



Minimum Standards for Economic Recovery after Crisis

First Edition • February 2009



USAID
FROM THE AMERICAN PEOPLE

the **SEEP**
NETWORK

AED



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Minimum Standards for Economic Recovery after Crisis

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How to Read the Standards

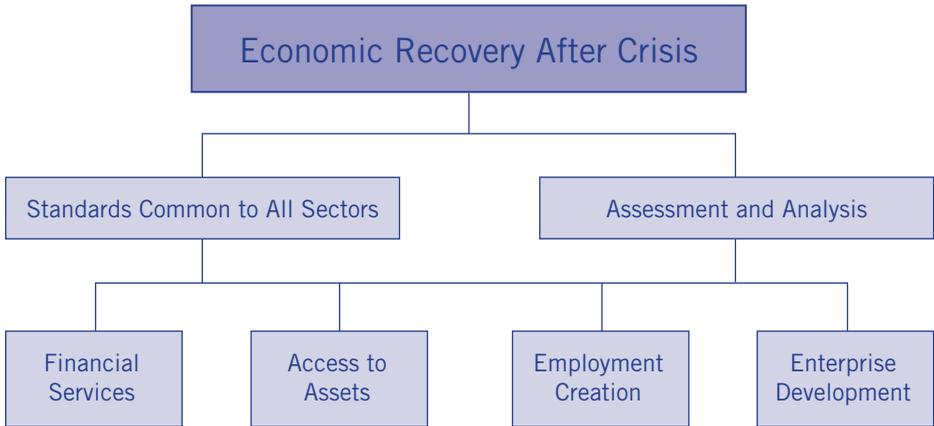
The minimum standards articulate the minimum level of technical and other assistance to be provided in promoting the recovery of economies and livelihoods affected by crisis. Each standard is presented as follows:

- The *Minimum Standards* are qualitative in nature and specify the minimum levels to be attained.
- The key indicators are signals that indicate whether the standards are being attained. They measure and communicate the impact (or result) of programs, as well as the process or methods used.
- The guidance notes include specific points to consider when applying the standards and indicators in different situations, guidance on tackling practical difficulties, and advice on priority issues. They may also include critical issues relating to the standards or indicators, and describe dilemmas, controversies, or gaps in current knowledge.

Note to Readers

The *Minimum Standards* are presented in six categories. It is critical that the first two categories, Standards Common to All Economic Recovery Interventions and Assessments and Analysis Standards, be read first, before turning to each relevant technical section. The standards outlined in these two sections provide the overarching system under which all of the minimum standards operate.

Overall Standards Structure



Introduction

Introduction and Focus of the *Minimum Economic Recovery Standards*

The Sphere Project is based on two beliefs. First, all possible steps should be taken to alleviate human suffering that arises from calamity and conflict. Second, all individuals have a right to life with dignity.¹ The opportunity to earn an income via employment or operation of a business is fundamental to the dignity of individuals and to assisting them to recover 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 (1948); the Declaration of Philadelphia by the International Labor Organization (1944); the United Nations Charter (1945); the International Covenant on Economic, Social, and Cultural Rights (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 has been viewed as a later-stage activity. However, disasters—such as the Indian Ocean tsunami and the prolonged conflicts in Haiti—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/emergency activities that are conducted for a discrete period of time, before development activities are introduced. However, many crises become stuck in the relief phase, and economic development

1. Sphere Project. Web site, <http://www.sphereproject.org/>. “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. The project has developed several tools, the key one being the handbook.”

programs are not implemented quickly enough. Additionally, research shows that in conflict environments, phased approaches hamper economic reconstruction and may even exacerbate the risk of renewed tensions.² Phased approaches may also lead to higher aid dependency from beneficiaries.

Economic 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.

To date, 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 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 viable businesses are distorted, and thus the pace of overall economic recovery slows.

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, monitoring and evaluation, coordination, and technical best practices.

The programmatic focus of the *Minimum Economic Recovery Standards (ERS)* is on strategies and interventions designed to promote enterprises, employment, and cash flow and asset management among affected enterprises and livelihoods. These include four distinct technical program areas: financial services, asset interventions, employment creation, and enterprise development. It emphasizes encouraging enterprises and livelihoods to re-start or improve markets.

2. Stephen Lewarne and David Snelbecker, "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, 2004); Paul Collier, Anke Hoefler, and Mans Söderbom, *Post-Conflict Risks* (Oxford: University of Oxford, Department of Economics, Center for the Study of African Economies, 2007).

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. To some extent, market-integrated relief and economic recovery can overlap in the means and activities undertaken. However, market-integrated relief programs do not necessarily promote broad-based economic recovery. Additionally, livelihoods and enterprise interventions have a different target population. They focus on those economic sectors that have the greatest impact on income and employment and reach the greatest number of targeted enterprises and households.

These standards 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

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

- Practitioners experienced in emergency situations, but less familiar with economic recovery initiatives
- Practitioners experienced in economic development, but unaccustomed to crisis environments
- Practitioners and programs working in multiple interventions or sectors in crisis environments (e.g., health, education, infrastructure, or HIV/AIDS)

Background and Development of the Minimum Economic Recovery Standards

The origins of the *Minimum Economic Recovery Standards* are rooted in past crises, e.g., the Indian Ocean tsunami, and the increasing prevalence of prolonged disasters and conflicts, e.g., in Ethiopia and Afghanistan. These crises highlighted the need for strategies that support 1) the stabilization and/or re-emergence of enterprises as a source of income and employment for affected populations,

and 2) 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 on the rate of return.

In response to these concerns, over the past six years, the SEEP Network 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 development of a knowledge base in the field.

SEEP sought and received funding from USAID through the FIELD-Support LWA (Leader with Associates) mechanism to convene a task force of practitioners 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 38 practitioners from 30 international humanitarian agencies discussed key issues in the field and together defined the technical focus and structure of the Standards.³ Over the following months, six practitioner-led working groups collaborated to develop the standards, key indicators, and guidance notes found in this document. Each working group comprised a mix of practitioners, representing a depth of experience in relief and development environments and in the technical areas covered by the Standards.

This process resulted in the development of a consultative draft that was posted on the SEEP Network's website for stakeholder review and feedback in July 2008. The posting of the draft was advertised on a number of websites including the Sphere Project, Relief Web, and microLINKS, and received over 1,000 page views. Additionally, SEEP and some of the participating practitioner

3. See annex 2 for a list of the participating agencies and their staff.

organizations held a number of events to solicit further input on the *Minimum Standards*. This included an online conference on the microLINKS website (<http://www.microlinks.org>) that drew registrants from 13 countries. The Women's Refugee Commission presented the draft *Minimum Standards* to practitioners and UN agency representatives at a livelihoods conference in November 2008; and the SEEP Annual Conference in November 2008 included an intensive review session at the "Focus on the FIELD Day." Two of the larger global participating organizations also held internal events on the *Standards* and brought their staffs from their emergency assistance and economic recovery divisions together to conduct workshops on the *Standards*. The revisions stemming from these sessions were then presented back to the original six practitioner-led working groups for review and finalization.

This first edition is a result of this process. There are plans to field-test and gather further consultations on the *Minimum Standards* in 2009 and 2010, and to publish a second edition in late 2010.

The SEEP Network, founded in 1985 and headquartered in Washington, D.C., is an association of more than 70 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.⁴

Frameworks and Sequencing in Designing Strategies for Economic Recovery

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 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 for basic needs. However, the philosophy of these

4. For more information about SEEP, visit www.seepnetwork.org.

Minimum Standards states that immediate post-crisis programming can, and in fact should, facilitate longer-term recovery of markets and institutions. This requires an up-front commitment to consider and, as appropriate, strengthen local institutions and markets early in the recovery process to lay the foundation for later activities. Practitioners and donors must also gain an awareness of cyclical economic and social needs and linkages. This will help in understanding the “ripple effect” of interventions and in managing it by coordinating with other programs and local institutions.

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 array of environments affected by crisis. Rather, in selecting appropriate strategies, the *Minimum Standards* urge taking into consideration a number of factors, such as the economy (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, these *Minimum 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 *Common Standards* section offers recommendations for structuring program strategies, operations, and decision-making.

Figure 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.

Figure 1. Impacts of Crises at the Household, Market, and Macro Levels

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

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).

How to Use the *Minimum Standards*

The *Minimum Standards* span 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, key indicators, and guidance notes 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 “how-to” manual and therefore does not provide detailed strategies or resources for assessing, designing, and implementing economic recovery programs in the field. For readers who desire more of a “how-to” manual, there are a number of manuals and toolkits emerging from international organizations that provide practical guidance in the field of economic recovery, across a number of crisis environments for different types of interventions. At the end of the standards for each technical section, there is a list of resources that offer more information in this area.

How to Read the *Minimum Standards*

The *Minimum 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 **Minimum Standards** are qualitative in nature and specify the minimum levels to be attained.
- The **key indicators** are signals that indicate whether the *Minimum Standards* are being attained. They provide a way to measure and communicate the impact (or result) of programs, as well as the process or methods used.
- The **guidance notes** include specific points to consider when applying the *Minimum Standards* and indicators in different situations, guidance on tackling practical difficulties, and advice on priority issues. They may also include critical issues relating to the standards or indicators and describe dilemmas, controversies, or gaps in current knowledge.

The *Minimum Standards* are presented in six categories. **It is critical that the first two categories—“Standards Common to All Economic Recovery Interventions” and “Assessments and Analysis Standards”—be read first, before**

turning to each relevant technical section. The standards outlined in these two sections provide the overarching system under which all the minimum standards operate.

Effective economic recovery programs must be based upon 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 knowledge sharing, within and among all organizations engaged in the response, is also critically important. The first two sets of standards provide 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 Standards*

- **Standards Common to All Economic Recovery Interventions.** This section focuses on the essential characteristics of programs to ensure effective implementation and scalable impacts across all types of economic recovery interventions. It addresses such critical issues as staff security and capacity building; coordination of strategies and interventions with other responding agencies and governments; ensuring a market-based orientation to programming; and documenting, leveraging, and disseminating programmatic learning to improve upon results.
- **Standards for Assessment and Analysis in Crisis Environments.** This section focuses on the use of assessment and analysis to frame programmatic strategies by using appropriate information to inform interventions to be timely and relevant, while staying responsive as needs change based on the evolution of the crisis environment.
- **Standards for Access to Assets.** This section focuses on interventions used to protect, replace, and increase assets lost by households and enterprises during crises, via means that are complementary to other economic recovery strategies used in the medium and longer term.

- **Standards for Financial Services.** This section focuses on interventions used to build a base for the introduction and/or expansion of financial services to enterprises and households, in coordination with complementary interventions including asset accumulation.
- **Standards for Employment Creation.** This section focuses on interventions that facilitate employment opportunities with fair remuneration that do not jeopardize the resources on which livelihoods are based.
- **Standards for Enterprise Development.** This section focuses on how to strengthen existing and new enterprises.

Timeframe

The timeframe in which the *Minimum Standards* are used depends largely on the context. The *Minimum 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—that is, of rebuilding working markets that will endure for years to come, well beyond the recovery phase to a non-emergency phase.

The indicators in this handbook are not universally applicable to every situation or to every potential user. Depending on the context, it may take weeks, months, or even years to achieve some of the standards and indicators identified. Where relevant, the guidance notes suggest ideal timelines for the implementation of the indicators. In some cases, the *Minimum Standards* and key indicators may be achieved without external assistance. However, in many cases, it may be necessary for agencies to coordinate with one another and with others to achieve them. In all contexts, program strategies and interventions should not undermine, but should support and/or complement existing local services, markets, and institutions, in order to promote the transition to long-term sustainability.

The Difference between *Minimum Standards* and Key Indicators

The *Minimum Standards* are based on the principle that affected populations have a right to life with dignity. This includes the opportunity to earn an income

via employment or operation of a business. The Standards articulate the minimum level of technical and other assistance to be provided in promoting the recovery of economies and livelihoods affected by crisis. The *Minimum Standards* are qualitative and are meant to be universal and applicable in any operating environment.

The key indicators for each standard are signals that show whether the standard has been attained. The indicators function as tools to measure and communicate the impact (or result) of programs, as well as the process (or methods) used. Without the key indicators, the *Minimum Standards* would be little more than statements of good intent—difficult to put into practice.

The guidance notes in each chapter relate to specific points that should be considered when applying the standards in different situations. They offer advice on priority issues and on tackling practical difficulties. They may also describe dilemmas, controversies, or gaps in current knowledge. Guidance notes relate to specific key indicators, and the link is signaled in the text. Key indicators should always be read in conjunction with the relevant guidance notes.

Cross-Cutting Issues, Including Working with Vulnerable Groups

In the development of the *Minimum Economic Recovery Standards*, care has been taken to address several important issues within the relevant standards, rather than dealing with them in a separate section. These include working with vulnerable groups, gender, and the environment. The *Minimum Standards* cannot address all of these cross-cutting issues comprehensively, but it recognizes their importance.

