapid assessments should inform immediate response priorities and highlight areas for further investigation. EMMA (Emergency Market Mapping and Analysis) is one type of rapid assessment that organizations may decide to utilize.
- 2. Ongoing Assessment Updates:** Conflict and crisis environments are dynamic. Data collection and analysis need to be continuous in order to stay responsive to the rapidly changing environment. This is best achieved with regular and systematic monitoring that tracks program outputs, outcomes, and critical factors in the external environment, and which is linked to successful outcomes and the expected impacts. Revisiting assessments may identify unintended consequences of programming and can help organizations make adjustments to mitigate negative impacts on beneficiaries.

**Example of Standard-Responsive Practice:** Rain-fed agriculture in Burkina Faso and across the Sahel has always been vulnerable to prolonged drought and flooding. Timely assessment and analysis of the impact of natural disaster on seed systems and seed security ensures that the problem is accurately identified and diagnosed. Interpreting this information increases practitioner knowledge of seed systems and contributes to better quality proposals. Catholic Relief Services collaborated with the International Center for Tropical Agriculture in the development of a practical seed-system security assessment tool. This tool has been used three times in as many years in Burkina Faso.

The assessment is guided by a Seed Security Framework that looks at availability, access, seed, and varietal quality. The assessment seeks to determine what seed channels farmers rely on in normal times (e.g., their own saved seed, social networks, the grain/seed market, the commercial sector, or government and NGO projects) and the extent to which seed is available following a disaster. If seed is available, then the problem is access, which is better addressed by the distribution of vouchers to farmers rather than direct seed distribution. In this way, local markets are reinforced and farmer choice is respected.

The tool has been used to respond to a flood in 2007, the food price crisis in 2008, and to train the Ministry of Agriculture and NGO practitioners. The lessons learned from these consecutive assessments resulted in the successful implementation of a series of seed vouchers and fairs, and an ongoing project to strengthen rice and cowpea seed storage and management, and has strengthened the capacity of government and NGO seed practitioners.

*Source:* See Louise Sperling, 2008, "When Disaster Strikes: A Guide to Assessing Seed System Security," CIAT Publication No. 363 (Cali, Columbia: International Center for Tropical Agriculture), ([http://crsprogramquality.org/pubs/ageny/When\\_Disaster\\_Strikes.pdf](http://crsprogramquality.org/pubs/ageny/When_Disaster_Strikes.pdf)) for more information.

## Assessments and Analysis Standard 3: Data and Methods

Assessment data is gathered using objective, inclusive, and ethical methods that ensure data quality, utility, and participants' security.<sup>28</sup>

### Key Actions

- Ensure that assessment team composition reflects the gender, age, and ethnic composition of the communities participating in the assessment.

28. See *Sphere Handbook* (2011 edition, forthcoming), Core Standard 3: Assessment for more information.

- Choose methods that are simple, concise, and capable of generating gender- and age-disaggregated information at impact and outcome levels.
- Ensure that the methodological approach promotes objectivity and safeguards participants' confidentiality.
- Apply methods that, while culturally sensitive, encourage and facilitate the participation of the marginalized groups, including those who do not have the right to speak publicly.
- Review existing information, including pre-crisis data and desk studies, to avoid duplication.
- Consider and mitigate potential assessment fatigue on beneficiaries who have been repeatedly assessed and are traumatized<sup>29</sup> (see Guidance Notes 1 and 3).
- Do not create expectations that cannot be fulfilled.

### Key Indicators

- The sources of data are varied, accurate, and high quality, and the information-gathering process is collaborative and participatory when possible (see Guidance Note 1).
- The methods used to collect data are sensitive to the biases of informants and interest groups, while factoring in the potential for aggravating conflict (see Guidance Note 2).
- The methods used do not put at risk the security of those conducting the survey or those surveyed (see Guidance Note 3).

### Guidance Notes

- 1. Sources of Information:** Assessments should first review existing research and information on livelihoods and economic activities prior to the conflict. They should rely on local sources and local actors, such as heads of households, storekeepers, and traders, as well as macroeconomic, political, and international sources. The information methods should be sensitive enough to

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29. See *Sphere Handbook* (2011 edition, forthcoming), Protection Principle 4: Protection of Human Dignity for more information.



identify hidden sources of information, such as marginalized groups and informal or black market economic activities. Assessments should triangulate data through multiple sources, including assessments from other organizations, and where possible, use both primary and secondary data sources. However, in high-risk situations or in rapid-onset hazards, programs may not be able to engage in a fully collaborative process or have full access to primary data.

2. **Biases and Interest Groups:** The assessment should be sensitive to different interest groups and to bias among informants. Researchers should use non-leading questions and validate with multiple sources to determine if data is accurate.
3. **Security of Assessors and Informants:** The location or timing of an assessment interview may constitute a risk to either the assessment team and/or those being surveyed. The assessment team should consider local custom and the physical security of interview locations in determining appropriate places and times to conduct interviews. At no point should an assessment interview put either the interviewer or the interviewee at undue risk of physical or psychological harm (e.g., reliving trauma). Informed consent should be obtained where possible.

## Assessments and Analysis Standard 4: Analysis

Analysis of data and information is timely, transparent, and objective. Analysis informs programming decisions and other actions that facilitate economic recovery.<sup>30</sup>

### Key Actions

- Be timely, objective, and transparent in data analysis (see Guidance Note 1).
- Validate assessment and evaluation results with beneficiaries and stakeholders, as well as sector specialists.

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30. See *Sphere Handbook* (2011 edition, forthcoming), Core Standard 3: Assessment and 5: Performance, Transparency and Learning for further information.

## Key Indicators

- Assessment data and analysis informs the program model and design.
- Monitoring and evaluation data is collected and analyzed on a regular basis (see Guidance Note 2).
- Programs use monitoring and evaluation data to test key assumptions, check expected impacts, and make revisions as needed (see Guidance Note 2).

## Guidance Notes

- 1. Transparent Analysis:** Within the field of economic recovery, practitioners may use any number of analytical frameworks. Researchers should clearly state the assumptions and methodological approaches applied, in order to provide the end user with a basis for evaluating the validity of the results.
- 2. Monitoring and Evaluation:** Program monitoring and evaluation should track both project activities and outputs, as well as continually check the assumptions upon which program activities and envisioned impacts are based—keeping a clear, documented link between program activities and desired impact. This keeps the program responsive to changing conditions so that, if need be, its activities, progress, and performance indicators can be adjusted.

**Example of Standard-Responsive Practice:** A program is running a project after a crisis intended to increase women’s income via credit to purchase goats. The aim is that the women will repay the loan in two years, with the anticipated impact that they will double their baseline income in three years. The program clearly identifies its key assumptions and the indicators it will need to track at different phases of the program.

The underlying assumptions are that 1) goat prices will remain stable or grow over the next three years; 2) there is sufficient pasture available for the goats; 3) the women will have access to, and are able to afford, veterinary care for their animals; and 4) the women will not be forced to sell their goats early to buy food.

Therefore, it is important to set up a monitoring system that tracks these factors throughout the program, such as availability and access of pasture land; access and affordability of veterinary services; and household food security. In the final two years of the program, when the women begin to sell their goats, it is important to monitor livestock prices to know how much money women are receiving on average from their goat rearing.

*Source: Tanya Boudreau, contributor to *Minimum Economic Recovery Standards*.*

## Assessments and Analysis Standard 5: Dissemination and Formats

Assessment results are disseminated to provide appropriate guidance to decisionmakers.<sup>31</sup>

### Key Actions

- Identify internal and external audiences.
- Ensure that assessment data and analysis are quickly compiled into reports, summaries, and presentations.
- Develop a format for presenting findings, conclusions, or results that is the most relevant and accessible to the audience.
- Translate assessment results into relevant language(s) to expand the audience to whom the results will be available and understandable.

### Key Indicators

- Assessment results are published and promptly made available to relevant stakeholders, in order to maximize their influence on decisionmaking processes, taking into consideration sensitivities that may exist (see Guidance Note 1).
- Assessment results are communicated in a language and in a format that is clear and appropriate to the respective audience (see Guidance Note 2).

### Guidance Notes

- 1. Dissemination:** Disseminating the results of assessments encourages the necessary collaboration in economic recovery programming. Engaging decisionmakers, collaborating partners, and local authorities throughout the assessment process brings assessment results to everyone's attention as soon as they are generated and encourages trust and cooperation. When an assessment indicates that action is required, this can be effectively

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31. See *Sphere Handbook* (2011 edition, forthcoming), Core Standard 2: Co-ordination and Collaboration for more information

accomplished by a joint presentation to the key decisionmakers (donors, NGOs, government), thus building momentum and a sense of joint responsibility and ownership.<sup>32</sup> The results of the assessments and the decisions taken should be clearly communicated to the affected actors.

- 2. Appropriate Formats:** The results of assessments should meet the specific needs and comprehension levels of different audiences. Decisionmakers in a crisis often have hectic schedules and severe time constraints. The type and length of the informational product and level of technical detail should be catered to the requirements of the user. For example, senior program managers may require a one- or two-page brief, collaborating partners may want a presentation, and a longer technical report would be appropriate for monitoring and evaluation specialists. A meeting with community members or a producers' association would be appropriate for sharing assessment results with informants and affected persons. Particularly large or comprehensive assessments and findings can be disseminated in more than one format. Maps and layouts can be very effective in representing information such as the distribution of physical assets, natural resources, people's location and movements, as well as other types of phenomena (e.g., impact of a disaster across a territory).

## Appendix to the Assessment and Analysis Standards

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*This is an illustrative (not exhaustive) list. It is not intended to endorse any one assessment tool or methodology.*<sup>33</sup>

Albu, Mike. 2010. *Emergency Market Mapping and Analysis Toolkit*. Practical Action Publishing.

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32. For more information on collaboration, see Core Standard 2.

33. For more ideas, see *microLINKS.org*, "Interactive Inventory of Economic Recovery Tools," on "Microenterprise Development and Conflict," [http://www.microlinks.org/ev\\_en.php?ID=22380\\_201&ID2=DO\\_TOPIC](http://www.microlinks.org/ev_en.php?ID=22380_201&ID2=DO_TOPIC); and Mayada El-Zoghbi, and Monica Matts, "Tools for Economic Recovery: A Brief Literature Review," AMAP microNOTE, no. 34 (Washington, DC: USAID), [http://www.microlinks.org/ev\\_en.php?ID=18908\\_201&ID2=DO\\_TOPIC](http://www.microlinks.org/ev_en.php?ID=18908_201&ID2=DO_TOPIC).

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*Reference document including list of existing conflict analysis tools.*

International Alert. 2005. *Conflict-Sensitive Business Practice: Guidance for Extractive Industries*. London: International Alert. [http://www.iisd.org/pdf/2005/security\\_conflict\\_sensitive\\_business.pdf](http://www.iisd.org/pdf/2005/security_conflict_sensitive_business.pdf)  
*A step-by-step analysis and implementation guide for business investments.*

International Labor Organization. *Crisis Response: Rapid Needs Assessment Manual*. Geneva: ILO.

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International Labor Organization and Food and Agriculture Organization. 2009. *The Livelihood Assessment Toolkit: Analysing and Responding to the Impact of Disasters on the Livelihoods of People*. Geneva: ILO.

OECD (Organization for Economic Cooperation Development). 2008. Guidance on Evaluating Conflict Prevention and Peace-Building Activities. Working draft for application period. Paris: OECD. [http://www.oecd.org/secure/pdfDocument/0,2834,fr\\_21571361\\_21570391\\_39774574\\_1\\_1\\_1\\_1,00.pdf](http://www.oecd.org/secure/pdfDocument/0,2834,fr_21571361_21570391_39774574_1_1_1_1,00.pdf)

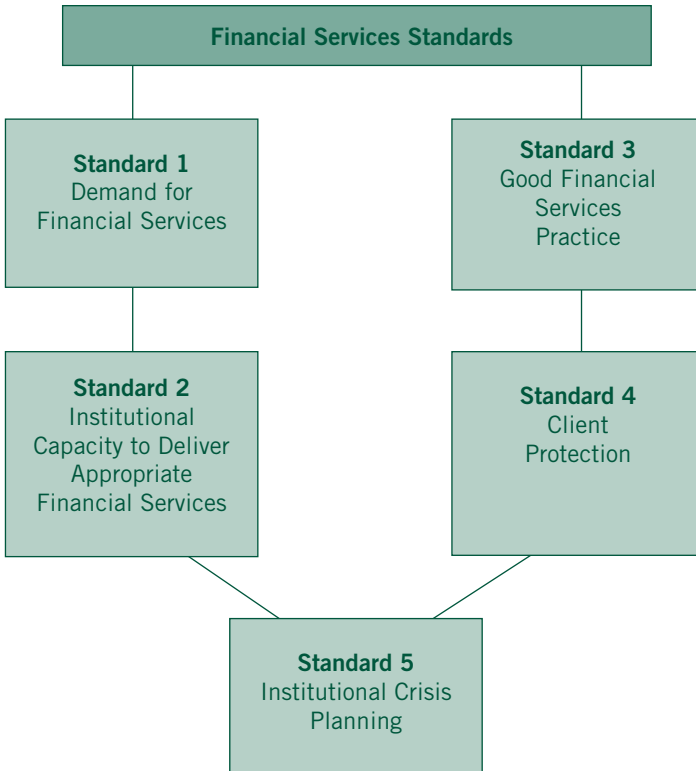
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# Financial Services Standards

## Introduction

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Financial services encompass a broad range of tools to support and grow assets, including loans (credit), savings, insurance, leasing, and money transfers (such as remittances). The range of financial services reflects the fact that individuals and households have diverse economic and social needs. Microfinance, which includes the same financial products and services just mentioned, is a subset of financial services involving smaller amounts of money. Microfinance targets the economically active poor, particularly those working in the informal sector. Because the poor have lower incomes and fewer assets, and often lack formal legal ownership of their land or businesses, microfinance uses non-traditional methods, including non-collateral based lending, to enable it to extend services to this market.

