

ECONOMIC RECOVERY AND MARKET SYSTEMS UPDATE



Cash-for-Work (CFW) Beneficiaries at Work in Somalia. *Courtesy of USAID/OFDA Partner*

Mitigating the Effects of El Niño in Drought-Affected Northern Somalia

Since 1991, Somalia has experienced chronic food insecurity, widespread violence, and recurrent droughts and floods resulting in a persistent complex emergency. In early 2016, drought in northern parts of the country—exacerbated by a strong El Niño climatic event—compounded humanitarian needs by further deteriorating food-security conditions and disrupting agricultural livelihoods in drought-affected areas. In response, USAID/OFDA provided nearly \$8.6 million in FY 2016 for economic recovery activities in Somalia, including cash transfers for livelihoods, CFW programs, and technical trainings to promote income diversification.

USAID/OFDA is supporting three partners to mitigate drought-related livelihood and market disruptions in northern areas of the country. One partner is providing CFW opportunities to rehabilitate agricultural infrastructure; the cash received will help diminish negative coping mechanisms, such as the sale of productive assets, among drought-affected households, and the improvements to communal resources will strengthen resilience to future environmental shocks. Another USAID/OFDA-supported non-governmental organization is implementing CFW interventions focused on rehabilitating key roads to increase water access for agricultural, domestic, and livestock uses. Similarly, a third partner is conducting CFW activities—supporting the construction of fences around community water points, the restoration of water retention structures, and the rehabilitation of roads and community waste collection and disposal sites. The CFW activities will allow for the restoration of livelihoods while contributing to the stabilization of the community by enhancing key assets.

Sector Overview

Natural disasters and conflicts adversely affect local economies by destroying homes and businesses, damaging assets, and disrupting transportation and markets. To help communities resume economic activity and rebuild livelihoods, USAID's Office of U.S. Foreign Disaster Assistance (USAID/OFDA) supports economic recovery and market systems (ERMS) activities in disaster-affected communities, as well as ERMS interventions that help markets and livelihoods prepare for and become resilient to disasters. Reducing the economic impact of disasters is the third pillar of USAID/OFDA's mandate.

ERMS interventions strengthen key market systems, help populations restore livelihoods, and increase purchasing power at the household, local, and regional levels. USAID/OFDA-supported ERMS programs complement individual and community recovery efforts following a disaster, helping households and communities regain economic independence.

In Fiscal Year (FY) 2016, USAID/OFDA provided more than \$33.2 million to support economic recovery activities in 24 countries throughout Africa, Asia, Europe, the Middle East, and Latin America and the Caribbean, as well as regional and worldwide interventions.



CFW Beneficiaries Repair a Road in CAR. *Courtesy of Première Urgence*

Restoring Livelihoods for Returnees and IDPs in CAR

In late 2012, armed groups advanced across Central African Republic (CAR), triggering widespread violence and prompting people to flee areas of conflict. Conditions further deteriorated in 2013, as clashes between formerly allied militant forces resulted in additional displacement and increased humanitarian needs among conflict-affected populations. The situation remains volatile and violence continues, despite an April 2015 peace agreement and early 2016 elections. A reduction in hostilities in some areas has enabled the return of some internally displaced persons (IDPs) to places of origin, and relief organizations are providing assistance where security permits.

People returning home, and those that remain displaced, frequently are unable to resume their livelihoods due to depleted finances and the loss of productive assets such as agricultural tools or livestock. Conflict in CAR has also resulted in the destruction of communal infrastructure, impeding market activity. USAID/OFDA is supporting partners to restore livelihoods and strengthen local market systems, including through CFW opportunities, cash grants, and vocational training. With USAID/OFDA assistance, *Première Urgence* is temporarily employing conflict-affected people to rehabilitate bridges, roads, and water channels—simultaneously improving infrastructure critical to market activity and providing people with urgently needed cash. The International Organization for Migration, through USAID/OFDA funding, is supporting the economic recovery of IDPs by providing cash grants to purchase productive assets and resume economic activity. A third partner, Plan USA, is providing vocational training for conflict-affected teenagers, building economic resilience among a highly vulnerable population. USAID/OFDA is also funding six other partners to support economic and livelihood recovery efforts in CAR. In FY 2016, USAID/OFDA provided more than \$2.3 million for ERMS activities in the country.

Supporting Economic Recovery Efforts in Yemen

Protracted conflict in Yemen, which began in 2004 and escalated from 2014–2016, has damaged public infrastructure, interrupted essential public services, resulted in significant displacement, reduced the level of commercial imports to a fraction of the level required to sustain the population, and contributed to a severe economic crisis. The prolonged conflict has exacerbated humanitarian needs, damaged livelihoods, and diminished market activities.

In some areas of Yemen where economic activity is viable, increasing access to cash and financial services is imperative to the restoration of local market systems. USAID/OFDA is supporting partners to implement economic recovery programs, including cash transfers and entrepreneurial financing, in Yemen. One partner is providing cash transfers to conflict-affected small business owners to enable them to buy needed inputs, repair or replace assets, and resume operations. Another partner is training communities in group dynamics, business management, and savings and lending with the objective of forming asset-building groups (ABGs). Once formed, the ABGs can pool member resources, disburse loans for income-generating activities, and earn interest on their investments—providing a vital and sustainable source of finance in communities with few other savings or credit mechanisms. USAID/OFDA is also funding three other partners to support economic and livelihood recovery efforts in Yemen, including cash transfers, CFW opportunities, and access to microfinance. In FY 2016, USAID/OFDA provided nearly \$5 million for ERMS activities in Yemen.

Global ERMS Programming

In addition to country-level and regional ERMS programming to facilitate economic recovery, USAID/OFDA funds global initiatives to strengthen economic recovery capacity and knowledge throughout the humanitarian community. Programs include:

Minimum Economic Recovery Standards: The Minimum Economic Recovery Standards, a companion to the Sphere Handbook on humanitarian response, is supported by USAID/OFDA through the SEEP Network. In FY 2016, SEEP launched the revision process for the third edition of the standards, including regional revision workshops around the world. More information on the Standards is available at: <http://www.seepnetwork.org/minimum-economic-recovery-standards-resources-174.php>.

Markets in Crises: Through the International Rescue Committee (IRC), USAID/OFDA supports the Markets in Crisis community of practice, which helps humanitarian organizations assess critical market systems as a preparedness measure in risk-prone areas and after disasters occur. In FY 2016, IRC continued to promote market-sensitive crisis response and preparedness through the execution of several Pre-Crisis Market Analyses (PCMAS), technical assistance, research and publications, and through support to a growing community of practice. In addition, IRC developed interactive online learning modules that provide guidance on conducting market analysis in pre- and post-disaster contexts. IRC also received USAID/OFDA support to develop and test models to improve the usage and effectiveness of humanitarian market analysis. More information is available at <http://emma-toolkit.org>.

CaLP: The Cash Learning Partnership (CaLP) is supported by USAID/OFDA through its members Action Against Hunger, Oxfam/GB, and World Vision. CaLP provides advanced training on humanitarian cash programming, conducts research, tracks and maps cash programs worldwide, and supports cash coordination in partnership with the cluster system. In FY 2016, USAID/OFDA continued to support CaLP to implement capacity-building activities, action research, and technical coordination in Ethiopia and West Africa. USAID also joined CaLP as a member in FY 2016. More information is available at <http://www.cashlearning.org>.

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USAID/OFDA information products are available at: <http://www.usaid.gov/what-we-do/working-crises-and-conflict/responding-times-crisis>