The term “vulnerable groups” refers to categories of individuals most frequently at risk in disasters: women, children, older people, disabled people, and people living with HIV/AIDS. In certain contexts, people may also become vulnerable for reason of ethnic origin, religious or political affiliation, or displacement. This is not an exhaustive list, but it includes those most frequently identified. Specific vulnerabilities include people’s ability to cope and survive in a conflict or disaster, and their risk of being exploited during recovery. As appropriate to the strategy and intervention undertaken, those most at risk should be identified.

Scope and Limitations

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 the 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 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, indicators, and guidance notes.

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

History of the Sphere Project and Its Usage

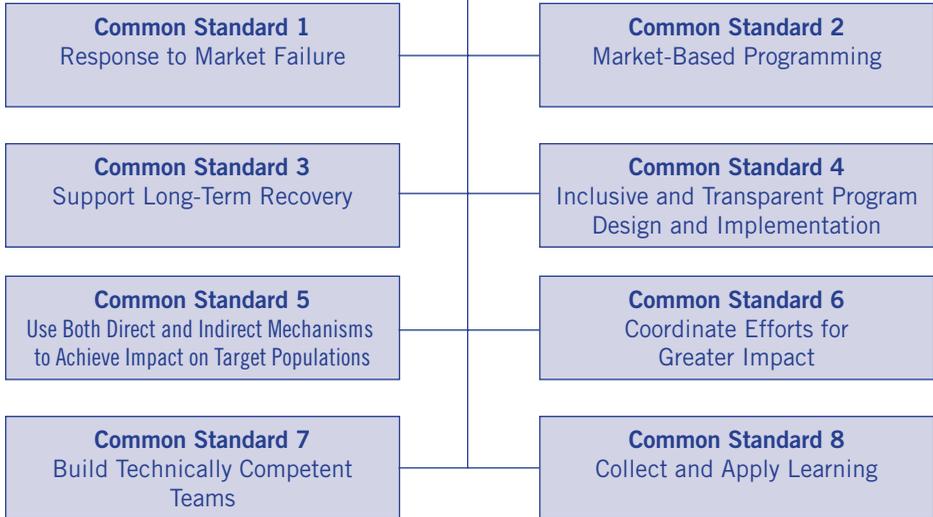
The Sphere Project’s “Humanitarian Charter and Minimum Standards in Disaster Response” (hereafter, the *Sphere Handbook*), which was launched in 1997 by a group of humanitarian NGOs and the Red Cross and Red Crescent movement, articulate what people affected by disasters have a right to expect from humanitarian assistance. The *Sphere Handbook* includes the Humanitarian Charter and minimum standards for the core sectors of water and sanitation, food security, nutrition and food aid, shelter and site management, and health services. 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 *Handbook* is a living document, managed by the Sphere Project and the Sphere Board, which consists of 16 international humanitarian agencies. The *Handbook* 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 other resources, to advance understanding of the standards.

As a complement to the core standards presented in the *Sphere Handbook*, there are ongoing efforts to develop companion modules in other areas critical to relief and recovery in crisis environments, such as education and livestock management. The *Minimum Economic Recovery Standards* presented here are being developed in coordination with the Sphere Project, with the long-term goal of being accepted as a companion module. The hope is that by coordinating the development and format of these standards with the Sphere Project, they will be easily accessible to the widest possible community of humanitarian workers and agencies.

Standards Common to All Categories



Appendix 1: Further Reading

Standards Common to All Categories

Common Standard 1: Response to Market Failure

Economic recovery is a response to evidence that market failures are significantly undermining the enterprises from which affected households earn their livelihoods.

Key Indicators (Read in conjunction with the guidance notes.)

- Programs have evidence of market failure, that is, the affected population's ability to engage in sustainable livelihoods has been disrupted (see guidance note 1).
- There is widespread use of household coping strategies (see guidance note 2).
- Vulnerable groups are at greater-than-usual economic risk through the use of harmful coping practices (see guidance note 3).

Guidance Notes

1. **Assessing market failure:** When assessing an impacted area, teams should investigate the prevalence of indicators by geographic location and percentage of the population affected to determine if there is market failure. Indicators of failure may include disruption of business activities; declining enterprise productivity or increased business failure; rapid increases in prices for, or a lack of, basic commodities; and less availability of cash. Business disruptions are defined as conditions that cause businesses to close or curtail their activities. These might include open conflict or the threat of violence; inability to access key goods and services needed to operate (including information); and increasing power inequality in markets related to the crisis, such as undue influence by certain groups or damage to commercial infrastructure. A scarcity of basic commodities or a spike in their prices may indicate that there is a supply shortage related to the nature of the emergency. This may force traders and business owners to increase prices

to meet their profit margins or to close. Less cash overall in the market may also indicate that the population's purchasing power is diminishing, with the possibility that many people are using credit to purchase basic goods with limited or no ability to pay their debts.⁵

2. **Coping Strategies:** These refer to how households try to meet needs when their sources of income are disrupted. Common coping strategies include reducing daily food intake; consuming cheaper food; reducing household expenditures on items such as clothing, medical care, and education; and reducing the number of dependents in the household (through migration, for example, or having household members live with other relatives). These practices impact each segment of the population differently (see guidance note 3) and therefore should be monitored according to gender, age, ethnicity, and geographic location, as possible.

In crisis environments, these disruptions are unexpected or unpredictable events that affect the economy negatively—an economic shock. The impact of the shock will vary among households, depending on the household's ability to earn income in its usual way. For example, disruptions in public transportation due to political strife may affect casual laborers and traders/business owners, while natural disasters may have a more immediate effect on sharecroppers or pastoralists.

3. **Vulnerable groups:** Vulnerable groups are especially susceptible to economic shocks, having fewer coping strategies to employ during times of crisis.⁶ The risk of harmful coping strategies, such as the selling of productive assets (livestock, tools, precious metals); trafficking; prostitution; the worse forms of child labor; and migration in search of employment, are much higher among these groups. Special care and assistance must be provided to try and mitigate the incentives for vulnerable groups to resort to harmful coping practices.

5. For more information, see the Assessments and Analysis Standards.

6. See Cross-Cutting Issues, Including Working with Vulnerable Groups, in the introduction, for Sphere's definition of vulnerability.

Common Standard 2: Market-Based Programming

Program design and implementation decisions reflect market realities. There is a thorough understanding of the supply of, and demand for, goods and services, and how the organization of markets determines power and governance among different market actors. Programs are flexible, allowing managers to revisit programmatic assumptions and operations given changing market conditions.

Key Indicators (Read in conjunction with the guidance notes.)

- Programs invest only in activities that target viable markets (see guidance note 1).
- During the design and implementation phases, programs consider activities at all levels of individual markets (see guidance note 2).
- Markets are monitored regularly for changes, so that programs can adjust to best meet market conditions (see guidance note 3).
- Interventions focus on commercially-oriented actors (see guidance note 4).
- Programs facilitate relationships in the market with a specific focus on building trust between actors (see guidance note 5).

Guidance Notes

1. **Identifying market opportunities:** 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, providing an opportunity for increased income. Markets that are shrinking will not provide the incentives (signals) to encourage farmers or business owners to invest, adopt new technologies, or benefit from program activities, and thus should not be targeted.

Example: Investments in revitalizing a local textile industry may be wasted if it cannot compete with an imported product in terms of cost of quality in local and regional markets.

- 2. Working across market systems:** Economic actors in market systems are interdependent. Therefore, economic recovery efforts should consider comprehensive approaches and undertake multiple interventions across a market—from input suppliers, to producers, to end-markets, to external policy makers. Programs that work at one level only and do not recognize these interconnections risk creating market distortions from unbalanced growth. Market failures may require a wide range of solutions, ranging from different financial services, to improved technology, to networking and other services. Where one agency does not have the capacity to implement multiple activities, it should consider partnerships. (See Common Standard 6.)

Example: A large investment in agricultural production may result in a drop in the price of agricultural goods (due to higher supply) or be under cut by under-capacity in processing or storage facilities. On the other hand, a program may support a company in finding new markets for its products, as well as supporting its raw material suppliers to meet new market demands, and thus help avoid market distortions.

- 3. Responding to market demand:** Markets are dynamic, particularly in crisis environments, requiring ongoing monitoring of the market system, as well as targeted enterprises or households, to identify emerging opportunities or constraints. Regular monitoring will determine how best to adjust investments for the greatest impact. Developing the monitoring and evaluation (M&E) strategy (see Common Standards 3 and 8) to achieve this goal should be completed at the design stage of program implementation. Effective strategies can range from simple local price monitoring and meetings with regional wholesalers to more complicated tracking of commodity prices and trends. (See Assessment and Analysis Standard 1 and guidance note 2.)

Example: Agriculture cooperatives might be unable to capitalize on higher prices for a specific cash crop in urban areas, if they are not aware of the change in price or the type of crop or processing demanded. Similarly, careful monitoring may show that investing in new varieties and seed production may have greater impact than continued investment in fertilizers or pest management.

4. **Commercially-oriented actors:** Economic recovery assistance should be directed to commercially-oriented actors (whether within vulnerable groups or outside them) that are capable of providing the greatest impact in revitalizing strategic market sectors in the economy. For example, investments in a network of small agricultural input suppliers may contribute more to economic recovery—through job creation and increased accessibility to seeds and other inputs for a large number of small-holder farmers—than targeting assistance to a larger, state-owned competitor.
5. **Building trust and relationships:** Markets in conflict-affected regions are often characterized by high levels of mistrust between market participants due to unregulated markets, lingering tension between conflict groups, and wide-scale corruption. These tensions should be examined through tools, such as conflict maps, to understand the local situation and avoid exacerbating tension. Program interventions can also promote relationship building between market actors by facilitating contracts between buyers and sellers and other forms of linkages. Agencies involved in these activities should work through local actors wherever possible and plan for their own exit from the outset.

Common Standard 3: Support Long-Term Recovery

Economic recovery programs, even those that are short to medium term, contribute to long-term recovery by working to strengthen local markets, institutions, and enterprises and ensuring that all program activities include up-front exit strategies for outside actors.

Key Indicators (Read in conjunction with the guidance notes.)

- Interventions support or complement existing structures, services, and institutions in order to strengthen local capacity (see guidance notes 1 and 3).

- All programs run by international NGOs and other external or short-term actors include an exit strategy, with a transition strategy to longer-term development initiatives as appropriate (see guidance note 3).
- Program design specifies how the program interventions will feed into longer-term economic development initiatives (see guidance note 4)
- Program design analyzes whether and how economic recovery activities might harm the environment or individuals, and includes measures to minimize this harm.

Guidance Notes

1. **Supporting local capacity:** Across crisis environments, markets and socio-economic structures survive and continue to function, even though they have been disrupted. It is important to consider these structures and the roles that various market actors, local institutions, and socio-economic norms play when designing interventions. Equally important is to consider how shifts in socio-economic structures will impact access to economic opportunities, particularly for vulnerable groups, such as women and youth. If local institutions, structures, or services exist, programs should address the obstacles and market failures faced by these institutions first, before looking to establish new systems or institutions altogether.

Example: A program that increases vocational skills training for youth supports existing schools and apprenticeship programs better than developing a new training center.

2. **Pricing appropriately:** As much as possible, products and services should be priced to include all related costs to reflect the true cost of delivery and avoid market distortions by under- or over-pricing. Costs should be clearly detailed and documented in program budgets. Costs should include labor (including staffing at market rates), inputs, rent and utilities, and transportation, as well as maintenance or replacement costs for equipment and estimated real (shadow) prices for subsidies. While subsidies may initially be needed to encourage the participation of a particular group, they should be kept to a minimum and eventually phased out. Under-pricing of costs can lead to the eventual deterioration of service or to other providers dropping out of the market.

Example: A reconstruction program procures supplies, manufactured locally, at the market rate; if that is not possible, then it purchases through local businesses.

A financial services institution offering loans should set market-based interest rates at the outset to ensure its long-term operational and financial viability.

3. **Exit strategy:** The program design should describe how the international NGO or other external actors work with local authorities and organizations from the onset or how they seek to build the capacity of such providers to take on services by the end of the intervention or in the transition to longer-term programming. Crowding out local providers may seem expedient in the short run, but in the long term, building the capacity and legitimacy of local actors (governments, businesses, or NGOs) leads to more sustainable benefits for the target population. The exit strategy should detail how operating costs will be covered beyond the initial program funding period, as appropriate, taking into account that cost recovery in crisis environments may take longer than the length of a grant period. The steps toward exiting or transitioning to longer-term programming should be integrated into the overall design and set forth as one of the program goals. This includes identifying the component activities, timelines, and project deliverables to ensure sufficient time to build the capacity of local actors in the event that they will take over some activities. Where the intervention is expected to end entirely, the program design should describe how the benefits to the target population will be sustained.
4. **Lead into long-term programming:** Much of economic development is interrelated. As such, program designers should understand and build on previous and current programming by international NGOs, multilateral donors, local NGOs, government, and other actors. The program should lead into, or be coordinated with, future programming, with a logical sequence to the various economic activities. It is also important that the program does not undermine other existing or future long-term programming.