A wide range of providers—from formal institutions (such as commercial banks and insurance companies) to non-profit organizations and mobile phone companies—offer financial services, including microfinance. They are also provided through informal arrangements, such as community- or group-managed savings and credit groups (ROSCAS, rotating savings and credit associations), *hawalas*,<sup>34</sup> and retail stores providing goods on credit. After a crisis, it is often these informal providers which are the first to start or resume services.

Financial services are essential for creating and expanding economic opportunities, mitigating risks, and helping individuals and households to meet their economic and social needs. They enable individuals, households, and enterprises to generate opportunities; to build assets, including savings; to reduce their vulnerability; and often to create income. In post-crisis environments, financial services are critical to spurring and supporting economic recovery, reconstruction, and repairing the well-being of individuals and households.

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34. *Hawalas* are the informal banking arrangements used in Afghanistan and Somalia (and other areas, primarily the Middle East, Northern Africa, and Central and South Asia) that allow the transfer of funds via a network of brokers without using formal financial institutions.

## Financial Services Standard 1: Demand for Financial Services

Financial services are initiated or reinstated as soon as client demand and institutional capacity are present and verified.

### Key Actions

- Determine through market analysis if there is sufficient demand for financial services among target households and enterprises, and for what type of services<sup>35</sup> (see Guidance Note 1).
- Assess other providers of financial and economic assistance, including asset transfers and grants, informal sources of financial services, input suppliers, and wholesalers (see Guidance Note 2).

### Key Indicators

- Evidence of buying and selling of goods and services exists in local markets.<sup>36</sup>
- Unmet demand for financial services is identified and defined (see Guidance Note 1).
- There is demand for long-term financial services (see Guidance Note 3).
- Demand is regularly assessed (see Guidance Note 4).

### Guidance Notes

- 1. Sufficient Demand:** Economic activity often begins soon after or even during a crisis. To promote the return to, and expansion of, economic activities, financial services should begin as soon as there is sufficient demand in order to start to cover the cost of delivering the service(s) consistently and reliably. (See Financial Services Standard 3, Guidance Note 1 for more information.) Crisis-affected households and enterprises require a range of financial services, including savings, credit, money transfers (remittances,

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35. "Demand" for financial services is defined as a need or want, plus the ability and willingness to pay for a good or service.

36. See also Core Standard 1.

other payment mechanisms), and financial education. The services offered should be based on client demand and the organizations' goals and capacity. If there is not sufficient demand, asset transfers may be a more viable solution (see Productive Assets Standards).

- 2. Other Providers:** Potential demand is a function of availability and accessibility of financial support from other sources. When assessing demand, organizations should look at providers of financial and economic assistance that may be already meeting this demand. Other providers may include governments, banks, other NGOs, local businesses, ROSCAs, and informal money lenders.
- 3. Long-Term Demand:** When evaluating financial demand, organizations should determine if the activity to be financed requires a one-time infusion of cash or materials (perhaps better addressed with an asset transfer), or if the financing need is regular or cyclical, and therefore more sustainably addressed via credit or clients' own savings.

**Example of Standard-Responsive Programming:** Immediately after a natural disaster in an agricultural community, the short-term economic recovery activities may include providing cash grants or other transfers to meet food security needs. For example, a grant may be appropriate for helping farmers purchase seeds and tools that were lost in the disaster. However, due to the cyclical nature of agricultural production, in the long-term, the community will need permanent, financially stable institutions to provide reliable sources of financial services, with timelines and payment terms that fit their production cycles.

- 4. Assess Demand Regularly:** Crisis environments are very dynamic, particularly during prolonged periods. This requires that financial service providers stay responsive to demand, and provide products and services that meet rapidly evolving market and environmental conditions. Financial service providers should regularly seek feedback from clients and scan the market for changes. Additionally, clients of financial service providers may be affected by crisis in different ways: some may temporarily or permanently lose their ability to repay loans, some may need to access their savings immediately, and some may stop saving all together.

## Financial Services Standard 2: Institutional Capacity to Deliver Appropriate Financial Services

Financial service interventions are based on the capacity of the financial service provider.

### Key Actions

- Assess internal capacity to provide financial services according to industry good practices over the long term (see Guidance Note 1).
- Assess alternatives to direct service provision.

### Key Indicators

- Financial service interventions are realistic, given the capacity of the organization.
- Providers lay the foundation for long-term formal financial services, when possible.

### Guidance Note

- 1. Long-Term Services According to Good Practices:** The delivery of financial services is complex. Service providers should have adequate technical, institutional, and financial capacity, and the commitment to deliver services according to good financial service practices.<sup>37</sup> Successful financial service provision requires financial oversight, accounting expertise, auditing, good governance, strategic planning, and other commitments. One of the key characteristics of good financial services is reliability: financial services offered only for a short time are unlikely to contribute to long-term economic growth and stability, and may in fact do harm. An organization considering providing financial services must determine whether it can make the long-term commitment required, including the considerable investment of funds, time, and specialized expertise. If it cannot make this commitment,

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37. See Financial Services Standard 3 for good financial service practices.

it should instead work through partners, offer community-based financial services,<sup>38</sup> or focus its efforts on non-financial services.

**Example of Standard-Responsive Programming:** An organization wants to promote savings in a crisis-affected area, but has only planned to offer a one-year program. It does not have the time, expertise, or knowledge of regulations to set up a formal institution that is allowed to take deposits. Instead, it chooses to promote member-governed community savings groups that will be self-sustaining after the one-year program.

## Financial Services Standard 3: Good Financial Services Practice

Financial service providers adhere to good, accepted financial service practices.

### Key Actions

- Set pricing plan for financial services to cover costs (see Guidance Note 1).
- Verify whether relevant local laws, regulations, and customs are conducive to good financial service practice.

### Key Indicators

- Over a specified time period, financial service providers are able to attain financial self-sufficiency (see Guidance Note 1).
- Financial services are structured within the context of household or enterprise cash flows (see Guidance Note 2).
- Loan products and delivery mechanisms adhere to local laws and customs (see Guidance Note 3).
- Standards and good practices for effective financial services are the same as in non-crisis-affected environments (see Guidance Note 4).<sup>39</sup>

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38. These are financial services that are “owned” and managed by community members themselves, based their own savings mobilization, such as ROSCAs.

39. See the Appendix to Financial Services Standards for resources on good practice guidelines.

- Financial services providers follow established practices for transparency and accountability in funds management (see Guidance Note 5).
- Programs distinguish clearly between financial and non-financial services (see Guidance Note 6).

## Guidance Notes

- 1. Pricing:** Providing financial services includes operating costs (the cost to run an institution or program), costs of funds (inflation or the rate you borrow at to obtain funds to lend on), and cover of expected losses. Pricing financial services (such as setting fees and interest rates) correctly to cover these costs ensures that the services are reliable, sustainable over the long term, scalable, and therefore accessible to large numbers of affected households and enterprises. Full financial sustainability—covering all costs of new product development and/or generating additional revenue for expansion to new areas or profit—may take years to attain. The implementing agency should develop financial projections that determine when it will be operationally, if not financially sustainable. The implementing agency should then ensure it has the necessary funding, expertise, and ability to make the long term-commitment required to reach operational sustainability.

While subsidizing these costs may seem attractive in the short term, once initial donors leave an area and normal market forces return, clients' former dependence on artificially low interest rates or service fees will damage their ability to succeed economically. Additionally, in an area with multiple financial service providers, subsidized interest rates from some actors can undercut the long-term viability of other providers that lend at market rates. These kinds of subsidies, when extended, can heavily distort the market.<sup>40</sup> In limited cases, organizations may want to omit from pricing calculations certain short-term costs, which are unique to the crisis situation and atypical of normal operating costs, such as security for expatriate staff. This may be appropriate if these costs are irrelevant to the long-term operations and sustainability of the financial institution. Financial service providers

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40. This guidance note is not intended to imply that all populations can and should access market-priced financial services. See Productive Assets Standards, if it is determined that financial services are not an appropriate intervention for the target population.

offering multiple products may calculate pricing at an overall (institutional) level, rather than by individual product.

- 2. Client Cash Flows:** For credit products, the loan disbursements, repayment schedules, and repayment amounts should take into account the cash flow of the household or enterprise to ensure that the client will be able to use and pay for the service. Similarly, collecting and distributing savings deposits (if they are time bound) and insurance payouts need to meet households' financial flows.
- 3. Adherence to Local Laws:** Local laws may dictate how financial services can be delivered, including restrictions on interest rates and prices, loss provisioning, insurance services, remittances, and investing clients' savings (known as mobilization). Sometimes local laws prevent organizations from providing sound, reliable financial services. In this case, financial services provision may not be possible, prompting agencies to pursue alternative options, such as community-managed savings and credit groups (ROSCAs).
- 4. Standards and Good Practices for Effective Financial Services:** Although the aftermath of a crisis may be marked by economic upheaval, civil unrest, or other factors that undermine stability, the standards and good practices of effective financial services should still be adhered to, including needs-based product design; credit appraisal; established repayment schedules; complementary services, such as financial education, as needed; and impact evaluations. While the output for these financial services may look different in a post-crisis context, their application should be just as rigorous as in a non-crisis context. This includes setting expectations for and enforcing repayment.

**Example of Standard- Responsive Programming:** Organizations that want to help clients negotiate crises may decide to make client's savings available as soon as possible without penalty, reschedule loan payments, or drop penalties for late payments for a fixed period of time. As a last resort, writing off a specific loan may be an option. However, maintaining the expectation of repayment is crucial to the organization's ability to continue lending money.

- 5. Financial Transparency and Accountability:** Formal institutions, or those that aspire to this level of financial service, should conduct annual external audits and produce financial reports based on International Accounting Standards. The adherence to, and promotion of, international accounting standards strengthens the financial health of the financial organization, which increases its ability to provide financial services over the long term. Community-based financial service providers should use appropriate mechanisms by which members can track the use of funds. This may include a group ledger and/or income statement, and regular checks of the figures by different group members.
  
- 6. Clear Strategies for Grants versus Loans:** In crisis environments, humanitarian organizations may undertake financial services in addition to their relief work or financial service providers may decide to offer emergency cash grants or direct assistance. In these instances, there is potential for clients to become confused as to which service is a grant, which service needs to be repaid, and who is eligible for which services. To avoid confusion, organizations should, at a minimum, be transparent and communicate widely the eligibility requirements and terms. If possible, they should conduct lending activities through separate channels from the grant interventions. When different organizations undertake grant and credit operations in the same area or target the same group, these organizations should have clear, transparent, and far-reaching communication on the eligibility criteria, disbursal process, and distribution channels.

In some circumstances, infusions of cash and capital in the form of one-time grants for households and enterprises may be necessary to spark reconstruction and to stabilize incomes. When developing a financing strategy (for grants or loans), programs should develop consistent communication about the strategy, particularly for grants, and set expectations early that the provision of grants will be a one-time or time-bound event. This includes consideration of using financial services operations to deliver cash transfers, including remittances and other relief related activities. In this case, agencies must assess the possible impact on viability of financial services operations. In certain situations, grants can be linked to ongoing credit and other services. Providers must be clear about terms and conditions of the grant and the expectation that credit services must be repaid.



**Examples of Standard-Responsive Programming:**

a) An organization in an affected region is operating a grant program that provides assets to the affected population and simultaneously has a second program that provides financial services. To avoid confusion on the part of the grant beneficiaries and financial service clients, the grant and credit programs use different logos, different office buildings, and different staff and employee uniforms, even though they are technically part of the same organization.

b) An agency helps a group of women form a cooperative to sell baskets and other crafts to local and regional markets. The agency provides a one-time grant to the women to purchase some of the equipment they will need for the business and links them to a local financial institution for a loan to purchase the dyes and other materials they will need regularly to make their crafts.

c) A community savings group provides credit to members with solid business ideas, using the funds that the members contribute towards savings. A part of each member's savings contribution goes into a "social fund" that members may use, if desired, to provide grants or no-interest loans to members in need (e.g., if a member falls ill or has a death in the family).

*Source: Kimberly Tilock and Sasha Muench, contributors to *Minimum Economic Recovery Standards*.*

**Financial Services Standard 4: Client Protection**

Financial service providers adhere to accepted norms for client protection.<sup>41</sup>

**Key Actions**

- Assess borrowers' creditworthiness, and willingness and ability to repay.
- Assess borrowers' understanding of the terms, conditions, and processes for using the financial service, with additional orientation, if needed.

41. These principles are based on the Consultative Group to Assist the Poorest (CGAP), online document, "The Client Protection Principles in Microfinance" (<http://www.cgap.org/p/site/c/template.rc/1,26,4943>), which are norms developed by the microfinance industry. See the Appendix to Financial Services Standards for more information.

- Develop ethics and client privacy policies that are ratified by the institutions' board (as applicable); train staff and hold them accountable to these policies.
- Operationalize a process to solicit and address clients' complaints in a timely manner.