Example: A short-term, small-grant business start-up program should try to link to a longer-term financial services program. On the converse side, a program should not provide vocational training for free, when another initiative is trying to provide similar training to the same group and charges fees to cover its costs.

Common Standard 4: Inclusive and Transparent Program Design and Implementation

Program design considers working with all market actors as a means to improve vulnerable households' livelihoods. Programs effectively communicate the program objectives, means of selection, and outcomes to all stakeholders.⁷

Key Indicators (Read in conjunction with the guidance notes.)

- Project design evaluates the role of existing and historic market actors and considers input from all categories of market actors (see guidance note 1).
- Programs evaluate and account for the impact of gender, ethnicity, disability, youth, and other factors on people's economic access and opportunity (see guidance note 2).
- Project activities targeting vulnerable groups aim to enable them to contribute to, and benefit from, market activities, rather than seeking to redistribute existing profits (see guidance note 3)
- Project activities targeting vulnerable groups communicate their intent and planned actions to all groups of market actors (see guidance notes 3 and 4).
- Program objectives and activities are communicated to all stakeholders in order to differentiate economic recovery projects from other relief activities (see guidance note 5).
- Programs assess the risks for corruption and address these risks by monitoring program activities/mechanisms to promote accountability and (see guidance note 6).

Guidance Notes

1. **Role of market actors:** Programs will have greater impact over a longer period of time if economic recovery strategies quickly engage historic market actors in the project. Programs should be based upon a system-wide under-

7. See Sphere *Handbook*, "Common Standard 1: participation" (<http://www.sphereproject.org/content/view/29/84/lang.english/>), for more information.

standing of how the impacted market operates—both in terms of power relationships and governance, as well as the role of each market actor prior to and following the crisis. This can be insured by actively seeking input and cooperation from all market actors for mapping their relationships and activities, while identifying the constraints and opportunities to recovery.

Agencies may be reluctant to work with certain market intermediaries, perhaps due to a perception that the intermediaries profit from a crisis situation or concerns about the constituencies they represent. This is a particular concern in conflict environments. However, if market actors are ignored or sidelined, rehabilitation may be delayed since relief agencies will not be able to tap into local, regional, and national markets or benefit from the opportunity to leverage resources and expertise.

2. **Gender and other factors:** Local context and culture play a significant role in defining how different people interact in the market, based on their gender, ethnicity, ability status, and age. 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 appropriately by taking roles into account and seeking or reinforcing incremental change.

Example: In some cultures, women commonly sell goods in local or regional markets, while in other cultures, women are essentially restricted to home-based activities. If a program ignores women's historic roles in family economic activities and tries to rewrite these traditional roles, the project may invite opposition from both men and women.

3. **Promoting inclusive recovery transparently:** Even though not all market actors will be involved directly in a project, information travels quickly in markets. Incomplete information or rumors may cause some actors to perceive a threat. Programs should aim at enabling their target group to benefit from their economic activities, rather than seeking to redistribute existing profits, which creates an "us versus them" mentality. Projects can mitigate potential opposition and promote collaboration by clearly communicating their intent to serve vulnerable groups and expand existing markets while respecting healthy competition. Accordingly, operations should avoid unnecessarily subsidizing market sectors or actors, particularly if this threatens

existing actors' businesses. Finally, partner selection needs to be transparent and communicated clearly in order to maintain trust and coordination among market actors, whether or not they participate in the project.

4. **Identifying market communication channels:** Despite the apparent chaos in disaster settings, markets are usually organized to some degree. By identifying market leaders, trade sector representatives, and significant business investors, implementers can more efficiently distribute project information and identify potential partners. For example, nearly all markets have a president or a lead representative who communicates regularly with the representative of the trade sectors present in the market. These established communication channels provide efficient means for disseminating and capturing necessary information.
5. **Differentiating economic recovery from relief work:** Programmatic objectives should be clearly defined and communicated to all program stakeholders to set appropriate expectations. Relief and recovery efforts may take place at the same time and to the same communities, although the needs and timing for different portions of an affected population may differ. Given a population's complex needs, programs undertaking interventions with a goal of providing relief assistance or promoting economic recovery should have a clear understanding of the local context to ensure appropriate programming and transparency in activities.
6. **Mitigating risks of corruption:** Corruption is the abuse of entrusted power for private gain.⁸ Economic recovery programs need to assess and understand potential risks of corruption, particularly in interventions involving money or asset transfers, but also in lower-profile activities, such as the involvement in the grey economy or power relationships in different economic activities that may be promoted. Interpretations of what acts constitute corruption differ according to contexts, cultures, and individuals. For example, kinship and social networks may play a greater role in business interactions than in Western cultures, where "kickbacks" and hiring or making purchases through relatives are considered normal practice—even ones that ensure the quality of goods and services. Crisis responders need to take these different perceptions into account when identifying corruption risks.

8. As defined by Transparency International (http://www.transparency.org/about_us).

To the extent possible, preparedness for crisis should take into account corruption risks by developing policies and procedures, particularly regarding the transfer of funds or goods, since in the early stages of response there will be little time to develop policies. In the course of a response, monitoring is key to verifying the usefulness of systems that detect and deter corruption—and generally ensure program quality and accountability.

Common Standard 5: Use Both Direct and Indirect Mechanisms to Achieve Impact on Target Populations

Programs analyze the impact and cost-effectiveness of directly providing services to target groups, as compared to indirect activities that improve market conditions for all populations.⁹

Key Indicators (Read in conjunction with the guidance notes.)

- Program design considers both direct and indirect activities to benefit the target population (see guidance note 1).
- Program design identifies potential risks of exclusive targeting and specifies how benefits to the target population will be sustained (see guidance note 2).
- All programs develop causal models that describe how the target population will benefit from program activities (see guidance note 3).
- Monitoring tools are developed to track the impact on the target population.¹⁰

Guidance Notes

1. **Targeting:** The purpose of targeting is to ensure that programs benefit the intended population or population segment. In developing targeting criteria, the criteria used should be sufficiently broad to include interventions that work both directly and indirectly with the targeted population, or in combination, so as to not preclude certain types of activities.

9. See *Sphere Handbook*, “Common Standard 4: targeting” (<http://www.sphereproject.org/content/view/32/84/lang,english/>), for more information.

10. See Assessments and Analysis Standards and guidance notes for more information.

Often, assistance to a target population is more effectively channeled through indirect means. Examples of potentially effective indirect assistance include developing access to affordable, accessible commercial services that support the livelihoods of the target population (e.g., financial services, veterinary services, access to new markets); improving the operating environment in the markets most critical to the population's income; and expanding the demand for products and services produced by the target population.

Example: Seeds can be disbursed to vulnerable households by local traders via "seed fairs." This use of an existing market mechanism strengthens linkages between vulnerable households and existing market actors, and avoids creating a parallel seed distribution system that would hurt other market actors in the short term. Similarly, helping create a competitive veterinary sector may have stronger impacts on raising the impacts of pastoralist households than assisting the family directly. (See Common Standard 4, "Inclusive and Transparent Design and Implementation," for more details.)

A good assessment of the poverty level of the targeted population, the specific enterprises they work in, and the market system in which enterprises function will identify the best strategy to impact the targeted group. Targeted populations active in a market that is only slightly impacted by the conflict or disaster may benefit most from assistance to other businesses in the same market that spurs demand for the targeted population's goods or services. In contrast, populations that have few assets and that are looking to restart activities or enter into new activities may be best served with a combination of direct assistance and indirect assistance to others which can provide end markets for their goods and services.

Example: Fisherwomen operating in a flood-affected area were seeking to re-establish their business of drying fish for local and regional consumption. Prior to the disaster, they dried fish on tarps on the ground, resulting in contamination of the product and a high moisture content, which limited them to selling 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 to improve the quality and sales of their dried fish, which enabled them to link up with the firm and access its technology. At the same time, indirect assistance was provided to a local bank to develop loan products for small-scale fishers, which gave the women and others access to working capital to scale up their businesses.

2. **Exclusive targeting can be detrimental:** The provision of services exclusively to one population may undermine the long-term sustainable delivery of the services or reduce the effectiveness of the assistance. For example, if a lending program only works with a narrowly defined target population, this decreases the number of potential clients, jeopardizing the economic viability of the institution. Targeting services to the exclusion of other groups may increase tension, particularly in a conflict-affected environment, and weaken important market relationships that are important to the targeted population's success.

Example: Households engaged in agriculture receive improved seed and fertilizer, but they do not benefit from this without additional improvements to infrastructure or increased processing capacity among the agricultural processors that they sell to.

3. **Causal models:** All interventions, whether direct or indirect, require a clear causal model that outlines how the target population will be impacted and notes the key assumptions underlying the model. This may be particularly important with indirect targeting, where it may not be obvious how assistance to one group benefits the targeted group. (See the Assessments and Analysis Standards and guidance note 2, for more information.)

Example: A program that aims to support handicraft producers by providing market assistance to agents in the regional capital should demonstrate how the different activities will lead to increased income for the producers.

Common Standard 6: Coordinate Efforts for Greater Impact

Recognizing that economic recovery involves many stakeholders, capacities, and resources, programs coordinate their activities with other initiatives led by the private sector, government, or non-governmental actors.

Key Indicators (Read in conjunction with the guidance notes.)

- Program design examines existing crisis response efforts and does not duplicate these efforts. Interventions are coordinated with the responses of the local and national authorities and other actors and agencies (see guidance note 1).
- Programs exchange information with donors, implementing agencies, beneficiaries, and other humanitarian actors (see guidance notes 2 and 3).¹¹
- Organizations, programs, and projects that either cannot address identified needs or are unable to attain the *Minimum Standards* make known any gaps in program implementation related to broader economic development needs, so that others may assist (see guidance note 4).

Guidance Notes

1. **Linking with relevant actors:** Through consultation and formal or informal coordination mechanisms that include all of those responding in a crisis, such as UN cluster meetings or other sectoral consultations, programs should be designed to reflect an understanding of the existing and ongoing efforts of the relevant national and local authorities and other international agencies. Using existing capacities as the basis for programming will promote complementary, not duplicative, programming.
2. **Sharing information with those affected by the crisis:** Tensions can be high in a crisis and post-crisis situations, and efforts must be made to effectively and openly communicate with all stakeholders. Organizations should share information with those affected by the crisis. This can be done through

11. See Assessments and Analysis Standards and guidance note 8 for more information.

transparent mechanisms, such as community meetings or local committees, to disseminate information about programs, decisions, and participation to all those affected by the crisis. This sharing helps reduce misunderstandings, particularly when the program provides resources to only one group or provides a service that is new to the community, and builds community support for the program implantation.

Example: A financial services program is new in a community that has a strong Islamic influence. The program charges interest, a practice not condoned by Islam, so program coordinators meet with local government and religious leaders to discuss the intent of the program.

3. **Sharing information with those involved in the crisis response:** Sharing information across all sectors as rapidly as possible will enable all responding agencies to respond to the needs of the affected population more quickly and more 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 the Humanitarian Information Center (HIC); and for UN-declared emergencies, UN cluster meetings (if they have been activated). Other coordination mechanisms might include monthly or quarterly meetings, an email listserv, or an NGO forum.
4. **Making gaps known:** When gaps are identified and shared with other responding agencies, those with the technical specialty or excess capacity can potentially step into that gap. Timely information sharing about locations of project implementation, involvement of local partners, and emerging needs should be promptly communicated to the appropriate coordination bodies.

Example: 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.

Common Standard 7: Build Technically Competent Teams

Programs are staffed by individuals well versed in economic recovery principles and/or have access to technical advisors; they also include capacity building components to improve skills of field staff.¹²

Key Indicators (Read in conjunction with the guidance notes.)

- Economic recovery teams have staff with relevant technical qualifications; knowledge of local economic activities, cultures and customs, and conflict dynamics; and/or previous economic recovery experience (see guidance notes 1 and 2).
- Technical and managerial staffs are provided with the necessary training, resources, and logistical support to fulfill their responsibilities (see guidance note 3).
- Programs have a policy of promoting diversity in hiring at the various levels of the economic recovery team (see guidance note 4).
- Managers are accountable for achieving program objectives and adhering to the Sphere and their agency's economic recovery guidelines.

Guidance Notes

1. **Long- and short-term staffing:** Program managers of economic recovery initiatives should have prior experience designing and implementing market-driven economic recovery programs in rural or urban settings. This experience could be gained through a number of settings, including prior experience transitioning food security and livelihood programs to long-term self-sustainable economic development or experience operating a traditional economic development program in an unstable area.

12. See Sphere *Handbook*, "Common Standard 7: aid worker competencies and responsibilities" (<http://www.sphereproject.org/content/view/35/84/lang.english/>), and "Common Standard 8: supervision, management, and support of personnel" (<http://www.sphereproject.org/content/view/36/84/lang.english/>), for more information.

The economic recovery team should also have access to a range of short-term consultants capable of providing appropriate technology solutions that utilize local resources and capacities. Short-term consultants should be sourced nationally or regionally when possible to strengthen local service providers and reduce consulting and mobilization costs. An illustrative roster of short-term technical specialists could include agronomists, livestock experts, business development service consultants, value chain experts, and financial services experts.

In conflict settings, the team leader or other senior staff member should have prior experience analyzing and managing efforts that seek to mitigate and manage conflict. If this experience is not available long term, then a conflict specialist should be brought in at critical points in the program, including during assessment and program design and for periodic monitoring.

2. **Local staffing:** Economic recovery teams should recruit national staff wherever local capacities exist. At a minimum, program staff should be trained to understand the technical intervention. Ideally local economic recovery staff will be trained to contribute to market studies, program design, and monitoring and evaluation of project activities.
3. **Staff training and capacity building:** Staff should receive basic training in the types of methods employed by the economic recovery program, as well as general introductory training in the targeted sectors. Senior program staff should obtain on-the-job training, mentoring, access to resources, and the opportunity to attend higher-level economic development workshops in order to build program development and management skill sets. Often, local staff will be transitioning from distribution or relief projects and specialized training should reinforce the importance of sustainability, an exit strategy, fee for service payments, and other economic recovery practices.
4. **Staff diversity:** Efforts should be made to employ different ethnic and religious groups, as well as to achieve a gender balance among program staff. Importantly for economic development, a diverse staff will be better able to understand local market conditions and facilitate relationships between market actors.

Common Standard 8: Collect and Apply Learning

Programs compensate for the rapidly changing context and often rapid turnover endemic to emergency environments by instituting systems that collect, disseminate, and apply learning in order to assess and improve performance.

Key Indicators (Read in conjunction with the guidance notes.)

- Data collection processes and systems are in place to gather data on whether intervention targets are being met (see guidance note 1).¹³
- Program experiences are disseminated in at least one internal and one external forum (see guidance note 2).
- The results of program monitoring and evaluation are used to inform future interventions (see guidance note 3).

Guidance Notes

1. **Program monitoring:** Monitoring economic recovery programs is critical to ensure that they both achieve their intended impacts and implement the most appropriate services. Program monitoring should be well thought out in the design phase in terms of indicators, methods, and resources needed, and include a mix of quantitative and qualitative instruments. Given that both populations and local economies are in flux during an emergency, meeting regularly with beneficiaries (see Common Standard 3) and ensuring that programs continue to be relevant to local market realities (see Common Standard 2) will guarantee both the timeliness and appropriateness of the interventions (or in some cases, the modification of the intervention to meet changing needs). Regular collection of monitoring data should indicate how programs are responding to the identified needs.
2. **Dissemination:** Programs should actively disseminate their findings and results both internally and externally. Internally, programs should share data and findings across technical sectors, especially if there are multiple interventions taking place in one geographic area. For example, weekly

13. See Assessments and Analysis Standards for more information.

meetings of technical sector heads should be held where key program achievements, challenges, and future plans are discussed. Programs should also share regularly findings with other organizations working in the same area in order to avoid overlap or potentially conflicting programs in the same area.

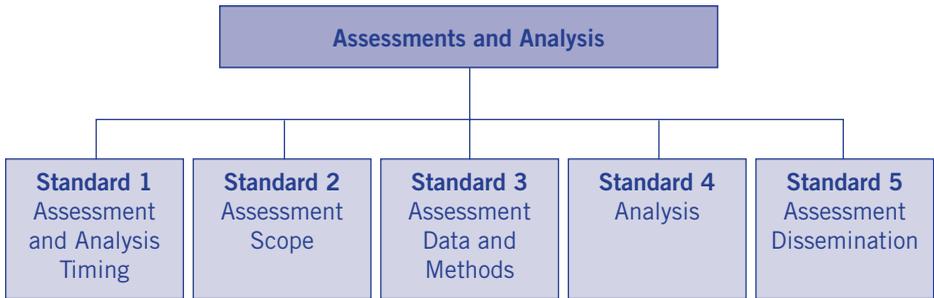
3. **Program evaluation:** Evaluations of programs should be written and disseminated, internally and externally, as a way of building the body of knowledge that constitutes good economic recovery programming in emergencies. Information and communication about the program and interventions should be disseminated in a way that is accessible and easy to adopt in the future.

Appendix 1

Further Reading

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Appendix 2: Bibliography of Assessment Tools

Assessments and Analysis Standards

Assessments and Analysis Standard 1: Assessment and Analysis Timing

Assessments begin as soon as possible, incorporating ongoing processes that contribute to program monitoring.¹⁴

Indicators (Read in conjunction with the guidance notes.)

- Assessments are initiated as soon as possible during or after the crisis.
- Analysis is ongoing and integrated into program operations to allow for monitoring as the political environment and markets evolve (see guidance note).

Guidance Note

Ongoing assessments: 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 is linked to successful outcomes and the expected impacts.

14. For all of the Assessment and Analysis Standards, see Sphere *Handbook*, “Common Standard 2: initial assessment” (<http://www.sphereproject.org/content/view/30/84/lang,english/>), “Common Standard 5: monitoring” (<http://www.sphereproject.org/content/view/33/84/lang,english/>), and “Common Standard 6: evaluation” (<http://www.sphereproject.org/content/view/34/84/lang,english/>), for more information.

Assessments and Analysis Standard 2: Assessment Scope

Assessments synthesize relevant information about affected households' livelihoods, market systems, and socio-political factors.

Indicators (Read in conjunction with the guidance notes.)

- Assessments provide a comprehensive picture of affected households and enterprises' assets and skills; key social and economic relationships; and their access to, and use of, markets in terms of employment, services, outputs and inputs (see guidance note 1).
- Assessments use a dynamic approach. They consider how affected markets, households, and enterprises 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. **Comprehensive approach:** 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, and it is important to understand the balance and trade-offs between them. 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 with customers, financing, services, and products. Assessments should recognize this complexity, and identify and analyze the interdependencies involved.

2. **Systemic approach:** Economic strategies for households and enterprises are always 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.

Assessments and Analysis Standard 3: Assessment Data and Methods

Assessment data is gathered using methods that ensure data quality and participants' security.

Indicators (Read in conjunction with the guidance notes.)

- The sources of data are varied, accurate, and high quality, and the information-gathering process is collaborative when possible (see guidance note 1).
- The methods used to collect data are sensitive to the biases of informants and interest groups, while staying mindful of 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 use 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 macro-economic, political, and international sources. The information methods should be sensitive enough to identify hidden sources of information, such as marginalized groups and informal or black market economic activities. Assessments should triangulate data from 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, triangulation, and a basic “coherency test” to assess whether data is accurate.
3. **Security of assessors and informants:** The location or time 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 harm.

Assessments and Analysis Standard 4: Analysis

Analysis of assessment data is timely, transparent, and relevant to monitoring and program decision needs.

Indicators (Read in conjunction with the guidance notes.)

- Data analysis is coherent, timely, and conducted in a transparent way (see guidance note 1).
- Analysis attempts to answer the most relevant and pertinent questions of decision makers responsible for program design and management (see guidance note 2).
- Programs use assessment results from monitoring and evaluation to test key assumptions, check expected impacts, and make revisions as needed, based upon a change in assumptions (see guidance note 3).

Guidance Notes

1. **Transparent analysis:** Within the field of economic recovery, practitioners may use any of numerous 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. **Relevancy:** Assessments must be founded on a clear understanding of what decision makers need to know and how decisions are made. An assessment

scope should clearly outline the objectives for the assessment and how the resulting information and analysis will be utilized as a relevancy test.

3. **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 needed, its activities, progress, and performance indicators can be adjusted.

Example: A program is running a project intended to increase women’s income via credit-to-purchase small livestock after a crisis. 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 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 be able to afford, veterinary care for their animals; and 4) the women will not be forced to sell their goats to buy food. Therefore, it is important to set up a monitoring system that tracks these factors throughout the program: available and access of pasture land; access and affordability of veterinary services; 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.

Assessments and Analysis Standard 5: Assessment Dissemination

Assessment results are disseminated to provide comprehensible guidance to appropriate decision makers.

Indicators (Read in conjunction with the guidance notes.)

- Assessment results are communicated in language and a format that is clear and understandable to a non-technical audience (see guidance note 1).
- Assessment results are published and disseminated promptly, both to implementing organizations and to the communities affected, in order to maximize their influence on decision-making processes (see guidance note 2).

Guidance Notes

1. **Appropriate formats:** The results of assessments should meet the specific needs and comprehension levels of different audiences. Decision makers in a crisis often have hectic schedules and severe time constraints. The type and length of the information product and level of technical detail should be catered to the requirements of the user. For example, top 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. Particularly large or comprehensive assessments and findings can be disseminated in more than one format.
2. **Dissemination:** Disseminating the results of assessments encourages necessary collaboration in economic recovery programming. Engaging decision makers, collaborating partners, and local authorities throughout the assessment process brings the results of the process 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 accomplished by a joint presentation to the key decision makers (donors, NGOs, government), building momentum and a sense of joint responsibility and ownership.¹⁵ The results of the assessments and the decisions taken should also be clearly communicated to affected actors.

15. For more information on collaboration, see Common Standard 6, "Coordinate Efforts for Greater Impact."

Appendix 2

Bibliography of Assessment Tools

This is an illustrative, not an exhaustive, list and is not intended to endorse any one assessment tool or methodology.¹⁶

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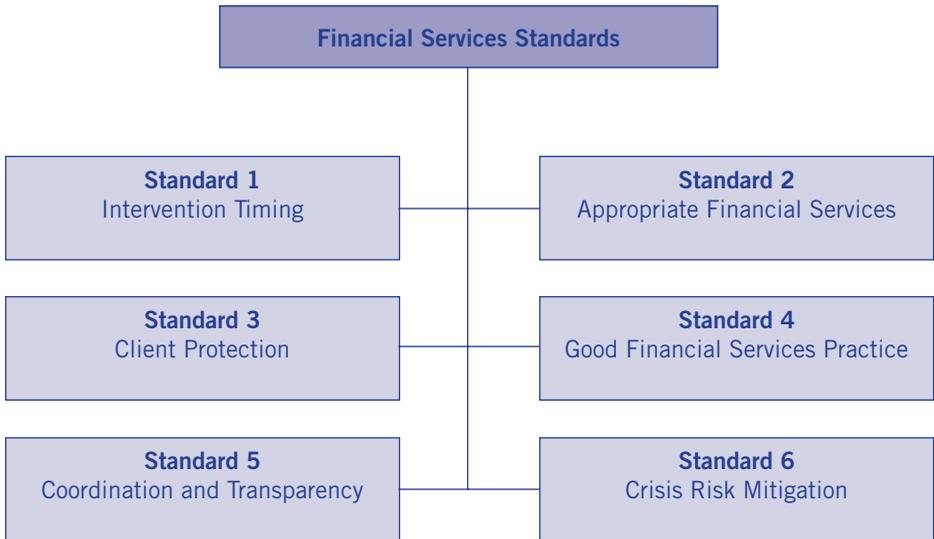
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Appendix 3: Further Reading on Financial Services

Financial Services Standards

Financial Services Standard 1: Intervention Timing

Financial services are initiated or reinstated as soon as possible, and align with the objectives and time horizon of the implementing organization.

Key Indicators (Read in conjunction with the guidance notes.)

- Interventions are begun as soon as possible during or after the crisis (see guidance note 1).
- Long-term versus short-term success objectives are defined, based upon the affected population's needs (see guidance note 2).
- Providers lay the foundation for long-term formal financial institutions when possible.

Guidance Notes

1. **Early planning and operations:** Planning—and initiation or resumption—of financial services in crisis-affected areas should begin early in order to promote the return to economic activities as soon as possible. In conflict areas, the best time is when indications of nascent, functioning markets with some evidence of legitimate market activity emerge in the affected area. In disaster-affected areas, it is as soon as staff can be mobilized to respond.
2. **Short-and long-term objectives:** In the short term, “success” in economic recovery is defined by repairing the immediate well-being of individuals and households. In the short term, both grants and loans may be appropriate mechanisms, depending on objectives and context. However, once immediate needs for well-being are being addressed, affected households and enterprises have a long-term need for reliable, regular access to financial services. This requires viable financial institutions or community-finance mechanisms. Successful economic recovery requires an upfront and proactive awareness of the necessity to incorporate short-term impact objectives within the context of the long-term objectives of building and

strengthening viable local financial institutions. Awareness of long-term economic and social needs and linkages will help in understanding the “ripple effect” of particular interventions, and how they can be constructively managed with early coordination.