### Key Indicators

- Financial service providers take reasonable steps to ensure that credit is extended only to borrowers who can repay their loans and who are not over-indebted (see Guidance Note 1).
- The prices, fees, and terms of all financial products are explained to clients in a manner that is transparent and understandable.
- Debt collection practices are not coercive or abusive.
- An ethics policy is in place to combat corruption or abuse of clients.
- Client complaints are responded to and resolved in a timely manner.
- Financial service providers respect clients' privacy and do not use or distribute their individual data without their permission.

### Guidance Note

- 1. Preventing Over-Indebtedness:** Assessing creditworthiness and ability and willingness to repay is essential for the financial well-being of both the provider and the client.<sup>42</sup> Financial service providers should be aware that clients may need to be oriented to their financial services, including the terms, conditions, and processes, and/or trained on how to use them productively. Sharing client credit histories with other financial service providers, where it is legal to do so, can also help avoid making multiple loans to the same client, which could result in over-indebtedness.

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42. There are a number of methodologies for rapid client credit appraisals. See the Appendix to Financial Services Standards for further reading.

## Financial Services Standard 5: Institutional Crisis Planning

Financial service providers have policies in place to protect the organization and clients from effects caused by crisis.

### Key Actions

- Develop crisis-preparedness policies and procedures that are ratified by the institutions' board (as applicable); train staff and hold them accountable to these policies.

### Key Indicators

- Financial service providers have in place policies to minimize financial risk from crisis (see Guidance Note 1).
- Guidelines to ensure security of staff and clients are in place and reviewed regularly (see Guidance Note 2).
- Financial service providers assess the effect of recurrent crises on clients to determine the need for adjustments (see Guidance Note 3).

### Guidance Notes

- 1. Institutional Preparedness:** Organizations that provide financial services in areas affected by recurrent crises need to be prepared for re-escalation of conflict or further disaster. Policies and procedures for crisis preparedness and response should be documented, with annual revisions reviewed by staff and the board. Similarly, the organization's management information system should be developed to withstand disaster, with a clear backup process and other documented procedures on system operation in the event of a crisis. This policy should assure protection of client information and the organization's access to data. Additionally, at a time of crisis, an organization's ability to manage its liquidity (meet all of its payment obligations on a timely basis) may be compromised. Clients may save less, stop saving all together, withdraw savings, miss loan payments, or request supplemental emergency loans. All of these occurrences strongly influence the amount of cash moving in and out of a financial service provider and, for unpre-

pared organizations, may result in liquidity shortfalls. Providers of financial services in crisis-affected environments need to be aware of and anticipate this volatility, and offer options that help clients through these situations without compromising the institution's long-term viability.

- 2. Staff and Client Security:** Ensuring the security of staff and clients is important in any recovery activity, but it is particularly crucial in financial services interventions, due to the large volume of cash that is handled, as well as level of client information. Organizations should expect recurrent periods of high risk and have policies in place to minimize the potential danger to clients and staff in terms of managing cash and protecting client information. (See *Sphere Handbook* (2011 edition, forthcoming), Core Standard 6: Aid Worker Performance for more information.)
  
- 3. Assessment of Client Needs:** Clients of financial service institutions may be affected by crisis in different ways; some may temporarily or permanently have their ability to repay loans affected and may need to access their savings. Providers of financial services in crisis-affected environments need to understand and anticipate this volatility and offer options that help clients through these situations without compromising the institution's long-term viability.

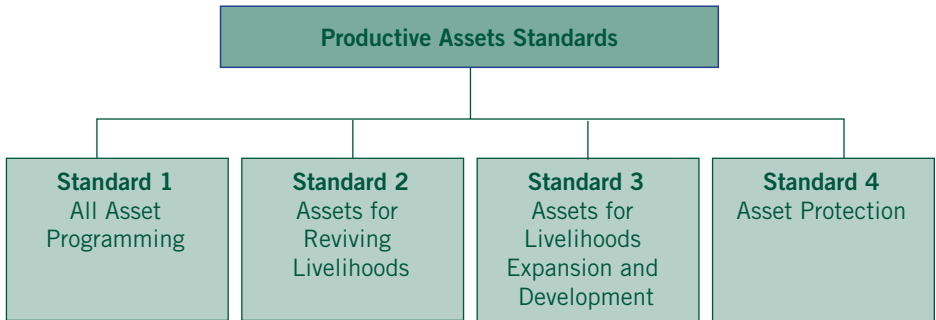
**Example of Standards-Responsive Practice:** Organizations that want to help clients negotiate crises might decide to make client's savings available as soon as possible without penalty, reschedule loan payments, drop penalties for late payments for a fixed period of time, or renegotiate loans to make them interest free. Although writing off a specific loan is an option, maintaining the expectation of repayment is crucial to the organization's ability to continue lending money.

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# Productive Assets Standards

## Introduction

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For the purposes of these Standards, “productive assets” are defined as resources that are used to generate income and profit.

People can make use of assets in two ways: 1) they can own or directly control them, or 2) they can have access to resources that do not belong to them.<sup>43</sup>

After a crisis, asset programs may intend to replace assets lost as a result of that crisis; facilitate the growth of an asset base to increase incomes; or protect existing assets from being consumed, sold, or lost. There are many different ways to achieve these aims. Asset replacement programs may evaluate the value of assets lost and replace them accordingly or disburse one type of asset, such as tools, to all target beneficiaries. Other programs provide cash or other resources, which recipients can use to replace productive assets or prevent their sale. Programs may involve market solutions to protect or sell assets of declining productivity, for example, by storing crops until prices rise or selling livestock in response to a chronic drought.

The appropriate method depends on the working environment, the goal of the program, and the target group. Cash transfers have become much more common in recent years, due to the efficiency and speed with which these programs can be implemented; the support they give to local markets and businesses; and recipients’ decisionmaking power to choose what, when, and where to buy. The use of vouchers (to purchase products or services from a variety of suppliers) is a middle option that limits how the money may be used, but may give recipients freedom to select between a few products or sources. Assets can be directly transferred to beneficiaries, especially in situations where local markets are not functioning. A number of documents provide a deeper explanation and analysis of these methodologies, several of which are listed in the appendix to this section.

In addition, other program methodologies may have a direct impact on asset recovery and protection. For example, a financial access program might offer loan

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43. Source: LIFT.

guarantees to small enterprises to enable them access credit to replace assets lost in a crisis and to buy new assets to respond to post-crisis market demand.

***Examples of Asset Programs:***

*Vouchers:* After an earthquake, beneficiaries receive a voucher booklet worth US\$ 400 to buy needed business supplies at local shops that sell equipment, tools, and machinery. Beneficiaries are allowed to choose what supplies they need, based on their assessment of current market demand, and are given up to six months to use the vouchers.

*Cash:* Market sellers are given cash, equal to the value of the productive equipment and supplies lost in a market fire. Beneficiaries are free to use the cash for any business purpose, including starting a different enterprise than the one they had before the fire.

*Direct asset transfer:* Poultry-raising households all receive chickens to replace ones killed in a flood.

*Rehabilitation of key infrastructure:* After an earthquake, a cash-for-work program uses community labor to rehabilitate sea walls that are important for protecting both crops in the nearby fields and the community from the impact of the upcoming hurricane season.

For assets with a large market value or those utilized by multiple households (e.g., a community rice mill), there is often a tendency to form groups to jointly manage and maintain the asset. While this desire is understandable, it can lead to unintended consequences: many of these group-managed assets soon fall into disrepair or are sold. If possible, it is often preferable to avoid forming groups for asset programming. Programs should consider if there are other means of making a large asset accessible to a community. For example, a program can assist an entrepreneur to borrow money to purchase a piece of equipment that others may pay to use as needed. Alternatively, a program can identify a pre-existing, well-functioning, and well-governed cooperative or association to manage the asset. (See Productive Assets Standard 1, Guidance Note 6, for more detail on this aspect of asset programming.)

The following section provides a minimum standard for all types of asset programming. It is followed by specific standards for activities aimed at reviving existing livelihoods, developing and expanding new and diversified livelihoods, and protecting existing assets.

## Productive Assets Standard 1: All Asset Programming

Asset programming responds to beneficiary needs without undermining local markets and addresses issues of transparency, equity, and longer-term impact.<sup>44</sup>

### Key Actions

- Identify and respond to beneficiary needs, capabilities, and aspirations (see Guidance Note 1).
- Develop clear, transparent participant selection criteria.<sup>45</sup>
- Assess potential risks to the physical security of beneficiaries, their assets, and resulting income, and take steps to address these risks (see Guidance Note 2).
- Analyze the availability of assets in the local market and the market capacity to respond to the beneficiaries' needs (see Guidance Note 3).<sup>46</sup>
- Be clear internally and with partners as to what the asset program is trying to achieve and communicate this to beneficiaries (see Guidance Note 4).
- Consider the short-, medium-, and long-term implications of any asset programming and possible trade-offs between immediate results and long-term impacts (see Guidance Note 5).
- Use care when forming groups for asset programs. Think through implications of group power dynamics, diversity, and equity; group management capacities; and economic, cultural, and environmental factors (See Guidance Note 6).

### Key Indicators

- No negative ripple effects are detected in local markets as a direct result of the asset program (see Guidance Note 3).

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44. See *Sphere Handbook* (2011 edition, forthcoming), Cash and Voucher Transfers Standard 1 for more information.

45. See Core Standard 5, particularly Guidance Note 3.

46. See Assessment and Analysis Standards.

- Beneficiaries can articulate the goal of the asset program and why they were selected (see Guidance Note 4).
- Groups demonstrate cohesion and management capacity (see Guidance Note 6).

## Guidance Notes

1. **Appropriateness:** Asset programming for productive purposes will only work if the beneficiaries are ready, able, and willing to use the assets, and if this activity will result in a viable livelihood for them.
2. **Risk Assessment:** Asset programs can inadvertently increase a range of risks, including physical danger from carrying and storing cash and assets, social conflict between beneficiaries and other community members, and long-term problems that arise when beneficiaries try to manage enterprises that are not appropriate. Programs should take into account these risks and reduce them as much as possible.

**Example of Poor Programming:** A cash distribution program for asset replacement announces publicly that target beneficiaries can pick up their cash grants at a tent on the community soccer field starting at 10 a.m., on the following Saturday. Beneficiaries wait in line in the open without any security and exit directly onto a main road. It is very easy to see from the road who receives cash, and several of the beneficiaries are robbed in the next few days.

3. **Effect on Local Markets:** Assessments need to examine the effect of asset programs on local markets and consider a range of supply-side issues linked to both purchasing and distributing assets (e.g., how local procurement could affect local availability of the good for other people). Programs should consider the benefits and potential inflationary costs of purchasing assets locally or regionally (including the potential to spur local market growth), the substitution effect of beneficiaries receiving free goods (i.e., what they will do with the money they would have used to buy those goods), and the impact on local enterprises and organizations (particularly small and medium enterprises), as well as institutions providing financial services.

**Example of Standard-Responsive Programming:** A program buys basic agricultural equipment (hoes, wheelbarrows, etc.) from a local wholesaler and distributes them to farmers to replace their tools lost in floods. This large order gives the wholesaler the cash necessary to restock other merchandise, which increases the availability of farm supplies in the affected area for all farmers.

**Example of Poor Programming:** Following a crisis, a program purchases agricultural seed from abroad and extensively distributes the seed to affected farmer populations. Since everyone now has free seed, the price of seed in local farm stores plummets, and the income of local seed producers, importers, wholesalers, transporters, and retailers decreases dramatically.

- 4. Program Aims:** Some programs have strict guidelines that all assets replaced or provided must be used for an agreed purpose. Other programs focus more on the beneficiaries' freedom to make their own decisions regarding their livelihood. For the second type of program, there is more leeway for beneficiaries to sell their assets, hold on to cash, and use vouchers at any time, and make other strategic household decisions. In either case, programs should clearly communicate their goals and restrictions, as well as any penalties for ignoring program rules. The first type of program may require more detailed agreements with beneficiaries and a more in-depth monitoring system than the second type of program. Additionally, programs must be transparent with communities about beneficiary selection criteria. This may help prevent conflict between those community members benefiting from the program and those who were not selected.

**Example of Standard-Responsive Programming:** A program replaces assets lost in a crisis, using a model based on insurance concepts. Each beneficiary is given cash totaling the value of their lost assets, up to a set ceiling. Beneficiaries are allowed to use that cash, based on their circumstances, for example, to replace the lost assets, to buy different assets, or to use the cash for other family needs. The program explains in community forums that beneficiaries are free to use the cash as they wish, but there will be no future distributions of business-related assets or additional cash to help them, if they do not use the cash for income-generating activities.

- 5. Short-, Medium-, and Long-Term Impacts:** Many asset recovery and protection activities aim to quickly begin, restart, or expand livelihoods to address immediate beneficiary income needs. However, programs should try to assess the long-term viability of these livelihoods, their impact on the broader local market for those goods and services, any affect on local labor markets, and implications for the environment. For programs that involve giving funds or items, care needs to be taken to coordinate with other programs in the area that take different approaches, particularly if these approaches require more commitment from beneficiaries. In certain circumstances, asset distributions can be a link to longer-term recovery activities, for example, by enabling microentrepreneurs to restart their businesses so they can participate in business development activities. However, asset distributions can interfere with recovery efforts if they use inappropriate distribution chains or targeting. For example, widespread distribution of items purchased externally can weaken attempts to develop local suppliers of those products.
- 6. Utilizing Groups:** Assets that are large in size, value, and scale (e.g., machinery, infrastructure, new technology) are often provided using group-based methodologies. These mechanisms are chosen because the asset involved will be utilized by more than a few individuals, the benefit will accrue to the community as a whole, and/or the value of the asset is too large to be given to one individual. Before starting any group-based asset program, teams must assess the difficulty in establishing successful businesses formed around group assets, and whether the market can bear any expected increase in production of the good(s) involved. Additionally, programs must determine whether a group structure is appropriate in the situation. Factors to consider include the time to establish or strengthen the group, whether to work with existing groups or to form new ones, cultural attitudes towards group formation, group governance, regulatory issues, and the potential for misuse of the asset. The group's capacity to manage the asset must be clearly determined. If gaps exist, sufficient training must be provided. Special requirements of newer technology, such as availability of spare parts, repair and maintenance capacity, and energy usage need to be clearly evaluated and considered.

In any group management of an asset, the roles, responsibilities, cost divisions, and profit sharing must be clearly documented and approved by all

group members. The potential for corruption, “free riders,” and misuse of assets within the group must be addressed. Individuals or interest groups within the larger communities may attempt to dominate or take over the group assets. This danger must be considered and, if possible, eliminated or at least mitigated.

For assets, such as tractors that require maintenance and time-sharing plans, a simple, less-formal group structure is sufficient. Other assets require more complex management. For example, processing equipment needs regular maintenance, electricity, and a time-sharing plan. In this case, a formal group structure with management roles, some compensation, and an official supervisory board may be more appropriate.

The use of pre-existing groups can save time and resources, but it is important to evaluate the equity and transparency of the pre-existing group structures to determine if there are potential biases or exclusions that could later be points of contention. This is especially relevant in post-conflict environments. Programs can adapt pre-existing group structures, using them as a foundation to strengthen capacity and to focus group members on the particular asset intervention. Where no former group structures exist, it is important that sufficient time and resources are given to complete group formation with equity and transparency. If a program chooses to form new groups, there are several important factors to consider. First and foremost, the group formation must have a high likelihood of succeeding in managing the asset for economic gain. Programs need to ensure that the group mix is acceptable within the broader community and culture, ideally through a consultative, transparent process. This often includes relying on community leaders to identify group members; however, this may reinforce existing political power inequities. Programs may also wish to take into consideration issues, such as diversity, gender equity, vulnerability, and conflict mitigation.

**Example of Standard-Responsive Programming:** A group of women start a bakery after determining its marketability and after a training program helps them calculate expected income and expenses. Division of labor and scheduling allows them to keep the oven operating for 24-hour periods, helping them maximize their return on a large, fixed asset investment. An asset replacement program gives them the basic equipment, and the women are introduced to a financial services institution where they take a collective loan to cover initial operating expenses.

## Productive Assets Standard 2: Assets for Reviving Livelihoods

Programs intended to help beneficiaries restart existing livelihoods enable beneficiaries to replace pre-existing productive assets and improve their economic capacity, without undermining the local economy.

### Key Actions

- Take into account the beneficiaries' capacity to respond and to utilize the assets (see Guidance Note 1).
- Do not interfere with other economic recovery activities that have a longer-term vision.
- Have in place a transition strategy to long-term sustainable service provision and a clear exit strategy (see Guidance Note 2).

### Key Indicators

- Beneficiaries utilize assets as originally intended and with minimal incidence of asset sale or diversion because of livelihood failure.
- Program design includes a timetable and an exit strategy.

### Guidance Notes

- 1. Productive Use of Assets:** Programming interventions must respect beneficiaries' skills, capacities, and ambitions. In particular, asset programming in the immediate aftermath of a crisis or during a prolonged disruption must take into account the beneficiaries' ability to implement the economic activity targeted by the program in both the short and long term. Programs should, however, consider interventions that help beneficiaries respond to the changing circumstances of the labor and economic markets. Large-scale crises may change the local economy to such an extent that pre-existing livelihoods are no longer viable or require different skills, knowledge, or assets to survive.



**Example of Poor Programming:** After the Indian Ocean tsunami, thousands of boats were distributed to local populations to enable them to restart fisheries. Most boats distributed were small, coastal fishing boats, despite the fact that local fisheries previously included many types and sizes of boats targeted at specific fish species and geographic zones. Because of poor targeting and insufficient analysis of usage and impact, many boats were not appropriate and were never used for their intended purpose. Despite this, the large numbers of boats provided still created concerns about overfishing certain species and forest destruction from boat building.

2. **Transition Strategy:** Programs in the immediate aftermath of a crisis often aim to simply replace productive assets to support the rapid recovery of beneficiaries, with limited attempts at improving their long-term situation or adding to economic development. However, even in these immediate stages, programs should consider the potential long-term effects of the asset program and begin to identify possible linkages to longer-term interventions, such as financial services or enterprise development. These programs may be offered by other organizations in the area. (See the Financial Services Standards, Enterprise Development Standards, and Core Standard 2, Coordination and Effectiveness, for more information.) Interventions should focus on supporting, strengthening, and rebuilding the local economy and local actors (see Productive Asset Standard 1). Transition strategies should seek to build on these local strengths and slowly remove external actors as appropriate.

### Productive Assets Standard 3: Assets for Livelihoods Expansion and Development

Programs intending to assist beneficiaries to expand or develop new livelihoods enable beneficiaries to take control of their economic recovery and growth in order to improve their long-term economic circumstances and take advantage of new economic opportunities.

#### Key Actions

- Analyze the market conditions in which the program is operating, including availability of existing services, market linkages required, and long-term

enterprise support needed to ensure the enterprises' viability (see Guidance Note 1).

- Support households and enterprises to make informed decisions about the viability of the productive activity and the need for additional assets, and provide support in a manner that encourages beneficiary' ownership and control of the activity (see Guidance Note 2).
- Assess the impact of introducing new methodologies and technologies. Facilitate access to the complementary services and/or assistance that households and enterprises will need to utilize these new assets, for example training and market linkages (see Guidance Note 3).

### Key Indicators

- Measures of co-investment by target households and enterprises that indicate their ownership and involvement in economic activities are promoted by the program (see Guidance Note 2).
- Increases in income, revenue, or sales realized by households and enterprises utilizing productive assets are supported by the program.
- Measures of future viability and sustainability of the economic activities are promoted by the program, particularly the proportion of recipient households and enterprises operating without ongoing assistance from the program.

### Guidance Notes

- 1. Complexity:** Longer-term asset programs are more complex than immediate asset-recovery programs. They promote productive assets to strengthen, stimulate, and expand economic activities among target households and enterprises. Programs of this type may require complementary services and technical assistance to achieve their objectives. Moreover, they are very sensitive to, and dependent upon, the characteristics, requirements, and evolution of markets. Accordingly, analysis and attention to longer-term implications are important prerequisites for successful intervention design and implementation. In particular, programs should assess what supporting services beneficiaries will need after the asset program is over in order to maintain their businesses (e.g., access to finance or support in marketing their products) and should ensure beneficiaries can access those services.

**Example of Standard-Responsive Programming:** A program wants to help rural households sell products in a new market in a town that is quickly expanding because of an influx of internally displaced people. However, a market analysis shows that the transportation system is too infrequent to enable the households to get their goods to the market. In addition to helping beneficiaries obtain more assets to increase production, the program facilitates conversations between the minibus association and the village groups, so that the transportation schedule matches the market times.

- 2. Appropriate Interventions:** Productive assets are most valuable to target households and enterprises when they feel a sense of ownership over the assets, rather than viewing the assets as gifts. Careful selection of program interventions and beneficiaries is essential, but often insufficient to ensure this. Programs may require beneficiaries to provide some level of co-investment in the assets supported by the program, for example by contributing part of the cost of the asset, providing in-kind investments in other materials or labor, or repaying the asset (in cash or in-kind) over time. If target households and enterprises are already accessing or investing in productive assets on their own, programs should consider avoiding direct engagement at all, as this may actually weaken beneficiary coping mechanisms, or should concentrate on providing broader market interventions that benefit a larger population.

**Example of Poor Programming:** Six months after a hurricane, a program gives all microenterprises in the area a US\$ 5,000 voucher to buy equipment or stock for their stores. The microenterprises are free to use the voucher as they wish and are not required to do any planning or invest any of their own funds. Many of the entrepreneurs see this as an opportunity to experiment with new products and types of equipment. However, not all of the entrepreneurs know how to manage their new business activities. Within 12 months of the voucher distribution, 50% of the enterprises have exhausted their stocks and/or abandoned the new equipment.

- 3. New Technologies:** Introducing new or external methodologies, technologies, and species when providing assets can be very successful in helping beneficiaries respond to changing environments and opportunities. However, if there is not sufficient assessment of the fit with the current situation or follow-through on additional support or needs of the beneficiary, there may be undesired impacts on markets, long-term production, and the en-

vironment. The beneficiaries' ability to use or to maintain the new asset, or sustain new methods of production, is an important consideration. It is vital to assess the real sales and income potential resulting from the new assets, both in the short and long term. Training in new technical skills or asset maintenance may be necessary, as well as linkages to markets for replacement parts and on-going inputs.

### **Productive Assets Standard 4: Asset Protection**

Asset programming helps beneficiaries protect their existing assets from the impact of recent crises and increases beneficiary resilience to future crises.<sup>47</sup>

#### **Key Actions**

- Acknowledge that crisis-affected populations will need to adapt behaviors, examine their existing coping strategies, and discourage coping mechanisms that deplete productive assets (see Guidance Note 1).
- Provide appropriate, timely support following a crisis, so that beneficiaries can meet basic needs without resorting to loss, consumption, or sale of productive assets (see Guidance Note 2).
- Include disaster risk-reduction strategies to reduce beneficiary vulnerability to future crises and enable maintenance and growth of productive assets (see Guidance Note 3).<sup>48</sup>
- Work with local stakeholders to assess potential future risks and to develop plans to address these risks.

#### **Key Indicators**

- There is evidence of improved beneficiary coping strategies for the immediate crisis (see Guidance Note 1).

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47. See also Core Standard 4, Guidance Note 5.

48. See Core Standard 4.

- Program organizations see evidence of locally developed plans to mitigate and address future risks.
- Beneficiaries retain productive assets (see Guidance Note 4).

## Guidance Notes

1. **Coping Strategies:** Programs seeking to protect productive assets from the effects of recent crises must acknowledge the realities of the post-crisis environment. While some interventions may mitigate the impact of the shock and decrease the need for negative coping strategies, affected populations may still be forced to alter their behavior to cope with changes. Productive asset programming should address this reality and discourage coping strategies that endanger productive assets.

**Example of Standard Responsive Programming:** After a drought, a comprehensive response program includes a community sensitization component that encourages rural households to maintain seed stocks and emphasizes the longer-term importance of planting. Even if households are convinced to keep their seed stock, they may still have to cope in other ways, such as eating less expensive or less preferred varieties of food until the next harvest.

2. **Meeting Basic Needs:** Following a crisis, meeting basic needs, such as food, water, healthcare, and shelter will take priority. It is vital that post-crisis interventions begin before beneficiaries are forced to consume or sell productive assets to meet their basic needs. Although some of the affected population may have sold assets immediately following the crisis, programs can intervene to prevent further depletion of assets. Special attention must be given to seasonal calendars, as repercussions can be more severe and long-lasting when agricultural interventions are too late. Cash transfers, vouchers, or in-kind support should be targeted at meeting basic needs and designed to encourage protection, maintenance, and where possible, growth of productive assets.

**Example of Standard-Responsive Programming:** Immediately following a hurricane, a seamstress sells her thread and fabric so she can buy food for her children. Without these items or money to replace them, her sewing machine is now useless. A program provides cash transfers, so that vulnerable households can purchase food and essential non-food items. The timely transfer of cash prevents her from being forced to sell her sewing machine, allows her to purchase food for her children, and enables her to purchase fabric and thread to restart her business.

**Example of Poor Programming:** A flood comes shortly before a major planting season. Farmers in the area typically conserve seed for the next season's planting, but most of their stocks are destroyed. Immediate programs provide food and shelter, but an agricultural program to facilitate access to seeds does not come in time for the planting season. As a result, farmers plant less than usual, hurting both farmers' incomes and food security in the coming year.

- 3. Increasing Resilience:** To comprehensively address asset protection, programs must include disaster risk-reduction strategies. At a minimum, programs should seek to reduce beneficiary vulnerability to future crises, which will strengthen the impact of the initial post-crisis interventions. Beneficiaries should be able to protect their assets from the impact of future shocks. Depending on the livelihoods of targeted beneficiaries, these interventions can range from strengthening links to financial services (e.g., insurance or safe savings) to rehabilitating irrigation channels and installing soil conservation structures.

**Example of Standard-Responsive Programming:** After a flood, a program provides a cash transfer so affected rural households are able to meet basic needs and pay farm laborers. Complementing the cash transfer, the program provides training on proper techniques for digging sustainable irrigation channels. The cash allows farmers to meet basic needs and prevents consumption of seed stock. The training and labor support components decrease farmer vulnerability to future flooding, therefore protecting assets and investments from the impact of future shocks.

- 4. Measuring Asset Retention:** Ideally, asset programs can demonstrate that their activities result in higher levels of asset protection and improved resiliency to future crisis. However, many asset programs do not continue long enough to measure this level of impact. Where there are long-term pro-

grams helping communities respond to numerous crises over an extended period of time (for example, programs that help communities deal with annual monsoon floods or climate change-related crises), this type of impact measurement is extremely valuable.