Example: 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. A one-time financial service intervention might be to provide loans to help agriculture producers 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 a permanent, financially stable institution to provide a reliable source of loans with load periods and payment terms that fit their production cycle.

Financial Services Standard 2: Appropriate Financial Services

Financial service interventions are based on the capacity of the financial organization and the needs of the target population.

Key Indicators (Read in conjunction with the guidance notes.)

- Financial service interventions are market driven, based on an assessment of the current and evolving needs and capacity to use financing by households and enterprises (see guidance note 1).¹⁷
- Financial service interventions are realistic, given the capacity of the financial organization (see guidance note 2).

Guidance Notes

- 1. Market-driven services:** Crisis-affected households and enterprises require a range of financial services, including savings, credit, money transfers (remittances, payment mechanisms), and financial education. As in any environment, financial service providers must offer products that are in demand, ensuring that the products offered are financially viable. In crisis environments, this will require financial service providers to stay responsive

17. See also Common Standard 2, “Market-Driven Programming.”

and provide products and services that meet rapidly evolving demands, which might include disrupted social networks, lack of collateral, and a weak legal and regulatory environment. Financial services providers should communicate regularly with clients and scan the market, particularly during prolonged crises, to identify needs to be used in adapting existing and developing new commercial products and partnerships to meet these needs.

Example: During the early 1990s, financial service providers were cautious and reluctant to serve people returning from refugee camps in Thailand to Sisphon Province in Cambodia. The hesitancy of the microfinance institutions (MFIs) came from the returnees' pervasive lack of collateral and inability to form groups for group loans. Informal lenders, such as traders and merchants, on the other hand, used the presence of a vegetable garden as a sign of the returnee's commitment to live in the community. Based on this, they extended small, short-term loans so the returnees could buy axes to log wood, for example. The relationship between the informal lenders and borrowers is still used as the only form of collateral. Informal sources of credit remain the predominant source of finance in the region, despite the availability of cheaper and longer-term loans from MFIs that require group guarantees.

Source: T. Wilson, "Financial Services during and after Armed Conflict: Lessons from Angola, Cambodia, Mozambique, and Rwanda" (Dublin: Concern Worldwide and Springfield Center for Business in Development, 2001).

- 2. Realistic selection of financial intervention:** Intervening financial organizations should first assess whether local financial institutions are available as partners. If no local institutions exist, financial organizations should assess their capacity to provide financial services and other alternatives, such as community-managed savings and credit groups, for example, village savings and loan associations or rotating savings and credit associations. (See Financial Services Standard 5.) If the best course of action is to set up a new financial services institution, the organization determines 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, it should identify partners who can and pursue alternative community-managed services in the interim.

Financial Services Standard 3: Client Protection

Financial service providers adhere to accepted norms for client protection.¹⁸

Key Indicators (Read in conjunction with the guidance notes.)

- 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).
- The price, 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 their individual data without their permission.

Guidance Note

Preventing over-indebtedness: Assessing creditworthiness and ability to repay is essential for the financial well-being of both the provider and the client.¹⁹ Providers should respectfully and transparently tell clients why they were turned down for a loan. Providers should share credit ratings, methodologies, and client credit histories with one another, where it is legal to do so, for transparency and efficiency.

18. These principles are based on the Consultative Group to Assist the Poorest (CGAP), "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 appendix 3 for more information.)

19. There are a number of methodologies for rapid client credit appraisals. (See appendix 3 for further reading.)

Financial Services Standard 4: Good Financial Services Practice

All financial service providers adhere to accepted, good financial services practices.

Key Indicators (Read in conjunction with the guidance notes.)

- Programs have a clear strategy for offering grants versus loans (see guidance note 1).
- Financial products are offered at market prices with no interest subsidies (see guidance note 2).
- Standards and good practices for effective financial services are the same as in non-crisis-affected environments (see guidance note 3).²⁰
- Formal financial institutions (and those which aspire to this level) conduct annual external audits and product monthly financial statements based on International Accounting Standards (see guidance note 4).
- Non-formal and community-based institutions ensure that methods are in place for transparency and accountability in funds management (see guidance note 5).

Guidance Notes

1. **Clear strategies for grants versus loans:** In some circumstances, infusions of cash and capital in the form of one-time grants for households and businesses may be necessary to spark reconstruction and revitalization and to stabilize incomes. When developing a financing strategy (for grants or loans), programs should:
 - a) evaluate whether the activity being financed will require a one-time infusion of cash or materials, or if the financing need is cyclical and therefore more sustainably funded via credit; and

20. See appendix 3 for resources on good practice guidelines.

- b) develop consistent communication about the financing strategy, particularly for grants, and set expectations that the provision of grants will be a one-time event.

Examples: (1) An NGO helps a group of women form a cooperative to sell baskets and other crafts to local and regional markets. The NGO 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.

(2) Starting a new business or purchasing a cow for basic family needs may be more suitable for a grant. Purchasing inventory or expanding a herd of livestock for milk production for local wholesale markets can be more suitable for a loan.

2. **Marketing pricing:** Financial products and services offered must be driven by demand from enterprises and households, and priced at market rates that reflect the costs of funds, risk, and transactions. This will ensure that the financial products and services offered are scalable and thus accessible to large numbers of affected households and enterprises. While interest-rate subsidies 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 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 which lend at market rates. These kinds of subsidies, when extended, can heavily distort the market.²¹
3. **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, standards and good practices for effective financial services should still be the rule, including needs-based product design, credit appraisal, financial education, 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.

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

4. **Audits and monthly financial statements:** The adherence to, and promotion of, international accounting standards will strengthen the financial health of the financial organization, which increases its ability to provide financial services over the long term.
5. **Accountability and transparency:** Community- or group-based financial institutions have in place transparent mechanisms by which members can track use of funds. This may include a group ledger and/or income statement and regular checks of the figures by different group members.

Financial Services Standard 5: Coordination and Transparency

Financial service providers communicate proactively with relevant stakeholders and commit to transparency.

Key Indicators (Read in conjunction with the guidance notes.)

- Financial services programs coordinate with a broad range of stakeholders, including donors, government agencies, relief and development agencies, and existing financial service providers (see guidance note 1).
- The delivery of financial services is coordinated with, and separated from, grants and other activities (see guidance note 2).
- Implement and coordinate programs that complement existing grants and asset-transfer activities for maximum impact in promoting economic recovery (see guidance note 3).
- When feasible, organizations coordinate resources and objectives to promote development of financial services and the industry (see guidance note 4).

Guidance Notes

1. **Stakeholder engagement:** Financial services cut across economic sectors and are influenced by numerous market, policy, and social factors. Early coordination with a broad range of stakeholders helps ensure that financial

services focus effectively on market opportunities and complement other economic recovery initiatives in other sectors (e.g., health, education, shelter) by injecting needed capital into crisis-affected economies. This also contributes to the success of the financial services and products provided. Financial service institutions and the organizations that facilitate their work should have a coordinated strategy for how they work with donors, government agencies and regulators, other international and national relief and development agencies, and pre-existing providers of financial services (e.g., credit unions and banks).

2. **Provide clear messages and branding on credit versus grant activities:**

In crisis environments, humanitarian organizations may undertake financial services in addition to their relief work. Conversely, due to the crisis, established financial institutions may branch out of their usual sphere and decide to offer emergency cash grants or direct assistance. In these instances, there is potential for confusion among clients about the difference between grants and loans, and who is eligible for which. To avoid confusion, organizations should, at a minimum, be transparent and communicate widely about eligibility and terms and, if possible, conduct lending activities through separate channels from grant interventions. When different organizations undertake grant and credit operations in the same area or target the same group, these organizations should also have clear, transparent, and far-reaching communication dispersal mechanisms and criteria, as well as distribution channels.

Example: An NGO in an affected region is operating a grant program that provides assets to the affected population, while simultaneously conducting 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 employee uniforms, even though they are technically part of the same organization.

3. **Coordination of activities for economic recovery with other objectives:**

Financial services can be a powerful complement to other efforts to revive the local economy and affected sectors. Conversely, poor coordination can undercut the viability of financial services and restrict the overall pace and scale-up of non-financial service efforts.

Example: The ability of populations affected by the 2005 earthquake in Pakistan to open bank accounts was critical to facilitating the swift and transparent disbursement of relief funds from the government and other institutions. This enabled the deployment of complementary financial services to leverage the overall impact of sector-focused grant funding.

Often, grant-making programs begin immediately after a disaster or the cessation of conflict. When considering introduction of a loan program component, programs should look for complementarities whereby a loan or other financial service can strengthen the goal of the asset transfer facilitated by the grant, enabling the grantee to further leverage the assets acquired.²²

Example: An organization that disbursed grants for business start-ups then decided to introduce loans for business expansions. Another program that distributed warm dry-room kits considered offering home improvement loans.

4. **Coordination of resources and objectives:** Programs may have a large amount of funds for financial services and a pre-established notion of priority areas. Failure to communicate and coordinate priority areas and resource allocations results in duplicated efforts at best, and creates active barriers to success in reconstruction efforts at worst.

Examples: 1) In 2003, Afghanistan set up an investment facility to streamline funding and provide technical assistance to support local institutions. Five years later, the institutions it supports serve more than a half million clients and most have reached, or are reaching, key benchmarks of financial sustainability.

2) In Kosovo in 1999, all international organizations supporting microfinance in the province consented to participate in a coordination group. Together, the organizations agreed upon microfinance implementation standards and set up a credit information bureau. Nine years later, the group is still active and is the leading body for setting microfinance standards in Kosovo.

22. For standards on coordinating with other programs, see Financial Services Standard 5 and guidance note 2.

Financial Services Standard 6: Crisis Risk Mitigation

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

Key Indicators (Read in conjunction with the guidance notes.)

- Financial service providers put in place policies to minimize financial risk from the 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 set expectations for and enforce repayment.
- Financial service providers assess the effect of recurrent crises on clients to determine the need for adjustments (see guidance note 2).

Guidance Notes

1. **Institutional preparedness:** Organizations that provide financial services in areas affected by recurrent crises need to be prepared for the 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 institution's management information system (MIS) should be developed to withstand disaster, with documented procedures on operation of the system in the event of a crisis. Additionally, at a time of crisis, an institution's ability to manage its liquidity (meet all of its payment obligations on a timely basis) is compromised. Clients may save less or stop saving all together, miss loan payments, withdraw savings, and request supplemental emergency loans. All of these occurrences strongly influence the amount of cash going in and out of a financial institution and, for unprepared institutions, result in liquidity shortfalls. Other measures for crisis preparedness might include diversifying the portfolio by geographic base or by economic sector, offering remittance services, offering insurance products, requiring mandatory savings that can be accessed in case of disaster, or setting aside a monthly provision to make up for potential losses from the crisis.

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. Organizations should expect recurrent periods of high risk and have polices in place to minimize the potential danger to clients and staff.
3. **Assessment of client needs:** Clients of financial services institutions may be affected by crisis in different ways; some may temporarily or permanently have their ability to repay loans and their need to access their savings affected. 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: 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.

Appendix 3

Further Reading on Financial Services

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No. 1: "Main Summary"

No. 2: "Developing a Post-Conflict Microfinance Industry"

No. 3: "Developing Post-Conflict Microfinance Institutions: The Experiences of Liberia and Kosovo"

No. 4: "Environmental Preconditions for Successful Post-Conflict Microfinance"

No. 5: "Searching for Differences: Microfinance Following Conflict vs. Other Environments"

No. 6: "Security Issues for Microfinance Following Conflict"

No. 7: "Microfinance for Special Groups: Refugees, Demobilized Soldiers, and Other Populations"

No. 8: "Frequently Asked Questions on Basic Microfinance Concepts"

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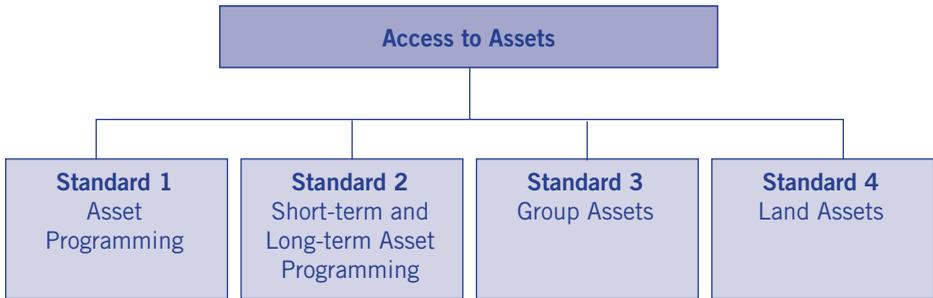
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Appendix 4: Resources and Tools for Access to Assets

Access to Assets Standards

Access to Assets Standard 1: Asset Programming

Asset programming is conducted in a manner that facilitates long-term economic recovery, while taking into account issues of targeting, equity, transparency, and security.