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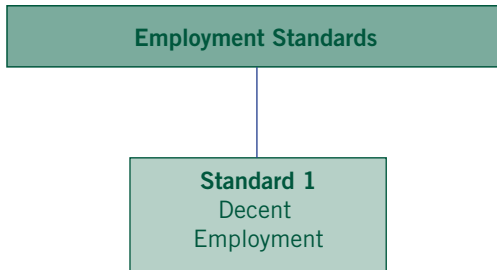
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# Employment Standards

The Employment Standards relate to activities that prepare individuals for work or create jobs—whether short or long term—through humanitarian and economic recovery projects. It is not meant to include the employment of project staff, although many points may be applicable. Employment activities include initiatives aimed at creating temporary jobs, such as cash-for-work programs; promoting employability, such as vocational training programs and apprenticeship programs; and job creation programs.

## Employment Standard 1: Decent Employment

People have equitable access to decent work opportunities with fair remuneration and in conditions of freedom, equity, security, and human dignity.<sup>49</sup> These employment opportunities should not jeopardize the resources they need for their livelihoods.<sup>50</sup>

### Key Actions

- Assess local labor markets to learn wage rates, seasonal trends, demand and supply for various types of labor, and growth potential of specific labor markets in the short and long term. Rural and urban patterns within labor markets should be considered.
- Determine security and cultural concerns required for safe and decent working conditions.
- Design employment programs that consider the capacity and longer-term needs of beneficiaries (see Guidance Note 1).
- Determine fair wage levels based on current market realities.
- Assess the wider operating environment and factor it into project design (see Guidance Note 2).

49. ilo.org, “About ILO: Decent work for all,” [http://www.ilo.org/global/About\\_the\\_ILO/Main-pillars/WhatisDecentWork/lang-en/index.htm](http://www.ilo.org/global/About_the_ILO/Main-pillars/WhatisDecentWork/lang-en/index.htm)

50. Definition based on *Sphere Handbook* (2011 edition, forthcoming), Food Security and Livelihoods Standard 2: Income and Employment.

## Key Indicators

- Short-term employment interventions used to provide immediate income streams and build assets (such as cash for work) link to a longer-term employment strategy that promotes the potential for future sustainable employment, wherever possible (see Guidance Note 1).
- Program strategies and corresponding activities are based on an analysis of the supply and demand of labor, products, and services, with the flexibility to allow for changing conditions (see Guidance Note 3).<sup>51</sup>
- Work undertaken meets quality and sustainability standards (e.g., as outlined in Sphere minimum standards for disaster response).
- Program design considers the individual and the institutional capacity building required to create sustainable employment for the targeted groups (see Guidance Note 4).
- Job creation measures uphold and promote decent and fair employment conditions (see Guidance Note 5).

## Guidance Notes

- 1. Short-Term Interventions:** In crisis environments, interventions to promote short-term employment are often used as a means of a) employing vulnerable and/or volatile groups in the short term, until they can be reabsorbed in the workplace; b) injecting cash into the local economy; and/or c) restoring local infrastructure. Where interventions are designed to provide employment only in the short term, this limitation needs to be clearly communicated to participants to manage expectations of long-term employment. Whenever possible, short-term interventions should be leveraged to strengthen participants' potential for longer-term employment. This can be achieved by identifying and transferring skills in short-term interventions that improve participants' employability in the long-term in growing industries or where there is unmet workforce demand.

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51. See *Sphere Handbook* (2011 edition, forthcoming), Food Security Standard 3: Access to Markets for more information.

In addition, short-term employment interventions should not weaken or undermine community and environmental resources that are important for long term economic well-being.

**Example of Poor Programming:** An organization does capacity building with a fishermen's cooperative to improve their fishing techniques, but leaves out any discussion of environmental impacts and sustainability, which results in overfishing an inland lake.

- 2. Operating Environment:** Program design considers local government and policy institutions, as well as informal norms that govern the labor market, in order to foster decent working conditions and sustainability, and to develop a supportive business and policy environment. This should be included in the labor market assessment (see Guidance Note 3).
- 3. Market-Based Interventions:** Program strategies and interventions should be informed by research on market trends and demand. Research to determine demand includes examining the current and emerging sources of employment in the local economy, the potential absorption of trainees from employment programs, competence levels and certifications required by trainees to enter the labor market, and existing systems and resources for workforce development in the public and private sectors. The private sector should be consulted and, when possible, brought in as a partner to ensure that the skill sets developed meet market demand and to provide opportunities for placement, mentoring, and ongoing workforce development when the intervention is completed. Regular monitoring is also required to ensure responsiveness to market trends, with mechanisms in place to update workforce interventions as new or changing trends are identified.
- 4. Human Capital Development:** In identifying viable employment options, the skills and knowledge required to meet employment requirements—and the feasibility of doing this—with training and other support should be considered. The needs may be greater for disadvantaged and vulnerable groups. This may rule out certain opportunities despite their potential. Programs should also analyze the need to provide training in life skills, such as literacy, leadership, and communication, as well as the need for psychosocial support and counseling. Training providers and trainers must be equipped with the skills, attitudes, and knowledge to effectively train oth-

ers in relevant training programs. Where possible, projects should link with existing vocational training institutes and government initiatives. Training needs must also be regularly monitored to fit the labor demand and its changes over time and across the evolution of the post-crisis context.

**5. Quality of Employment:** In evaluating employment opportunities, the following factors should be considered:

- The level of remuneration is appropriate, taking into account local labor rates and any coordination of wage rates by international agencies. Wage rates that are above market rates for similar work will draw workers away from local private sector and agricultural actors, and lead to longer term unemployment, business closures, and other negative effects. Payments for waged labor are prompt and regular.

**Example of Poor Programming:** In Myanmar following Cyclone Nargis in 2008, aid agencies did Cash for Work programs to help villagers rebuild their homes and assets. Wage rates were set higher than market rates to help people recover more quickly. However, this meant that local farmers could not afford to hire agricultural workers to harvest their crops because the project timing and wage rates offered by the humanitarian organizations made labor too costly and put them in direct competition with the farmers.

- Procedures are in place to provide and promote a safe, secure working environment, including safe travel to and from the workplace. This includes considerations of gender, ethnic background, and other special categories.
- Employment is chosen freely, is respectful of human dignity, and offers opportunities of personal development. For instance, program strategies should also consider child protection, respect minimum work ages, and not undermine people's responsibilities to care for the household.
- Employment opportunities are equally accessible to women and men, to those of different ethnic origins, to young people old enough to work, and to all groups in a community, including (where relevant) host communities, internally displaced people, refugees, returnees, and

demobilized combatants.<sup>52</sup> This does not necessarily mean that women and men (or other groups) will all be trained in the same vocations. It simply means that they have equal access to opportunities.

**Example of Standard-Responsive Programming:** A project provides vocational training to demobilized combatants in a culture where traditionally only men enter certain vocations. Both men and women are free to select any of the options. Women who choose to enter a “non-traditional” vocation understand fully their likelihood of earning a living in this vocation, given cultural attitudes. They receive training in marketing their skills and are introduced to employers willing to hire women in a safe working environment.

- Employment respects local laws and customs, where these do not contravene international standards and the quality criteria listed here.

## Appendix to the Employment Standards

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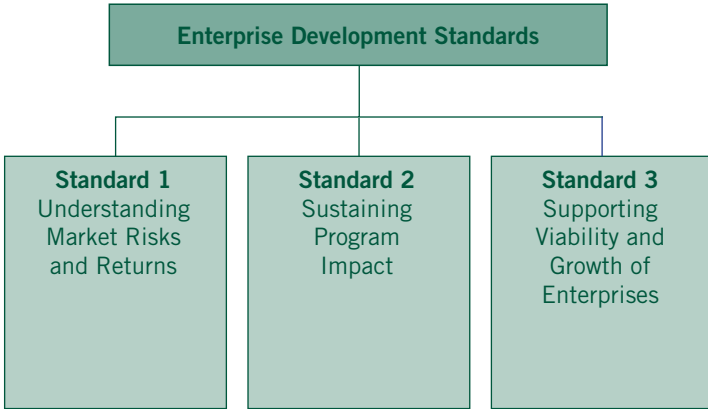
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# Enterprise Development Standards

For the purposes of these guidelines, enterprise development entails supporting economic activities by both individuals and businesses, ranging from self-employment to large commercial operations, whether formal or informal. It can include directly supporting businesses, but also refers to interventions that help an entire market system or value chain function more effectively, and in a manner that helps target beneficiaries to raise their incomes.

These are examples of enterprise development:

- Helping commercial information flow more easily through a market system and be accessible to a range of businesses (e.g., preferences on product quality, price levels, specific quantities, or types of goods desired)
- Helping individuals start businesses in a viable market (i.e., by giving training or assets to people to become animal health workers, or masons, or sales agents)
- Introducing or strengthening the relationships between actors at different levels in the market (producers to buyers, transporters to wholesalers)
- Strengthening the relationship between actors on the same level of the market system in order to improve efficiency or quality (i.e., hosting a convention of wholesalers or importers in a given market)
- Encouraging others to provide, or on occasion directly provide, services that businesses need (e.g., specialized finance, veterinary services for pastoralists, etc.)
- Trying to increase demand for a product, locally or abroad (e.g., fairs; competitions; export advocacy) in order to benefit everyone in the market system
- Promoting transparency and accountability to eradicate corruption and other practices that inhibit licit businesses

## **Enterprise Development Standard 1: Understanding Market Risks and Returns**

Enterprise development activities are based on periodic market assessment and carried out with an understanding of profitability, the enabling environment, and potential returns and risks.

### **Key Actions**

- Perform analyses prior to selecting markets and enterprises for program activities.<sup>53</sup>
- Identify potential partners (such as lead firms) when conducting assessments and analyses.
- Share and discuss analysis findings with affected communities; stay mindful how specific populations (e.g., women, farmers, vulnerable groups) may be affected.
- Evaluate whether programs increase and stabilize income and take care to consider market changes over time.
- Incorporate findings into program design and avoid creating excess supply.

### **Key Indicators**

- Program activities are informed by basic financial and market assessments of the enterprises and/or the markets they support. These assessments indicate that enterprises will be profitable and viable, both in terms of income and risk (see Guidance Note 1).
- Financial and market analyses are done in a manner that includes the communities and enterprises they affect (see Guidance Note 2), allowing them to weigh the potential risks and returns.
- Risk mitigation strategies are incorporated wherever possible into programs to assist enterprises to prepare for potential events that could undermine their business (see Guidance Note 2).

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53. See also Standards for Assessment and Analysis.

- Self-employed individuals and enterprises owned by potentially vulnerable households should have the knowledge to make informed decisions regarding specialization or diversification of their business activities (see Guidance Note 3).
- Assessments and analyses are updated periodically, and program activities are adjusted accordingly (see Guidance Note 1 and Standards for Assessment and Analysis).

## Guidance Notes

- 1. Financial Viability of Enterprises Supported:** When assessing potential profitability, the short- and medium-term prospects of the business should be evaluated, based on anticipated demand and the ability to compete. The depth of this analysis will depend on the size and complexity of the enterprise(s) or market within which the program is working. A financial analysis will determine the potential profitability of the business, while a market analysis will assess capacity in the market system and performance by looking at volumes of production and trade, trends in demand, market integration, competitiveness, availability of services and inputs required for operation, and governance. (See Assessment and Analysis Standard 1 for further guidance on conducting market analysis.) A market analysis should also identify lead firms or market leaders so that, where possible, activities are implemented through partnership and facilitation, rather than direct implementation (see Enterprise Development Standard 2).

Forecasts of potential profits should take into account the possibility that a business may be vulnerable to a “relief boom”—when enterprises and industries (such as restaurants or construction and transportation companies) are only viable while relief funds and workers are part of the economy. Caution should be used when assisting these types of enterprises. It would be better to consider other activities and industries that may be more sustainable. Framing alternative strategies based on different scenarios might be helpful, especially in volatile environments.

- 2. Involving Communities in Analyses:** Analysis should include the views and opinions of enterprises and individuals targeted for assistance. Including beneficiaries in the analysis will help them understand the potential risks and the returns in the short and long term, assisting them to make

informed decisions about their own lives and prospects. It will help to ensure that the information and assumptions used in the analysis are reliable. Programs need to understand beneficiaries' available resources, the performance of businesses to date, and the level of risk they are comfortable taking on. When both agencies and business owners understand the analysis, they are in a much better position to make informed decisions about whether the business is viable and whether it makes sense to support its rehabilitation. This reduces the risk of supporting activities that may further impoverish households (see Core Standard 1 and Core Standard 4).

**Example of Standard-Responsive Practice:** The EMMA market assessment in Port-au-Prince, after the 2010 Haiti earthquake, looked at the market system for roofing materials. By speaking to potential beneficiaries—small building-materials suppliers, large building-materials importers, as well as the government and humanitarian agencies—analysts were able to get a full picture of the needs and future demand for roofing materials. By talking with analysts and reviewing a market map, the people who worked in the roofing materials business were better able to understand how the role of others in the market system could impact their competitiveness. This helped them make more informed decisions about their businesses.

Source: CGI EMMA assessment for Port-au-Prince Feb 2010 <http://albu.myzen.co.uk/wordpress/wp-content/uploads/2010/02/EMMA-Haiti-report-Corrugated-Iron-Market2.pdf>

- 3. Informed Business Decisions:** Starting up new activities or expanding an economic activity at the cost of not engaging in others may make enterprises and the associated households more vulnerable. In evaluating the decision to recommend that an enterprise specialize, programs should consider the potential for income, as well as the risk of discontinuing other activities to determine if enterprises and households could weather the risk. The enterprises and households may also be able to identify and then plan for other means to manage risk, if assisted in accessing the information and resources needed to do so.

**Example of Poor Practice:** An agro-business program links smallholder farmers to a potato-chip processor. The smallholder farmers opt to move away from crop rotation to specialize in the potato variety requested by the processor, with the promise of handsome returns for their crops. Two years later, a potato blight wipes out their potato crops—and therefore their profits for the year—leaving them with no alternative crops to rely on for income and means to feed their families. The implementing agency should have provided better information to the farmers on the risks of specializing in one potato variety, and assisting them to look at means of mitigating the risk. For example, they could have grown potatoes, as well as another one or two high-value crops, rather than only focusing on one high-value crops.

## Enterprise Development Standard 2: Sustaining Program Impact

Organizations design and implement enterprise development activities with long term sustainability in mind.

### Key Actions

- Create or strengthen mutually beneficial relationships between enterprises.
- Examine horizontal and vertical linkages between enterprises (see Guidance Note 1).
- Look for leaders already in the market or other enterprises that could be potential partners for program implementation (see Guidance Note 2).
- Conduct periodic program reviews and adjust program activities according to the findings.

### Key Indicators

- Programs engage with the private sector as partners and avoid directly entering the market. When they must do so, they ensure that an exit strategy is in place from the outset (see Guidance Note 2).
- Short-term solutions are designed to facilitate longer term goals (see Guidance Note 3).

- Subsidies are time-bound, informed by analysis, and used selectively to stimulate a market response (see Guidance Note 3).
- Programs are designed to be flexible and to respond to changes in the market system or enabling environment (see Guidance Note 4).

## Guidance Notes

- 1. Horizontal and Vertical Linkages:** No business operates in isolation, even a very small business run out of the home. “Horizontal” linkages refer to those relationships with other businesses or market actors at the same level in the market (e.g., two retailers) whereas “vertical” linkages refer to relationships between market actors at different levels of the market system (e.g., a supplier to a buyer; an importer to a wholesaler). Examining these linkages helps programs understand where beneficial relationships, inefficiencies, or unfair dynamics are present, and to identify the best means to assist targeted businesses to succeed (see Core Standard 5).
- 2. Partnering with Private Sector Leaders:** At the start of an enterprise development program, plans should be in place to identify, partner with, and build the capacity of existing private sector firms; the program should be wary of directly enter the market chain and provide products or services. While direct intervention in a market may fill in a gap or “kick start” a market, it poses risks to the market’s sustainability. Direct interventions create dependency and delay the emergence of private-sector solutions to industry problems. It should thus be avoided whenever possible. When there are no market actors willing or able to play a particular role in the chain, services provided by a project should *not* be subsidized and should be handed over to private-sector firms as soon as possible.

Engagement with the private sector is also critical to building a sense of ownership within the business community and the targeted enterprises. It offers the opportunity to bring in additional expertise and resources. Existing enterprises—whether buyers, processors, or producers—can provide the sustainable leadership needed to drive innovation.

Market opportunities and constraints generally require a coordinated response by enterprises in an industry or subsector, which necessitates trust and a willingness to collaborate. Programming should have the means



to strengthen collaboration and relationships between market actors and among targeted enterprises and individuals (see Core Standard 4).

- 3. Short-Term Interventions:** Most post-crisis activities are focused on addressing immediate needs. However, emergencies also damage market functions and trade networks. Additional harm may be done if humanitarian interventions do not consider the potential of the local private sector to participate in recovery, as well as their recovery needs. Short-term activities that are not market-based are likely to undermine future recovery aspects and potentially destroy livelihoods. All project design must consider the long-term impact of their activities on the local private sector and their communities (see Core Standards 1 and 4).

Subsidies distort the market and should be avoided when possible. If absolutely necessary, organizations should plan from the outset to withdraw subsidies and to communicate this clearly to recipients and other stakeholders. Subsidies can be effective, for example, in assisting with asset replacement or demonstrating the potential of an improved technology. However, subsidies are unsustainable and should be time-bound and used selectively.

**Example of a Well-Planned Subsidy:** An organization, through a local private sector partner, co-finances a trade fair that brings together multiple actors in the sesame sector. The organization's support also provides a discount for the first 10 people who purchase a new type of equipment for processing sesame oil.

**Example of a Poor Subsidy:** An organization provides a grant to a juice processor to purchase new equipment. After purchasing however, the enterprise realizes that it is not able to source the volume and type of tomatoes needed to run near full capacity because the local farmers all prefer to sell local varieties to the fresh market.

- 4. Program Flexibility:** Programs should build in periodic assessments, use indicators that allow for market changes, and have the ability to reallocate resources according to opportunities and constraints identified. Donors and implementers have joint responsibility for being responsive to market realities (see Core Standard 1).

**Example of Standard-Responsive Programming:** For a program whose goal is to help farmers increase their incomes, indicators, such as “number of jobs created” or “average increase in household income,” are more flexible than “number of cotton farmers assisted.” This is because working directly with cotton farmers may not be the best way to intervene. A program might determine through regular market assessments, for example, that it is better to work with cotton processors to meet the goal of increasing rural household incomes.

**Example of Standard-Responsive Programming:** A donor agrees that while indicators and outputs should remain the same, a high level of budget flexibility is allowed so that an organization may re-allocate resources as the market changes over time.

## Enterprise Development Standard 3: Supporting Viability and Growth of Enterprises

Programs address critical needs for enterprise viability and growth.

### Key Actions

- Use market analysis to assess how activities with different players in the market system can benefit your target population.<sup>54</sup>
- Develop program activities using analysis that includes information on available support services.<sup>55</sup>
- Identify the legal and regulatory issues relevant to the targeted sectors or enterprises.
- Develop means to ensure enterprises are aware of relevant legal and regulatory issues.

### Key Indicators

- Programs should increase income in order to support the viability and growth of enterprises and communities (see Guidance Note 1).

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54. See also Enterprise Development Standard 1 and Core Standards 1 and 5.

55. See also Enterprise Development Standard 1, Core Standard 1, and Assessment and Analysis Standards.

- Enterprises are linked to business support services (see Guidance Note 2).
- Programs consider interventions at multiple levels in the market system (see Guidance Note 3).
- Enterprises have access to reliable market information (see Guidance Note 4).
- Enterprises are aware of relevant regulations and are able to abide by them to the extent possible (see Guidance Notes 5 and 6).
- Enterprises are encouraged to operate in a socially and environmentally responsible manner (see Guidance Note 7)

## Guidance Notes

- 1. Increasing Income:** All economic recovery programs should directly or indirectly increase incomes, or at a minimum make them more stable. Any program that does not do this is likely to be a program designed for social benefit, rather than enterprise development, and should be described as such. For many businesses, especially small and micro enterprises and larger businesses, this concept may be described in terms of growth and competitiveness. However, the end result will still be improved and more stable revenues. The success of enterprises and communities depends upon reliable and diversified income sources.
- 2. Linking Enterprises to Business Service Providers:** Enterprises are part of larger market systems and require access to a range of products and services in order to succeed. Transport, finance, storage, and repair services are examples of business services that an enterprise may require to be successful. Market assessments should include information on services that exist and how they are utilized. If essential services are not available and/or are not accessible and affordable, then it may not be viable to support the enterprise (see Enterprise Development Standard 1 and Core Standard 1). Special consideration should be given to linking enterprises to financial services (see Financial Services Standards).

**Example of Standard-Responsive Programming:** Business communities often find it useful to print business directories to help enterprises find other businesses and support services in the same market, sector, or locale. Trade fairs are another common way to bring together those who could benefit from support services with those who provide the services.

*Source:* RDI

- 3. Evaluating Direct and Indirect Means of Assistance:** Programs should consider working at several points in the market system or value chain to improve the effectiveness of interventions. Activities implemented with processors, wholesalers, or government may provide as much benefit to the targeted population as direct interventions (see Core Standard 5).

**Example of Standard-Responsive Programming:**

(a) In order to support poor farmers in Azerbaijan, IRC repaired the electrical lines to a nearby grain mill, significantly reducing the distance (and therefore cost) of transport for farmers to mill their wheat. As a result, their farming profits increased. The by-product of the milling was made into animal feed, thereby improving the nutritional state of local livestock, as inexpensive feed was now available.

*Source:* Interviews with staff at International Rescue Committee

(b) In Haiti, costs for basic food items soared in areas where small wholesalers had no place to store bulk goods. By supporting the repair of small storage depots, organizations helped reduce the costs of staple foods for poor consumers. Wholesalers could again purchase in bulk and sell at better rates, thereby improving food security in the area (more people were able to afford their goods). Because they were selling more, wholesaler profits went up.

*Source:* Interviews with staff at International Rescue Committee

- 4. Market Information:** Programs should ensure that targeted enterprises and individuals have access to regular and reliable market information. This includes knowing who is buying the goods or services in question, what quantity and quality specifications they prefer, what price different buyers are willing to pay, where to go for needed supplies or services, how prices change seasonally, what administrative and fiscal regulations must be abided by, and other pieces of information. However, for many reasons (remote

areas, lack of access to communication technology, misunderstandings or outdated information, or competition), this important information does not “flow” through the market system as it should. Without it, an enterprise risks making uninformed business decisions and potentially losing money. Indeed, enterprise development programs sometimes focus exclusively on improving the flow of market information, with considerable success.

**Example of Standard-Responsive Programming:** Fishermen in Indonesia previously brought their boats into their home port at the end of the day and sold their catch to agents waiting at the dock. A project helped them acquire cell phones. Now, as they get close to shore, they call the agents at various ports along the coast and bring their catch to the one who will give them the best price that day.

*Source: The Economist, 2009, “Mobile Marvels,” Sept 26, 2009.*

- 5. Regulatory Framework for Enterprises:** Organizations committed to developing enterprises should be knowledgeable about the regulatory framework for the market(s) in which they operate, and ensure—to the extent possible—that the enterprises they work with are legal and compliant. This includes compliance with required licenses, taxes, and other regulations.

If the enabling environment tolerates widespread informality, then programs can work with informal enterprises, but should, where possible, support an advocacy and policy agenda that advances more formal infrastructure. In informal markets, there are often informal requirements for operation that are controlled and enforced through social networks and links to those who have power in the market. How they affect the viability of targeted businesses and livelihoods needs to be understood and accounted for in programming.

Business-related regulations and procedures can both produce incentives and discourage the creation and conduction of businesses. Due to the institutional weakness in post-conflict settings and the reduced capacity to enforce laws, application of such rules may become even more challenging, confused, and poorly transparent. Such conditions represent an obstacle to the recovery of business and must be gradually removed by introducing appropriate incentives and creating adequate institutional capacities. While

the issue is to be tackled at the central governmental level, specific measures could be decentralized, provided there are local capacities to apply them.<sup>56</sup>

**Example of Poor Programming:** One organization supported farmers in a border area of Cote d'Ivoire to increase their groundnut production and to sell their crop in neighboring Ghana. When the government released a policy that no groundnuts could be exported due to food security concerns, both the program and the farmers suffered because the farmers had a greater supply of groundnuts than the local market could consume and transport within the country was prohibitively expensive. Had the organization done their research, they would have realized this policy was being discussed in the parliament and could have designed a project to mitigate the risk for the groundnut farmers.

- 6. Transparency and Accountability:** Transparency and accountability are conducive to productive investments. Corruption is a common feature in post-conflict settings because the existing conditions facilitate its spread. In turn, corruption reduces the credibility and popular support of the government, thus fuelling political instability and conflict. When corruption and abuse of public power are strongly and negatively perceived by the population (e.g., illicit taxes), lawful businesses struggle to start and to develop organically. Corruption and abuse should be tackled to support the growth of the economy and contribute to longer term stability. In post-conflict settings, aid flows can also be perceived as an opportunity for further illicit businesses if misspent or wasted.
- 7. Responsible Enterprises:** Investments in “responsible” businesses contribute to peace and stability. Such investments should be transparent, compatible with local values and development needs, and conflict sensitive. Moreover, responsible enterprises do not deplete natural resources, but instead actively contribute to their protection and renewal. A number of codes of conduct for enterprises have been developed to promote economic growth, human rights, environment protection and social development. Some of them are sector-specific (e.g., oil, gas, minerals, metals), and some others are related to labor standards.<sup>57</sup>

56. ILO, 2010, “Local Economic Recovery in Post-conflict.”

57. See relevant ILO conventions: Freedom of association (C. 87); collective bargaining (C. 98); abolition of forced labor (C.105), minimum age convention (C. 138), abolition of the worst forms of child labor (C. 182), equal remuneration (C. 100), abolition of discrimination (employment and occupation) (C. 111), at <http://www.ilo.org/ilolex/english/convdisp1.htm>.

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# Annex

## Glossary for *Economic Recovery Standards*

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*This glossary provides definitions for the commonly used terminology in the Economic Recovery Standards. These definitions are reflective; the common lexicon is based upon widely accepted definitions in work related to economic development, microfinance, enterprise development, livelihoods, market development, agriculture, and food security. Many of these definitions, if not otherwise cited, are adapted from the Microenterprise Development Office at USAID via their website: [www.microlinks.org](http://www.microlinks.org).*

### **Access**

In financial services, access is measured by financial institutions' outreach (in numbers) to micro and small enterprises, with products and services they can use profitably. The definition is similarly applied in enterprise development, in that access is measured by the numbers of enterprises that can profitably access products and services required for their business, including markets.