Key Indicators (Read in conjunction with the guidance notes.)

- Activities that provide assets assess the viability of the recipient's previous economic activity; the recipient's skills, technical capacity, and priorities; and the potential profitability of the economic activity to be supported, as well as its environmental impact (see guidance note 1).
- Programs clearly communicate to beneficiaries the allowable uses of transferred assets (see guidance note 2).
- Beneficiaries make their own decisions regarding restart and development of their economic activity.
- Asset provision does not interfere or compete with other economic recovery activities, such as financial services (see guidance note 3).
- Programs assess the potential impact on local markets when procuring and distributing assets (see guidance note 4).
- New livelihoods, technologies, land use, and/or improved methods are introduced only where the current capacity and the implications for local markets, cultural practices, and the environment are understood and accepted (see guidance note 5).
- Decisions regarding program methodology take into account asset security, local availability, speed, cost-efficiency, and beneficiary decision-making power (see guidance note 6).

- Programs assess potential risks to the physical security of beneficiaries, their assets, and resulting income, and take steps to address these risks before transferring assets.

Guidance Notes

1. **Assessment for assets provision:** Asset programming for productive purposes will only work if the beneficiaries are ready and able to use the replaced or provided asset, and if the use of the asset will result in a viable livelihood for the beneficiary. Additionally, programs may wish to consider the environmental impact of the asset used (whether replaced or provided for the first time) and to look at alternatives that may be more environmentally sustainable.
2. **Use of assets:** Some programs have strict guidelines that all assets replaced or provided must be for a productive purpose. Other programs focus more on the beneficiaries' freedom to make decisions regarding their livelihood. For the second type of program, there is more leeway for beneficiaries to trade assets, hold on to cash and vouchers until a more opportune time, and make other strategic decisions. Programs should clearly communicate the goals and criteria for the program, as well as the 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.

Example: A program uses an insurance model to replace assets lost in a crisis. Each beneficiary is given cash totaling the value of the lost assets up to a set ceiling. Beneficiaries are allowed to use that cash based on their circumstances, i.e., to replace the lost assets, buy different assets, or use the cash for other family needs.

3. **Competition with other economic recovery initiatives:** Because many asset recovery and protection activities involve giving funds or items to beneficiaries, care needs to be taken to coordinate with other programs in the area that have a longer-term approach and that may 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 jump start their businesses so they can participate in market development activities. However, asset distributions can inadvertently

interfere with recovery efforts if they use inappropriate distribution chains or targeting. For example, widespread distribution of items bought externally can weaken attempts to develop local suppliers of those products.

Example: After a fire, a program provides vouchers for construction materials to rebuild small shops and market stalls. The program then links to a local microfinance institution with a special loan fund to help replace working capital. Through this joint initiative, the affected businesses are able to restart their livelihoods and utilize a long-term source of business capital.

- 4. Effect on local markets:** Assessments need to take into account the effect on local markets of asset distribution and to consider a range of supply side issues linked to both purchasing and distributing the assets (for example, how local procurement could affect local availability of the good for other people). Programs should also consider the benefits and potential inflationary costs of purchasing assets locally or regionally (versus the higher cost and logistical difficulty of procuring assets externally), the substitution effect of beneficiaries receiving free goods or cash, and the impact on local partner enterprises and organizations, particularly small and medium enterprises.

Example: A program buys basic agricultural equipment (hoes, wheelbarrows, etc.) from a local wholesaler and distributes it to farmers to replace their tools lost in floods. This large order gives the wholesaler the cash necessary to restock other merchandise and increase the general availability of farm supplies in the affected area.

- 5. New technologies:** Introducing new species, technologies, or methodologies when providing assets can be very successful in terms of saving time and energy or improving yields and incomes. However, if there is not sufficient research and follow-through on assessing the fit with the current situation, there may be undesired impacts on markets, long-term production, and the environment. The beneficiaries' ability to use or to maintain the new asset or sustain new methods of production is an important consideration. It is also vital to assess the real sales/income potential resulting from the new assets both in the short and long term. Training for new technical skills or asset maintenance may be necessary, as well as linkages to markets.

Example: Farmers previously used buffaloes to plow their fields, but the buffaloes died in a natural disaster. A program brings in tractors in to replace the buffaloes, but many farmers cannot afford the fuel to run the tractors. So, the program must identify other alternatives or find ways to help farmers get access to fuel, spare parts, and maintenance support in a manner that is sustainable over the long term.

6. **Identifying means of asset distribution:** Significant discussions are ongoing regarding the use of cash-based strategies for asset replacement versus the direct provision of assets. The appropriate method depends on the working environment and the goal of the program. 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 recipients' decision-making power to choose what, when, and where to buy. The use of vouchers (to purchase given products or services from a variety of suppliers) is a middle option that limits how the money may be used but gives recipients freedom to select the source. Likewise, concepts of social protection are also being applied by many practitioners and donors in post-emergency recovery situations. A number of documents provide deeper explanation and analysis of these methodologies, several of which are listed in appendix 1.

Example: Beneficiaries receive a voucher 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 voucher.

Example of asset replacement: Households are given cash to replace livestock lost in a natural disaster.

Example of asset protection: Village households are given cash, non-food items, or food to meet basic needs and prevent the sale of productive assets.

Example of means of delivering assets: One type of asset replacement may assess the value of assets lost and replace them accordingly. Other programs disburse one type of asset, such as livestock, to all targeted beneficiaries. Another type of program provides cash or other resources to recoup assets or prevent the sale of productive assets. Programs may also involve market solutions to sell assets of declining productivity, such as distressed cattle or crops in an oversupplied market.

Access to Assets Standard 2: Short-Term and Long-Term Asset Programming

Short-term asset programs achieve basic replacement and preservation of existing productive assets; whereas long-term asset programming results in asset growth as a result of beneficiaries' improved economic capacity.

Key Indicators (Read in conjunction with the guidance notes.)

- The goals of an asset program are in keeping with the program's duration and timing (see guidance notes 1 and 2).
- Programs measure or demonstrate through causal models a long-term increase in income, assets, sales, or employment for beneficiaries.
- Programs measure or demonstrate through causal models a long-term increase in resiliency for future disasters for beneficiaries because of the asset intervention.
- Programs have in place a transition strategy to long-term sustainable service provision (see guidance note 3).

Guidance Notes

1. **Short-term asset programming:** Short-term asset programming is aimed at basic replacement and preservation of productive assets, usually immediately post-crisis. Little or no attempt is made to improve assets or provide additional economic development. However, even in these immediate stages, programs should consider the potential long-term effects of the asset transfer and begin to identify ways in which the asset program might link to longer-term programming.
2. **Longer-term asset programming:** Longer-term asset programs are more complex than immediate asset programs. They use asset replacement and preservation to develop and improve income-generating activities and businesses. This type of program may include technical assistance, market linkages, and additional activities to increase beneficiary economic activity.

In this instance, subsidies should not be provided without a thorough analysis of appropriateness and impact on long-term sustainability.

Example: Farmers are given new hybrid seedling varieties to increase their agricultural productivity, along with training on how to care for the new varieties. The farmers are also connected to a market development program working on improving transportation networks for agricultural commodities.

3. **Exit and transition strategies:** Asset transfer programs, even short-term ones, should actively consider helping clients link to sustainable programming, such as financial services or enterprise development. These may be offered by other organizations in the area. See the Financial Services Standards, Enterprise Development Standards, and Common Standard 6 for more information.

Access to Assets Standard 3: Group Assets

Interventions to preserve, replace, and grow assets through group mechanisms have clear governance and management structures and are based on an appropriate cost-benefit analysis and assessment of local market implications.

Key Indicators (Read in conjunction with the guidance notes.)

- Group asset transfers are selected only after careful consideration of economic, cultural, and environmental factors (see guidance note 1).
- Programs select group asset mechanisms only when economies of scale or broader impact of benefits and/or yields are apparent or indicated through assessments.
- The possible negative impacts on local markets from larger, concentrated group production, processing, and/or distribution are assessed, understood, and mitigated, when possible.
- Strategies for group mobilization consider working with or through existing groups in the community (see guidance note 2).

- Group selection and formation is conducted with a focus on economic success; acceptance within the wider community and culture; and issues including diversity, gender equity, and vulnerability (see guidance note 3).
- Group registration adheres to local and national laws, as relevant.
- Group management structure, specific to the type of group, is clear. The roles and responsibilities of all members, including for ongoing asset maintenance and service, are outlined and understood (see guidance note 4).
- Group asset interventions provide appropriate and timely training to group members for group dynamics, governance, management, and conflict resolution.
- Benefit sharing, use/access, and ownership schemes are equitable, transparent, understood, and agreed upon by group members (see guidance note 5).

Guidance Notes

1. **Choosing group assets:** Group assets tend to be large in size, value, and scale (e.g., machinery, infrastructure, new technology). The costs and benefits of group asset transfers, as opposed to individual asset transfers, should be carefully evaluated. Group mechanisms are often 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 any group-based asset program, teams must conduct a market assessment to determine that the market can bear any expected increase in production of the good(s). The difficulty in establishing successful businesses formed around group assets must also be considered and fully understood. 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, cultural attitudes towards group formation, the governance of the group, regulatory issues, and the potential for misuse of the asset (see guidance notes 3 and 5).

Example: 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 allow 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 linked to a financial services institution where they take a collective loan to cover initial operating expenses.

2. **Existing versus new group structures:** The use of pre-existing group structures 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 be points of contention later. This is especially relevant in post-conflict environments. Programs could also adapt pre-existing group structures, using them as a foundation to strengthen capacity and 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. In some situations, the time needed to develop the capacity of nascent group structures may not be available, thus individual asset transfers may be a more appropriate solution.
3. **Group member selection:** 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.
4. **Group management and responsibilities:** 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.

Example: For assets, such as tractors, that require simple maintenance and time-sharing plans, a simple, less-formal group structure is sufficient. For assets that require more complex management, such as processing equipment that needs regular maintenance, access to utilities, and a time-sharing plan, a formal group structure with management roles, some compensation, and an official supervisory board may be more appropriate.

5. **Equity and transparency in groups:** 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 in group management training or when supporting group management. Individuals or interest groups within the larger communities may attempt to dominate or co-opt the group assets; this danger must be considered and, if possible, mitigated.

Example: A group is given a fish-processing machine after it has agreed on a written plan for organizing themselves, managing the activity, and sharing profits.

Access to Assets Standard 4: Land Assets

Individuals and communities know about and have access to information, services, and products to protect and preserve their land tenure in an equitable manner in times of crisis.

Key Indicators (Read in conjunction with the guidance notes.)

- Asset programs consider the vulnerability of groups regarding land assets and provide services to mitigate this, if possible (see guidance note 1).
- Land asset interventions include information provision, capacity building, and protection mechanisms for affected communities (see guidance note 2).
- Economic recovery programs consider policy analysis and advocacy activities regarding land rights, as appropriate and according to the organization's capacity (see guidance note 3).

Guidance Notes

1. **Vulnerable groups:** Land is often the most valuable and most productive asset owned by program beneficiaries. After a crisis, local residents are particularly vulnerable to losing this asset to land speculation or seizure. Women, widows, and/or indigenous groups are particularly at risk, especially if the underlying conflict has roots in ethnic strife. While organizations may not be able to directly address this situation, programs can take this issue into account, ensure that all beneficiaries understand their rights, and identify strategies and interventions that protect land ownership by strengthening rights and assets in other areas or at least do not further endanger land rights.
2. **Land asset interventions:** These might include providing information on current or upcoming laws and regulations regarding land tenure, capacity-building on policies and legal frameworks, or providing protection mechanisms (including other asset transfers) to counter forced sales of land.

Example: A program informs women of a new government law that requires joint spousal ownership of land and helps families complete the registration paperwork.

Individuals consult legal advisors at an NGO outreach office for help completing the government process to receive new land title documents, after the documents are washed away by a tsunami.

3. **Policy interventions:** Not all organizations have the capacity to engage in policy advocacy, nor are governments always able or willing to focus on these issues. However, where appropriate, advocacy might include supporting the protection of land rights for vulnerable groups. Other forms of engagement might include analyzing policies to disseminate accurate information to communities (see guidance note 2), participating in joint information sessions, supporting land valuation and titling efforts by local governments or organizations, or strengthening the capacity of governments to develop land policies and legal frameworks.

Example: A program that helps the government draft a decree freezing all land sales for six months after a natural disaster to protect residents from land speculators. The program then takes part in a public information campaign to inform communities of the decree.

Appendix 4

Resources and Tools for Access to Assets

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Employment Creation Standard

Standard 1

People have equitable access to decent employment with fair remuneration that does not jeopardize the resources they need for their livelihoods.