### **Adjusted return on operations**

This is the core measure used by many organizations to assess the financial sustainability of a microfinance institution. A value of one or more implies full financial sustainability (see **full financial sustainability**).

### **Assessment**<sup>58</sup>

For the purposes of the *Standards*, "assessment" refers generally to research (both in-person and secondary) conducted before, and periodically during, an economic recovery intervention on market systems, beneficiaries, and surrounding conditions. (See also **evaluation**.)

### **Asset protection**

Most often refers to preventing the sale or consumption of assets by transferring cash or assets (e.g., vouchers, food aid), but may also include activities to physically protect natural and household assets and ensure access to larger-scale or group assets (such as land, water, or group-managed facilities), as well as efforts to ensure that local laws and cultural norms do not endanger people's assets.

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58. Developed by contributors to *Economic Recovery Standards*.



### **Broad outreach**

The provision of significant benefits to large numbers of a particular target group.

### **Business**

An occupation, profession, trade, or entity engaged in an economic activity for profit (see **enterprise** and **microenterprise**).

### **Business development services (BDS)**

These are a wide array of non-financial services critical to the entry, survival, productivity, competitiveness, and growth of enterprises<sup>59</sup> (see enterprise and microenterprise). It includes the strategic and operational services that firms need to sustain their operations and to upgrade, in order to increase their profitability. BDS can include generic services, such as ISO training, information technology technical assistance, strategic planning, and marketing, as well as subsector-specific services in product development, market access, input supply, equipment sale or leasing, and other sector technical assistance and/or training.

### **Business linkages**

These include both vertical and horizontal linkages among enterprises. Business linkages are mutually beneficial relationships between businesses at the same level of the value chain (horizontal) and at different levels of the chain (vertical) and addressing the constraints at all levels of the chain to support win-win relationships. Business linkages are sometimes also referred to as market linkages. (See also horizontal linkages and vertical linkages).

### **Competitiveness**

The ability of an enterprise or a country to compete successfully, based on price, quality, uniqueness, good service, and/or other socially or environmentally valued standards with other firms or countries. Competitiveness is also referred to as sustainable growth in productivity that results in an improved standard of living for average citizens. Achieving and maintaining competitiveness depends on the ability to innovate. Since the competitive advantage of a firm is dependent on the business system and policy environment in which

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59. Committee of Donor Agencies for Small Enterprise Development, 2001, *Business Development Services for Small Enterprises: Guiding Principles for Donor Intervention* (Geneva: ILO). <http://www.ilo.org/public/english/employment/ent/papers/guide.htm>. The Committee of Donor Agencies includes USAID, DFID, CIDA, IFAD, UNDP, JICA, EU, GTZ, Ford Foundation, and the World Bank.

it operates, competitiveness at all levels is inter-dependent. Thus, success at achieving competitive performance depends not only on a firm's ability to innovate but also on the performance of both upstream and downstream links in their respective value chains.

### **Cooperatives<sup>60</sup>**

A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically controlled enterprise. The cooperative model of enterprise can be applied to any business activity. Cooperatives exist in traditional economic sectors, such as agriculture, fisheries, consumer and financial services, housing, and production (workers' cooperatives). However, cooperatives are found in a wide range of sectors and activities, including car-sharing, child-care, health and social care, funerals, orchestras and philharmonics, schools, sports, tourism, utilities (electricity, water, gas, etc.), transport (taxis, buses, etc.), among many more. (See group assets and producer groups)

### **Coping strategies**

This refers to specific efforts that households employ to address disruptions to their sources of income. Common examples of potentially negative coping strategies include reducing daily food intake; consuming cheaper food; reducing household expenditures on necessary items, such as clothing, medical care, and education; and reducing the number of dependents in the household.

### **Corruption<sup>61</sup>**

This means the abuse of entrusted power for private gain, including financial corruption, such as fraud, bribery, and kick-backs. It also encompasses non-financial forms of corruption, such as the manipulation or diversion of humanitarian assistance to benefit non-target groups, the allocation of relief resources in exchange for sexual favors, preferential treatment in the assistance or hiring processes for family members or friends, and the coercion and intimidation of staff or beneficiaries to turn a blind eye to or participate in corruption.

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60. International Co-operative Alliance . <http://www.ica.coop/coop/index.html>

61. See the Transparency International web site, <http://www.transparency.org/>.

### **Deep outreach**

This is the provision of significant benefits to particularly disadvantaged members of a broader target group. In the case of enterprise development programs, these typically include the poorest microentrepreneurs, female microentrepreneurs, etc.

### **Economic development**

As a broad discipline, different groups define economic development based on their target group and field of practice. Definitions of the term include:

- “Improvements in the efficiency of resource use so the same or greater output of goods and services is produced with smaller throughputs of natural, manufactured, and human capital.”<sup>62</sup>
- Qualitative change and restructuring in a country’s economy in connection with technological and social progress. “The main indicator of economic development is increasing GNP per capita (or GDP per capita), reflecting an increase in the economic productivity and average material wellbeing of a country’s population. Economic development is closely linked with economic growth.”<sup>63</sup>

### **Economic growth<sup>64</sup>**

“Quantitative change or expansion in a country’s economy. Economic growth is conventionally measured as the percentage increase in gross domestic product (GDP) or gross national product (GNP) during one year. Economic growth comes in two forms: an economy can either grow “extensively” by using more resources (such as physical, human, or natural capital) or “intensively” by using the same amount of resources more efficiently (productively). When economic growth is achieved by using more labor, it does not result in per capita income growth (see Chapter 4). But when economic growth is achieved through more

62. UNESCO, [http://www.unesco.org/education/tlsf/TLSF/intro/glossary\\_links/glossary.htm](http://www.unesco.org/education/tlsf/TLSF/intro/glossary_links/glossary.htm). Accessed September 2010.

63. World Bank, Development Education Program website, DEPweb, “Glossary: Economic development,” in *Beyond Economic Growth Student Book*, <http://www.worldbank.org/depweb/english/beyond/global/glossary.html>. Accessed September 2010.

64. World Bank, Development Education Program website, DEPweb, “Glossary: Economic growth,” in *Beyond Economic Growth Student Book*, <http://www.worldbank.org/depweb/english/beyond/global/glossary.html>. Accessed September 2010.

productive use of all resources, including labor, it results in higher per capita income and improvement in people's average standard of living. Intensive economic growth requires economic development."

The increase in value of the goods and services produced by an economy. It is conventionally measured as the percent rate of increase in real gross domestic product (real GDP). Growth is usually calculated in real terms, i.e., inflation-adjusted terms, in order to net out the effect of inflation on the price of the goods and services produced. In economics, "economic growth" or "economic growth theory" typically refer to growth of potential output, i.e., production at "full employment," which is caused by growth in aggregate demand or observed output.

### ***Enabling environment***

An environment of policies, regulations, institutions, and overall economic governance, which allows for economic growth.

### ***Enterprise***<sup>65</sup>

An enterprise is considered to be any entity engaged in an economic activity, irrespective of its legal form. In enterprise development programs, this particularly includes self-employed persons, family businesses, partnerships, or group businesses (associations, cooperatives, informal groups) that are regularly engaged in an economic activity. (See microenterprise for definitions of micro, small, and medium enterprises based on revenue and employee size.)

### ***Enterprise development***

Enterprise development entails supporting economic activities by both individuals and businesses, ranging from self-employment to large commercial operations, whether formal or informal. This can include directly supporting businesses but also refers to interventions that help an entire market system or value chain function more effectively and in a manner that helps target beneficiaries to raise their incomes.

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65. Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises (notified under document number C(2003) 1422), <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32003H0361:EN:NOT>.

**Evaluation<sup>66</sup>**

For these *Standards*, “evaluation” generally refers to post-intervention determinations of the program’s performance and effects, for example, outcomes or impact. (See also **assessment**.)

**Exit strategy**

Relates to withdrawing from subsidizing an intervention, leaving behind sustainable improvements in the private sector.

**Facilitator**

This can be an institution or project that gives indirect support for private sector development. Rather than providing services directly, a facilitator orchestrates interventions that build local capacity for providing commercial services and/or solutions (to recurrent constraints), preferably through existing providers in the private sector. Services and/or solutions can include access to markets, product development/design, technology access, training, consulting services, financial services (links to financial services), improved inputs, and/or advocacy services.

**Financial costs (also called cost of funds)**

These are the costs of the funds raised by a microfinance institution to cover its lending. Depending on the context, this may include the interest costs paid to depositors and/or to other financial investors, the rate of inflation or the opportunity cost of funds received as grants or soft loans from donors, governments, or charitable organizations.

**Financial services**

In the context of enterprise development, these include the provision of a range of financial services, including credit, savings, remittances, insurance, leasing, and credit cards (see *Microfinance*). These services are generally targeted to low income people but may also include larger enterprises to create employment opportunities for low income people.

**Financial sustainability**

The degree to which an organization collects sufficient revenues from its services to cover the full costs of its activities including operating costs, cost of funds, and expected losses.

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66. Developed by contributors to *Economic Recovery Standards*.

**Formal sector/formal economy<sup>67</sup>**

The formal sector or formal economy refers to regulated economic units (e.g. businesses) and workers that are regulated and protected. Put another way, the formal sector comprises economic activities and enterprises that are regulated and/or taxed by the government. (see Informal sector/informal economy)

**Full-cost-recovery interest rates and fees**

The level of interest rates, fees, and other expenses needed to cover the full long-run costs of providing a given loan or other financial or non-financial service.

**Full financial sustainability**

A situation in which the revenues an organization generates from its clients cover the full (opportunity) costs of its activities, thus allowing it to continue operating at a stable or growing rate without ongoing support from governments, donor agencies, or charitable organizations. When applied to a financial services institution, full financial sustainability requires that the interest and fees the microfinance institution collects for its lending equal or exceed the sum of its operational and financial costs, with the latter evaluated on an opportunity-cost basis.

**Full long-run (opportunity) costs**

In the context of these guidelines, the financial plus operational costs are what an organization spends to provide a given quantity and quality of services (for example, credit), once the organization has achieved feasible economies of scale and improvements in operational efficiency, with all costs evaluated on an opportunity-cost basis. It is used as a basis for estimating the prices that must be charged for services to allow the organization to reach full financial sustainability. In the case of a financial services institution undergoing significant growth and/or improvement in operational efficiency, the full long-run costs of providing credit will typically be less than currently observed costs.

**Group assets**

Assets owned formally or informally by a group of individuals engaged together in a business. Examples of typical group-managed assets include drip/sprinkler

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67. From Martha Alter Chen, "Rethinking the Informal Economy," DESA Working Paper, no. 46, ST/ESA/2007/DWP/46 (New York: UN, Department of Economic and Social Affairs), [http://un.org/esa/desa/papers/2007/wp46\\_2007.pdf](http://un.org/esa/desa/papers/2007/wp46_2007.pdf). See also Wikipedia, "Informal Economy" ([http://en.wikipedia.org/wiki/Informal\\_economy#cite\\_ref-portes\\_0-0](http://en.wikipedia.org/wiki/Informal_economy#cite_ref-portes_0-0)). Both accessed September 2010.

irrigation systems, packaging equipment, warehouses, and generators. Group asset transfers tend to be larger in scale (value and size) than individual asset transfers and more concentrated in one location; thus additional attention prior to transfer must be given to evaluating local market impact and implications.

### ***Horizontal linkages***

Market and non-market interactions and relationships between firms or individuals performing the same function in a market system (e.g. among multiple wholesalers). Horizontal linkages tend to be longer-term, cooperative arrangements among firms that involve interdependence, trust and resource pooling in order to jointly accomplish common goals. Both formal and informal horizontal linkages can help reduce transaction costs, create economies of scale, and contribute to the increased efficiency and competitiveness of a sector. Such linkages also facilitate collective learning and risk sharing while increasing the potential for upgrading and innovation.<sup>68</sup>

### ***Impact***

An intended change in some high-level program objective, such as enterprise growth or household income. It should be distinguished from intermediate outputs of projects, such as the number of producers organized or the number of trainings provided.

### ***Impact assessment***

Involves assessing the impact of a project and proving attribution by comparing actual outcomes with a counterfactual—an estimate of what would have happened if the project had not been implemented. The best way of assessing project impact is through a longitudinal sample survey that uses an experimental or quasi-experimental methodology to compare a sample of project participants with a non-participating but otherwise similar control group. Impact is sometimes measured by canvassing participant and/or expert opinion. While such qualitative inquiries can effectively supplement longitudinal surveys, they are not satisfactory substitutes for the superior approaches.

### ***Implementing organization***

In the context of economic recovery, any government or non-government organization that directly provides assistance to microenterprises, or that per-

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68. Adapted from USAID microLINKS Value Chain Development wiki.

forms other activities intended to improve the environment for microenterprise performance.

### **Indirect responses**<sup>69</sup>

Interventions that engage with traders, wholesalers, officials, or policy makers—any party that is not the targeted ultimate beneficiaries of the intervention, and which lead to benefits for the ultimate target population. An example of an indirect intervention would be the rehabilitation of key infrastructure links in order to increase trade and create jobs for crisis-affected individuals.