Appendix 5: References and Further Reading on Employment Creation

Employment Creation Standard

Employment Creation Standard 1: Decent Employment

People have equitable access to decent employment with fair remuneration that does not jeopardize the resources they need for their livelihoods.²³

Key Indicators (Read in conjunction with the guidance notes.)

- Short-term employment interventions used to provide immediate income streams and build assets link to a longer-term employment strategy that promotes the potential for future sustainable employment (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 2).²⁴
- Program design considers the capacity building required to create sustainable employment for the targeted groups (see guidance note 3).
- Job creation measures uphold and promote decent and fair employment conditions (see guidance note 4).
- Employment creation interventions assess the wider operating environment and factor it into project design (see guidance notes 5 and 6).

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 reab-

23. Definition based on Sphere *Handbook*, “Food Security Standard 3: income and employment” (<http://www.sphereproject.org/content/view/60/84/lang,English/>)

24. See Sphere *Handbook*, “Food Security Standard 4: access to markets” (<http://www.sphereproject.org/content/view/61/84/lang,English/>)

sorbed in the workplace, b) injecting cash into the local economy, c) providing fungible assistance to households to use as they deem most needed, and/or d) 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.

2. **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, 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.
3. **Human capital development:** In identifying viable employment options, the education required to meet employment requirements—and the feasibility—with training and other support should be considered. These needs may be greater for disadvantaged and vulnerable groups and 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.
4. **Quality of employment:** In evaluating employment opportunities, the following factors should be considered:
 - The level of remuneration is appropriate, taking account of local labor rates, and payments for waged labor are prompt and regular.

- Procedures are in place to provide a safe, secure working environment, including safe travel to and from the workplace.
- 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.²⁵

Program strategies should also consider child protection, respect minimum work ages, and not undermine people's responsibilities to care for the household.

5. **Operating environment:** Program design considers local government and policy institutions, as well as informal norms that govern the labor market, in order to foster sustainability and develop a supportive business and policy environment. This may be evidenced via an upfront assessment of how these factors influence the labor market and what industries to target for workforce development.

25. See Sphere *Handbook*, "Food Security Standard 3: income and employment" (<http://www.sphereproject.org/content/view/full/60/84/lang,English/>)

Appendix 5

Resources and Further Reading on Employment Creation

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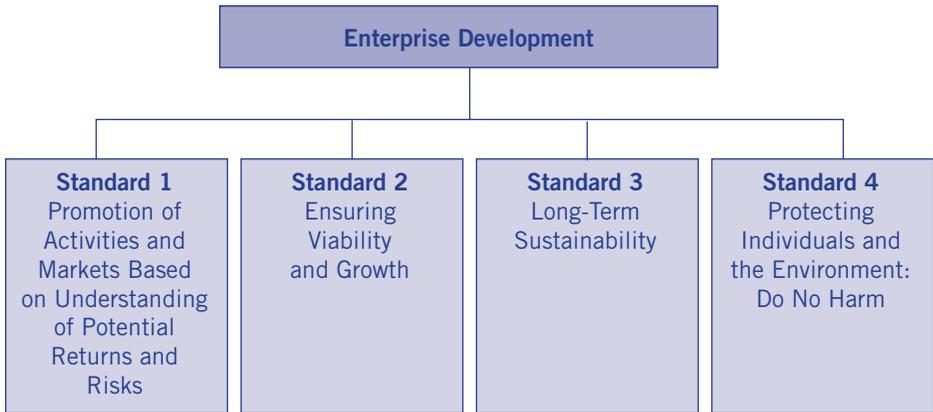
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Appendix 6: Further Reading on Enterprise Development

Enterprise Development Standards

Enterprise Development Standard 1: Promotion of Activities and Markets, Based on Understanding Potential Returns and Risks

New and existing sources of income and livelihoods are promoted with an understanding of the environment, enabling households, and enterprises and consider potential returns, risks, and the business environment.

Key Indicators (Read in conjunction with the guidance notes.)

- Programs conduct financial and scenario analyses of potential enterprises. These analyses indicate that enterprises will be profitable and viable, both in terms of income and risk (see guidance note 1).
- Programs increase the number or quality of income options available to communities (see guidance note 2).
- Communities and individuals have more and better information about different options for making money and accessing needed resources (see guidance note 3).

Guidance Notes

1. **Financial viability of enterprises supported:** Agencies supporting an individual's livelihood and business need to understand the costs, revenues, and potential profits that can be achieved by different activities before providing assistance. This calculation should include costs for equipment maintenance, parts, or other regular services that the business will require to maintain operations. When assessing potential profits, the short- and medium-term prospects of the business should be evaluated, based on anticipated market trends (demand) and the ability to compete. When appropriate, forecasts of potential profits should take into account the

possibility that the business may be vulnerable to a relief “boom”—e.g., sectors, such as restaurants, construction or transportation, can be subject to surges in demand to serve the relief response. Caution should be used when assisting these types of businesses, and consider other viable activities and industries that may be less affected by the influx and anticipated end of relief assistance. The evaluation of a business’s viability should be executed both independently and collaboratively with the owner to ensure the owner is engaged in a profitable enterprise. When agencies and business owners both understand the analysis, they are in a much better position to make informed decisions about whether the business is viable whether it makes sense to support its rehabilitation. This reduces the risk of supporting activities that can impoverish households further.

2. **Increasing and diversifying livelihood options:** Households and enterprises, when evaluating new economic activities and/or making the decision to specialize in one economic activity versus diversification, need to consider a number of factors beyond potential profitability. Entry into new activities or expansion of an economic activity, at the cost of not engaging in others, may make households and enterprises more vulnerable. In evaluating the decision to recommend that a household specialize in one activity, programs should consider the potential for income, as well as the risk of discontinuing other activities, to determine if households could weather the risk. The 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:** 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 as means of feeding their families.*

3. **Empowering communities and individuals with choice and correct information:** Programs should use participatory methods to include those businesses and individuals identified for assistance, when conducting a risk and returns analysis and demand assessments. This will help them under-

stand the potential risks and the returns in the short and long term and enable them to make informed decisions about their own lives and prospects. Efforts must be made to ensure that the analysis is conducted from the perspective of local beneficiaries, i.e., based on their accessible resources and the level of risks they are comfortable taking.

Enterprise Development Standard 2: Ensuring Viability and Growth

Programs promoting enterprises and self-employment address the range of critical needs required for enterprise viability and growth and ensure that enterprises can be economically viable within the existing enabling environment, in both the short and long term.

Key Indicators (Read in conjunction with the guidance notes.)

- Programs conduct an analysis of the target market that analyzes the demand, trends, relationships, and gaps that have to be addressed to ensure the viability and growth of the market and enterprises (see guidance note 1).²⁶
- Programs promote improved linkages between enterprises and needed business services that can increase productivity and sales (see guidance note 2).
- Programs consider both direct and indirect interventions to provide assistance to targeted enterprises and markets (see guidance note 3).
- Programs ensure that enterprises can access reliable information about where to buy inputs and sell their products (see guidance note 4).
- Enterprises are aware of relevant regulations and are able to abide by those regulations (with or without support) to the extent possible (see guidance note 5).
- Programs establish and/or promote mechanisms for public-private dialogue to ensure coordination between private investment and public spending (see guidance note 6).

26. See also Assessments and Analysis Standards.

Guidance Notes

1. **Market analysis:** Promoting the viability of targeted enterprises and livelihoods requires a solid understanding of the market in which they operate. This is achieved with an analysis that starts with the needs of the final customers, and works backwards from these customers to ensure that the entire market chain is configured to serve them. This type of analysis leads to a comprehensive program approach that determines enterprise viability in terms of demand and profitability; access to inputs; and the market's power dynamics (the relationships that determine who can effectively participate in the market). There is also a need to determine whether supporting infrastructure exists (e.g., roads, markets, communication systems) or needs to be refurbished (see Enterprise Development Standard 3 for more information).

Example: Often individual micro-enterprises cannot produce a sufficient volume to sell to large traders and wholesalers. Whether this is still a constraint can be assessed via a market analysis, followed by identifying potential solutions that still enable micro-producers to engage in the market. An agency which builds capacity of individual enterprises to organize, buy inputs in bulk, and sell collectively—as well as facilitates market links with traders and wholesalers—can make the difference between enterprise success and failure.

2. **Linking enterprises to business service providers:** Because enterprises and livelihoods do not exist in isolation, but are part of larger market systems, they require access to a range of products and services in order to succeed. This is confirmed by research that shows that enterprises—even small ones based within a household—which are linked to other businesses are far more likely to continue and grow. Transport, finance, storage, and repair services for tools and equipment are examples of business services that an enterprise may require to be successful. A market assessment should be conducted to identify which services exist, which services the targeted enterprises are linked into, and whether there are others they would benefit from or need. If the assessment determines that the requisite services are not accessible and cannot be promoted, then it may not be viable to support the enterprise and should consider other economic activities.

Special consideration should be given to link enterprises to financial services. If banks, microfinance institutions, or other safe financial institutions

do not exist to provide services, then the assisting agency should consider alternatives. Financing alternatives can include indigenous savings and credit schemes, as well as trade-based systems, such as supplier credit, loan guarantees with non-MFI banks, and voucher systems for input supplies.

- 3. Evaluating direct and indirect means of assistance:** In evaluating program options, the information and criteria used in the analysis should be sufficiently broad to allow consideration of the effectiveness of interventions that work both directly and indirectly with the targeted population. Examples of potentially effective indirect assistance include developing access to affordable, accessible commercial services that support the livelihoods of the target population (e.g., financial services, veterinary services, access to new markets); improving the operating environment in the markets most critical to the population's income; and expanding the demand for products and services produced by the target population. Often in crisis settings, key business services for enterprises are not functioning and program interventions have to fill gaps temporarily. (See Enterprise Development Standard 3 and guidance notes 3 and 4, for indicators regarding activities to address service gaps.)

Example: Often after a natural disaster, urban traders may have lost their supply links due to disruptions to the aggregation of products in rural areas, which affects the livelihoods of rural producers and the food security of urban consumers. To help urban retailers re-establish supply linkages, an agency might work with rural producers and local brokers to set up collection centers and transport to urban areas. Before undertaking such an intervention, the supporting agency should ensure that it has an exit strategy, and that the collection centers and transportation centers can continue sustainably after the intervention is terminated.

- 4. Market information:** Programs should ensure that assisted enterprises and individuals have a means of accessing reliable market information. Without this access, a business risks making uninformed decisions when evaluating demand and lower profits. Examples of the risks from lack of good business information may include a farmer paying an inflated price for fertilizer or a woman receiving a below-market wage for the bread she bakes.

Example: An agency involved in enterprise development links key market actors in different areas via a text-messaging system on cell phones, so that price information can be passed on more quickly and the actors can publicize this information in public places.

5. **Regulatory framework for enterprises:** An agency committed to developing enterprises should be knowledgeable about the regulatory framework for the market 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 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.
6. **Public-private dialogue mechanisms:** Public-private dialogue can come in a variety of forms, ranging from national competitiveness councils to informal community-level working groups. Regardless of the level of formality and focus, these groups provide a valuable forum where different stakeholder groups (i.e., private sector, government, NGOs, and donors) can meet to coordinate activities.²⁷

27. The International Finance Corporation has published a document that provides excellent guidance on the pitfalls and best practice of enterprise-focused competitiveness partnerships: Benjamin Herzberg and Andrew Wright, "Competitiveness Partnerships: Building and Maintaining Public-Private Dialogue to Improve the Investment Climate," WPS3683 (Washington, DC: Multilateral Investment Guarantee Agency [MIGA], 2005). http://portal.unesco.org/culture/en/files/29650/11369778613PPP_Public_Private_partnerships.pdf/PPP%2BPublic%2BPrivate%2Bpartnerships.pdf

Enterprise Development Standard 3: Long-Term Sustainability

Enterprise development programs are designed with long-term sustainability in mind.

Key Indicators (Read in conjunction with the guidance notes.)

- Programs help create or strengthen mutually-beneficial (win-win) inter-firm relationships (see guidance note 1).
- Programs engage the private sector as partners, while ensuring this engagement does not contravene Enterprise Development Standard 4, “Protecting Individuals and the Environment” (see guidance note 2).
- Subsidies are time bound and used selectively to stimulate a market response (see guidance note 3).
- Programs avoid directly entering the market, when possible. When they must do so, they ensure that an exit strategy is in place from the outset (see guidance note 4).

Guidance Notes

1. **Strengthening relationships:** Programs should have some means by which they strengthen collaboration and relationships among market actors, and among and between targeted enterprises and individuals, as well as other business operating in the market. Strong, mutually beneficial relationships among enterprises facilitate transfer of information, skills, and services. Market opportunities and constraints generally require a coordinated response by multiple firms in an industry or sub-sector—which necessitates trust and a willingness to collaborate. Establishing communication and increasing transparency are essential trust-building activities in conflict-affected environments and it requires focused planning and time to demonstrate results. Associations or industry working groups can play an important role in rebuilding relationships among similar firms or among those linked vertically in the market.

Example: Trust can be encouraged in many ways, such as creating a “safe space” for buyers and sellers to meet, acting as an “honest broker” to ensure compliance with contract terms, setting objective quality standards, and establishing market information systems.

- 2. Partnering with the private sector:** Programs that promote enterprises and households livelihoods should explore partnerships with the broader private sector or, at the least, engage with them. This ensures that programs are grounded in market realities. In many industries, there are private-sector firms with the ability and economic incentive to link enterprises to markets, technologies, or information. These firms—whether buyers, processors, or producers—can provide sustainable leadership for an industry, driving innovation and facilitating the development of trust.

Example: Buyers may be willing to provide technical advice to their suppliers to ensure that they receive the quality products they need. Similarly, input suppliers often have an incentive to disseminate technical information to ensure the use of inputs that will result in improved production in order to broaden their customer base and build customer loyalty.

- 3. Use of subsidies:** Subsidies, by definition, are unsustainable and therefore distort market incentives. Consequently, implementers should plan from the outset to withdraw subsidies and to communicate this clearly to recipients and other stakeholders. Subsidies should stimulate or redirect, but not replace, market activity. Subsidies can be effective in increasing the availability of market information to increase transparency and trust, to “level the playing field” for small enterprises, and to assist with asset replacement. Subsidies can also be used to demonstrate the potential of an improved technology, to reduce the risk to enterprises investing in new technologies or techniques, or to accelerate the development of an industry by resolving key constraints.

Example: In-kind credit, cost sharing, and other risk-mitigation mechanisms can encourage firms to invest in new production technologies or target new markets. Once the investment is profitable, the subsidy can be withdrawn.

4. **Entering the market:** Direct intervention in a market to compensate for a gap in the chain, to reduce risk, or to provide a more equitable alternative to an existing market actor, may “kick start” an industry. However, it should only be intended as a stop-gap measure to create momentum, and projects that step into the market often have difficulties extricating themselves. Direct intervention creates dependency and delays the emergence of private-sector solutions to industry problems. It should therefore be avoided whenever possible. When there are no market actors capable of, or willing to, serve an essential function in the chain, services provided by a project should not be subsidized and should be passed off to private-sector firms as soon as possible. A plan to identify, partner with, and build the capacity of private sector firms that can assume project services should be designed prior to entering the market chain.

Example: Buyers may fail to pay producers on time, causing a breakdown of trust and increasing side-selling by the producers. In response to this situation, a project may decide to become a market intermediary and buy from producers and sell to buyers. By intervening directly, the project reduces risk for producers and buyers alike and may increase production volumes and sales revenues. However, such an arrangement fosters dependency on the project and does not create incentives for buyers and producers to resolve their problems. A more viable alternative is to work with buyers to establish mechanisms that ensure on-time payments and build up trust with producers. If this is not possible, an alternative is to assist producers in developing a strategy to diversify and link to more reliable buyers.

Enterprise Development Standard 4: Protecting Individuals and the Environment—“Do No Harm”

Operations, products and waste of supported enterprises minimize or address potential harm to the environment or individuals, or the potential to encourage exclusion, entrench poverty, create conflict or increase economic disparity.

Key Indicators (Read in conjunction with the guidance notes.)

- Programs apply a “do no harm” lens to selected market chains and enterprises to determine the wider social impacts of intervention (see guidance notes 1 and 2).

- Programs have a system in place to ensure that no exploitative activities are undertaken by selected partners and targeted enterprises (see guidance note 3).

Guidance Notes

1. **“Do no harm” lens:** Assistance via market intervention may impact power dynamics in the affected society and potentially damage fragile relationships between discrete groups. A market assessment should consider this dynamic and 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 mapped, and information should be gathered as well 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,” and “who runs the wholesale shops.” As understanding grows, the power dynamics will be revealed, as well as which groups (men, women, and 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 and who is excluded and included. With this information, interventions can be designed to support a win-win solution for everyone and leverage existing relationships and links.

Example: In a rural area, post-disaster, an agency identified 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 selected and trained leaders from among the poor farmers to be loan officers. The displaced ethnic group began to sabotage the crops of the poor farmers, so that they could not repay their loans. A good market analysis would have identified which groups were the producers, traders, and lenders. The lenders could have been given (formal) training as loan officers, in order not to displace them from their role in the market system.

2. **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 a fragile environment, impeding economic development and growth. Livelihood and income generation activities require inputs, which are often natural resources, such as water or reeds for basket weaving. The steps in processing the products also need to be analyzed to determine if any chemicals are required (another input) and what harm their disposal might cause the environment. The choice of interventions should be based upon these analyses.

Example: An agency identified the unmet demand for silk thread in a post-disaster context. The input for silk thread was cocoons. Fuel was needed for fires to boil the cocoons to extract the silk filaments which were spun into thread. The extra demand for firewood began to create shortages for the silk worm industry (and local households). As part of the intervention, wood collectors and sellers were introduced to conservation methods and to replanting the scrub that was used for firewood. The agency also committed resources to research alternative fuels, so that growth in silk thread industry would not be impeded by lack of fuel to boil the tons of cocoons produced.

- 3. 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 worse 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 complying with labor codes. Curbing illicit activities requires partnerships with non-economic programs, local government agencies, and multilateral donor agencies. (See Employment Creation Standards.)

Example: An agency identified a market opportunity for hand-knotted rugs in a post-crisis region and needed sources of natural dye production, thread production, weaving, trading, and exporting. Rug-producing households saw an earning potential and removed their children from school to produce rugs. The agency recognized the problem at the outset and partnered with the local government, local schools, and some international donors which provided food vouchers for children who attended school. This gave the families an incentive to send their children to school. The food vouchers reduced their household expenditures, which enabled families to hire outside laborers to assist in rug production.

Appendix 6

Further Reading on Enterprise Development

FEWER, International Alert, and Saferworld. Online documents. "Conflict Sensitive Approaches to Development, Humanitarian Assistance, and Peace Building: Resource Pack." FEWER, International Alert, and Saferworld, 2003. http://www.conflictsensitivity.org/resource_pack.html

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Herzberg, Benjamin, and Andrew Wright. "Competitiveness Partnerships: Building and Maintaining Public-Private Dialogue to Improve the Investment Climate." WPS3683. Washington, DC: Multilateral Investment Guarantee Agency [MIGA], 2005. http://portal.unesco.org/culture/en/files/29650/11369778613PPP_Public_Private_partnerships.pdf/PPP%2BPublic%2BPrivate%2Bpartnerships.pdf

Miehlbradt, Alexandra O., and Mary McVay, ed. Jim Tanburn. *Implementing Sustainable Private Sector Development: Striving for Tangible Results for the Poor— The 2006 Reader*. BDS Annual Seminar 2006. Geneva: ILO, 2006. www.bdsknowledge.org/dyn/bds/docs/497/PSDReader2006.pdf. Accessed 19 February 2009.

Annex 1

Glossary for Economic Recovery Standards

This glossary provides definitions for the commonly used terminology in these 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. Unless other sources are noted, these definitions are adapted from the Microenterprise Development Office at USAID via their website: 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

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**).

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.

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)

The wide array of non-financial services critical to the entry, survival, productivity, competitiveness, and growth of enterprises²⁸ (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 sub-sector-specific services in product development, market access, input supply, equipment sale or leasing, and other sector technical assistance and/or training.

Business linkages

Includes both vertical and horizontal linkages among enterprises. Business linkages involve building 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.

Cooperatives²⁹

A co-operative 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 co-operative 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' co-operatives). However, co-operatives 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**)

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

28. Committee of Donor Agencies for Small Enterprise Development, *Business Development Services for Small Enterprises: Guiding Principles for Donor Intervention* (Geneva: ILO, 2001), <http://www.ilo.org/public/english/employment/ent/papers/guide.htm>. Accessed 19 February 2009. The Donor Committee includes USAID, DFID, CIDA, IFAD, UNDP, JICA, EU, GTZ, Ford Foundation, and the World Bank.

29. International Co-operative Alliance, www.coop.org.

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 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.

Coping strategies

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 items, such as clothing, medical care, and education; and reducing the number of dependents in the household.

Corruption³⁰

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.

Deep outreach

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

30. See the Transparency International web site, <http://www.transparency.org/>. Accessed 19 February 2009.

output of goods and services is produced with smaller throughputs of natural, manufactured and human capital.³¹

- 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.³²

Economic growth³³

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, "Economic Growth Rates"). But, when economic growth is achieved through more 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.

It also refers to 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 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.

31. UNESCO, http://www.unesco.org/education/tlsf/TLSF/intro/glossary_links/glossary.htm. Accessed 19 February 2009.

32. World Bank, <http://www.worldbank.org/depweb/english/beyond/global/glossary.html>. Accessed 19 February 2009.

33. Tatyana Soubbotina, online document, *Beyond Economic Growth: An Introduction to Sustainable Development*, 2nd ed. (Washington, DC: World Bank), <http://www.worldbank.org/depweb/english/beyond/global/glossary.html>. Accessed 19 February 2009. See especially chapter 4, "Economic Growth Rates," and "Glossary."

Enabling environment

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

Enterprise³⁴

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.)

Exit strategy

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

Facilitator

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

The costs of the funds raised by a microfinance institution to cover its lending. Depending on the context, this may include only out-of-pocket interest costs paid to depositors and/or to other financial institutions, as well as the opportunity cost of funds received as grants or soft loans from donors, governments, or charitable organizations.

34. Official Journal of the European Union, Commission Recommendation, 6 May 2003, concerning the definition of micro, small, and medium enterprises, http://europa.eu.int/eur-lex/pri/en/oj/dat/2003/l_124/l_12420030520en00360041.pdf. Accessed 19 February 2009.

Financial services

In the context of enterprise development, these include the provision of a range of financial services to low-income people, including credit, savings, remittances, insurance, leasing, and credit cards (see **Microfinance**).

Financial sustainability

The degree to which an organization collects sufficient revenues from sale of its services to cover the full costs of its activities, evaluated on an opportunity-cost basis.

Formal sector/formal economy³⁵

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

35. From Martha Alter Chen, "Rethinking the Informal Economy," United Nations/DESA Working Paper, no. 46 (New York: UN Department of Economics and Social Affairs, 2007), http://un.org/esa/desa/papers/2007/wp46_2007.pdf. See also Wikipedia (http://en.wikipedia.org/wiki/Informal_economy#cite_ref-portes_0-0). Both links accessed 19 February 2008.

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 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.

Impact

A favorable and 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 financial services and/or non-financial assistance to microenterprises, or that performs other activities intended to improve the environment for microenterprise performance.

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**).

Informal sector/informal economy³⁶

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**).

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 dynam-

36. Women in Informal Employment, web site, <http://www.wiego.org> (accessed 19 February 2009), plus the International Labor Organization (ILO).

ic 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)

Market chain

Term sometimes used by practitioners to refer to sub-sectors or value chains. (See **Sub-sector** or **Value chain**.)

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 linkages

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

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.”³⁷ It

37. 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.

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.³⁸ 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.

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).³⁹

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

38. 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: Sida, 2003).

39. 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. Accessed 19 February 2009).

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)⁴⁰

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 payments 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.

Non-financial assistance

In the context of enterprise development, any effort undertaken to improve the performance of individual or groups of enterprises other than through microfinance. Includes, but is not restricted to, training of individual entrepreneurs, efforts to link enterprises with suppliers or markets for their output, the development and extension of technologies for use by entrepreneurs, and lobbying efforts for improvements in policies and/or institutions affecting enterprises.

40. World Bank, "Small and Medium Enterprise Development," http://www2.ifc.org/sme/html/sme_definitions.html. Accessed 19 February 2009.

Operational costs

The portion of a program's costs that covers personnel and other administrative costs, depreciation of fixed assets, and loan losses.

Operational efficiency

The extent to which an organization succeeds in minimizing its operational costs, given the target population with which it is working. It is measured by the ratio of the organization's operational costs to the average value of its outstanding portfolio.

Operational self-sufficiency

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

Opportunity costs

The value of a given set of resources in their best alternative use. As applied to an enterprise development program, it refers to the market value of the resources used to carry out that program. In particular, calculating the opportunity costs of a program requires that any funds or other resources received in the form of grants or low-interest loans be evaluated according to what the institution would have had to pay for those funds had it raised them in private financial markets.

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**).

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-sector⁴¹

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 chains**)

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.

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.

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

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 weakness-

es 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.

Annex 2

Standards Development Task Force

We would be remiss if we did not list all of the individuals and their organizations who contributed their time, talents, and energy to developing the consultation draft of the *Minimum Standards for Economic Recovery after Crisis*.

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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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