### **Informal sector/informal economy**<sup>70</sup>

The informal sector or economy, also called the “second economy,” refers to work that is not regulated or taxed by the government. It covers a multiplicity of activities and different types of relationship to work and to employment. The informal sector may include the self-employed (in their own activities and family businesses), paid workers in informal enterprises, formal-sector employees with informal second economic activities, unpaid workers in family businesses, casual workers without fixed employers, and sub-contract workers linked to formal or informal enterprises. The vast majority of the world’s workers, including the poorest, are in the informal sector. (see **Formal sector/formal economy**)

### **Inter-firm cooperation**

Defined as a strategic agreement between two or several businesses involving exchange and/or sharing or co-development of products, technologies, or services; and covers a variety of arrangements between micro, small, medium, and large enterprises, including licensing and subcontracting relationships, technology, marketing, and other forms of strategic partnering. The primary motivation for this cooperation is to enhance competitive position or market power, decrease transaction cost, and provide access to organizational knowledge and learning. Inter-firm cooperation could be an effective mechanism for capacity-building in areas, such as technology, product and process quality improvements, marketing, and managerial know-how, particularly for micro-, small and medium enterprises. (see **Business linkages, Cooperatives, and Producer groups**).

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69. Developed by *Standards* contributors.

70. Women in Informal Employment, <http://www.wiego.org> along with the International Labour Organisation (ILO).



### **Livelihoods**

A livelihood comprises the capabilities, assets (including material and social resources), and activities required for a means of living. A livelihood is sustained when it can last through and recover from various stresses and shocks, and preserve or enhance assets and capabilities, while not undermining the natural resources base. (DFID)

Livelihoods are the strategies that people use to hold, utilize, and transfer assets to produce income today and deal with problems tomorrow. These strategies change and adapt in response to various shocks, external influences, institutional norms and rules, and other factors. A livelihoods approach must be as dynamic as these strategies. A livelihoods approach to poverty reduction essentially considers the way that the poor manage their assets in a context of vulnerability. Poverty reduction strategies must contain policies and actions that promote sustainable livelihoods and create an institutional framework conducive to increasing poor people's control and ownership of their assets. (USAID)

### **Making markets work for the poor (M4P)**

The M4P approach is driven in part by the ambitious United Nations Millennium Development Goals to reduce extreme poverty by half by 2015. M4P seeks to "accelerate pro-poor growth by improving outcomes that matter to the poor in their roles as entrepreneurs, employees, or consumers of markets."<sup>71</sup> It incorporates not only local markets but also national, regional and global markets. Changes in policy regulation and business practices that affect the enabling environment are an integral part of the approach. The aim of these projects is to change the structure and characteristics of markets to increase participation by the poor on terms that benefit them.<sup>72</sup> Note that some practitioners also refer to M4P as the "bottom of the pyramid" approach, after the title of the book by C.K. Prahalad.

71. DFID, "Making Market Systems Work Better for the Poor (M4P): An Introduction to the Concept," discussion paper prepared for the ADB/DFID joint workshop on "Making Markets Work Better for the Poor," Manila, the Philippines, 15-16 February 2005.

72. David Ferrand, Alan Gibson, and Scott Hugh, *Making Markets Work for the Poor: An Objective and an Approach for Governments and Development Agencies* (Woodmead, South Africa: ComMark Trust, 2004); and SIDA, "Making Markets Work for the Poor: Challenges to SIDA's Support to Private Sector Development," provisional edition (Stockholm, Sweden: Sida, 2003).

**Market analysis**<sup>73</sup>

The process of assessing and understanding the key features and characteristics of a market system so that predications can be made about how prices, availability, and access will perform in future; and decisions made about whether or how to intervene. The term 'market assessment' may be used to describe this process as well. Value chain analysis is a type of market analysis (see also **Value chain analysis**).

**Market assessment**

(See **Market analysis** and **Value chain analysis**)

**Market chain**

(See **Sub-sector** or **Value chain**; see also **Market system**.)

**Market development**

Market development, as defined by The SEEP Network, is a sub-field of enterprise sector development, in which development programs seek to help micro- and 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 micro- and 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. (See **Value chains**, **Sub-sector**, and **Making markets work for the poor (M4P)** for different methodologies to undertake market development programming)

**Market integration**

A market system is integrated when linkages between local, regional, and national market actors are working well. In an integrated market system, any imbalance of supply and demand in one area is compensated by the relatively easy movement of goods from other nearby and regional markets.

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73. Adapted from Albu, Mike. *Emergency Market Mapping and Analysis Toolkit*. Practical Action Publishing and Oxfam GB, 2010.

**Market linkages**

(See **Business linkages**, **Value chain analysis**, and **Sub-sector**)

**Market rates**

The prevailing interest rate or fee that is offered in the market reflecting the supply and demand for that service and the cost to deliver that service.

**Market system**

The complex web of people, trading structures, and rules that determines how a particular good or service is produced, accessed, and exchanged. It can be thought of as a network of market actors, supported by various forms of infrastructure and services, interacting within the context of rules and norms that shape their business environment. (See also **Value chain**; **Sub-sector**; and **Market chain**).

**Medium enterprise**

(See **Microenterprise** and **Small enterprise**)

**Microenterprise**

A very small enterprise owned and operated by poor people, usually in the informal sector, with 10 or fewer workers, including the microentrepreneur and any unpaid family workers. This also includes crop production, as long as the activity otherwise meets the definition (USAID).

The category of micro-, small, and medium enterprises (SMEs) is made up of enterprises which employ fewer than 250 people, with an annual turnover not exceeding EUR 50 million, and/or with an annual balance sheet total not exceeding EUR 43 million. Within the SME category, a small enterprise is defined as an enterprise which employs fewer than 50 people and has an annual turnover and/or annual balance sheet total that does not exceed EUR 10 million. Within the SME category, a microenterprise is defined as an enterprise which employs fewer than 10 people, with an annual turnover and/or annual balance sheet total that does not exceed EUR 2 million (European Commission).<sup>74</sup>

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74. Official Journal of the European Union, Commission Recommendation, 6 May 2003; its definition of micro-, small and medium enterprises ([http://europa.eu.int/eur-lex/pri/en/oj/dat/2003/l\\_124/l\\_12420030520en00360041.pdf](http://europa.eu.int/eur-lex/pri/en/oj/dat/2003/l_124/l_12420030520en00360041.pdf)).

A microenterprise is defined as having up to 10 employees, total assets of up to US\$ 100,000, and total annual sales of up to \$100,000; a small enterprise has up to 50 employees, total assets of up to \$3 million, and total sales of up to \$3 million; a medium enterprise has up to 300 employees, total assets of up to \$15 million, and total annual sales of up to \$15 million. While these definitions are admittedly subjective and still under review, they are broadly consistent with those used by most other international financial institutions. Still, it should be noted that the numbers shown above depend heavily on choice of this (or any other) definition (World Bank)<sup>75</sup>

### ***Microenterprise development***

Any activity undertaken by donors, host-country governments, or non-government organizations to improve the lives of poor people by encouraging the formation and/or improved profitability of micro- and small enterprises.

### ***Microentrepreneur***

Owner and operator of a microenterprise, sometimes an individual who is economically, socially, or educationally disadvantaged, and usually one who lacks access to the formal commercial banking system and traditional business development services.

### ***Microfinance***

The provision of financial services adapted to the needs of low-income people, such as microentrepreneurs, especially the provision of small loans, the acceptance of small savings deposits, and provision of payment services needed by microentrepreneurs and other people who may lack access to mainstream financial services.

### ***Microfinance institution/organization (MFI or MFO)***

An organization whose activities consist wholly or in significant part of the provision of financial services to microentrepreneurs.

### ***Operational costs***

In a financial services context, the portion of a program's costs that covers personnel and other administrative costs, depreciation of fixed assets, and loan losses.

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75. World Bank, "Small and Medium Enterprise Development," [http://www2.ifc.org/sme/html/sme\\_definitions.html](http://www2.ifc.org/sme/html/sme_definitions.html).

**Operational Sustainability/Self-Sufficiency**

A situation in which an organization generates sufficient revenues from clients to cover all of its operational costs.

**Opportunity costs<sup>76</sup>**

The value of a given set of resources in their best alternative use. In the case of economic recovery intervention beneficiaries, refers to the value of other production they could have done with their assets in question (e.g. other activities they could have done with their time or another crop they could have grown on their land).

**Private sector<sup>77</sup>**

Comprises entities run by private individuals or groups, usually as a means of enterprise for profit, and is not controlled by the state. By contrast, enterprises that are part of the state are part of the public sector; private, non-profit organizations are regarded as part of the voluntary sector. (However, governments, state enterprises and non-profit organizations are all involved in various market systems – for example, as employers, buyers of goods and services, and sometimes as providers of goods and services.)

**Producer groups**

Defined as individuals engaged in producing similar products that are organized to achieve economies of scale and production or marketing efficiencies. By (cooperating) organizing into producer groups, micro- and small enterprises are often able to 1) improve their access to and reduce the cost of raw materials through bulk-purchasing; 2) increase their efficiency by sharing production skills and resources; 3) enhance the quality and marketability of their products through common production standards and market-driven product specifications; 4) increase access to available financing; 5) obtain critical business services through embedded or fee-for-service mechanisms; and 6) improve their market position by having the quality, quantity, and types of products that multiple buyers demand (see Cooperatives and Inter-firm cooperation).

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76. Adapted from microLINKS and *Standards* contributors.

77. Adapted from Wikipedia: [http://en.wikipedia.org/wiki/Private\\_sector](http://en.wikipedia.org/wiki/Private_sector).

**Productive Assets**

Productive Assets are defined as resources that are used to generate income and profit. People can make use of assets in two ways: (1) they can own or directly control them, or (2) they can have access to resources that do not belong to them.

**Remittances**

The earnings sent by migrants to their countries of origin. In Latin America and the Caribbean, for example, remittances constitute a critical flow of foreign currency in the majority of countries.

**Small enterprise and SME (small and medium enterprises)**

Also sometimes abbreviated as MSME—micro, small, and medium enterprises (see **Enterprise and Microenterprise**).

**Shock**

Usually sudden, irregular events that significantly affect a household's or enterprise's ability to generate income by regular means. At the level of an economy or market, a shock is an event that disrupts established trading patterns and trends. The effects of a shock will vary among households, enterprises and markets.

**Sub-sector<sup>78</sup>**

A sub-sector can be defined as all the firms that buy and sell from each other in order to supply a particular set of products or services to final consumers (see **Value chain**).

**Subsidy**

In the context of economic recovery, when all or part of the cost of a good or service is paid by someone other than the user (e.g., an NGO or the government), such that the end user does not pay the full price.<sup>79</sup>

**Subsidized credit**

The provision of loans on the basis of interest rates and fees that fail to cover the full long-run costs of providing those loans.

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78. Frank Lusby and Henry Panlibuton, *Promoting Commercially Viable Solutions to Sub-Sector and Enterprise Development Constraints* (Arlington, VA, USA: Action for Enterprise, 2004).

79. Developed by *Standards* contributors.

### ***Supporting markets or supporting services***

(See **Business development services**)

#### ***Sustainability***

The sustainability of project impacts requires the development of local capacity to address recurring constraints. Recurring value-chain constraints should be addressed with efforts at policy and/or regulatory reform and commercial solutions to supporting (business and financial) services and improved inputs. Moreover, interventions should be temporary, and an explicit exit strategy needs to be developed upfront (not at the end of the project) to ensure that impacts are sustainable once project activities end.

#### ***Upgrading***

Refers to a change in mind-set, improvements in skills, development of new designs or products based on knowledge of final customers, employment of new technologies, adoption of new functions within a value chain, and other actions that lead to greater competitiveness. Upgrading can include product development, technology transfer, workforce training, effective backward linkages to suppliers, as well as the use of information technology to enable firms to identify and compete in new markets. Organizing micro- and small enterprises firms is often a first step in establishing effective backward linkages to their suppliers.

#### ***Value added***

(See **Upgrading**)

#### ***Value chain***

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

Global value chains are divided among multiple firms and spread across wide swaths of geographic space, hence the term “global value chain.” Evidence shows that global value chains have become much more prevalent and elaborate at the tail end of the twentieth century. Today, the process of economic development cannot be isolated from these global systems. This means that

firms and workers in widely separated locations affect one another more than they have in the past. Some of these effects are quite straightforward, as when a firm from one country establishes a new factory or engineering center in another country. Some are more complex, as when a firm in one country contracts with a firm in another country to coordinate production in plants owned by yet another firm in a third country, and so on (see **Sub-sector**).

### ***Value chain analysis***

Focuses on the dynamics of inter-linkages within a productive sector, especially the way in which firms and countries are globally integrated. While it includes a description of actors in the value chain and an analysis of constraints along the chain (as do traditional sectoral analyses), it overcomes an important weaknesses of traditional analysis, which tends to be static and limits itself to national boundaries. Value chain analysis concentrates on inter linkages and, by doing so, uncovers the dynamic flow of economic, organizational, and coercive activities between producers within different sectors, even on a global scale. (See also **market analysis**)

### ***Vertical Linkages***<sup>80</sup>

Links between actors at different levels of a value chain or market system, e.g. buyers and sellers. In addition to buying and selling activities, vertical linkages provide for the exchange knowledge, information and technical, financial and business services.

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80. Adapted from USAID micriolINKS Value Chain Development wiki.



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We would be remiss if we did not list all of the individuals and their organizations who contributed their time, talents, and energy to writing the first and second edition of the *Minimum Economic Recovery Standards*.

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*Note: Some individuals have since left the organizations listed here; however they are mentioned to give credit to the organization's commitment.*

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