

## ECONOMY AND MARKET SYSTEMS UPDATE – JULY 2007

### SECTOR OVERVIEW

Natural disasters and complex emergencies adversely impact local economies. Disasters destroy homes, damage productive assets, and disrupt transportation and market infrastructures, affecting economic activities at the household, community, and regional levels.

The third pillar of USAID/OFDA's mandate is to mitigate the economic impact of disasters. USAID/OFDA supports economic recovery programs in an effort to help affected communities resume economic activity and rebuild livelihoods. In Fiscal Year (FY) 2006, USAID/OFDA provided more than \$22 million to fund economic recovery initiatives in the Democratic Republic of Congo, Ethiopia, Indonesia, Lebanon, Pakistan, and Sudan.



With USAID funds, GOAL distributed vouchers to earthquake-affected Pakistanis to purchase food and household materials (U.S. Department of Defense).

USAID/OFDA encourages response programs that are participatory, rely on local skills and capacities, support cash-for-work projects, and incorporate market-based interventions to bolster communities' efforts to resume their daily activities.

### PAKISTAN: HELPING FAMILIES RETURN HOME AND REBUILD LIVELIHOODS

On October 8, 2005, a magnitude 7.6 earthquake struck Pakistan, India, and Afghanistan. The earthquake caused massive destruction and loss of life and severely disrupted economic infrastructure and activities. In response, USAID/OFDA supported programs to save lives and help earthquake-affected populations survive the coming winter. As winter ended, USAID placed a greater emphasis on programs that supported reconstruction and recovery initiatives to help people return home and resume their livelihoods. USAID recognized livelihoods support and rehabilitation as key components in communities' recovery process.

As part of USAID's \$75 million response to the earthquake, USAID/OFDA, in partnership with USAID/Pakistan, provided \$18 million to support transitional strategies to help jump-start economic activity in the country. USAID/OFDA sponsored cash-for-work programs that resulted in the creation of 17,500 days of labor to support area reconstruction, including rubble removal, road rehabilitation, and the repair of broken water lines in rural villages.

In addition, USAID provided vouchers to returnees to purchase household materials and other resources to rebuild homes and restore economic viability. Beneficiaries used the vouchers to procure seeds for the upcoming planting season, purchase tools to repair damaged livestock sheds, and replenish stores with stocks that were destroyed in the earthquake.

## **ETHIOPIA: PROTECTING AGAINST LIVELIHOOD LOSS AND STRENGTHENING CAPACITY BUILDING**

In response to the large-scale complex health and food insecurity crisis in 2005, USAID/OFDA funded several livelihood recovery and capacity building programs. In FY 2005, USAID/OFDA funded an international non-governmental organization to implement the Emergency Livelihoods Recovery (ELR) program, which included activities to help communities transition from relief to development through income-generating initiatives and agricultural assistance. The ELR program included a range of interventions to promote health and nutrition and to increase the income-generating potential of more than 35,000 of the poorest households in the community.

Expanding on the success of ELR, USAID/OFDA's partner began implementing the Generating Employment and Building Independence (GEBI) program, with support from USAID/Ethiopia, in May 2005. The GEBI program focuses on livelihood diversification, market linkages, water resource security, savings and credit, agricultural productivity, and environmental conservation. The program includes livelihood training, such as silk processing. A relatively new livelihood in Ethiopia, silk production can serve as an income-generating opportunity for women. Approximately 1,000 chronically food-insecure households have diversified their income and livelihoods by forging business linkages with regional markets. In addition, more than 5,300 food-insecure households have become involved in sustainable agricultural production.



Ethiopian women receive training in processing silk into yarn through the GEBI program (USAID/OFDA).

In FY 2006, USAID/OFDA, in partnership with the U.N. World Food Program, developed a pilot program for a drought risk management system that incorporates financial markets as a mechanism to protect Ethiopians against livelihood loss. Traditionally, Ethiopian farmers cope with drought by selling off productive assets, such as livestock or household items. Lacking enough money to purchase materials back, farmers become more vulnerable to subsequent drought due to a reduced asset base. The program seeks to help Ethiopian farmers in 278 districts to respond more effectively to drought. When precipitation in Ethiopia falls below a certain level, the drought risk management program is enacted and a payout is distributed to affected farmers through the Productive Safety Net Program, an Ethiopian Government initiative to address chronic food insecurity. In FY 2006, USAID/OFDA contributed \$1 million to support this program.

### **WORKSHOPS AND OTHER UPCOMING SECTOR ACTIVITIES**

- A USAID/OFDA economic recovery advisor will host a one-day workshop entitled "Livelihoods Protection and Rehabilitation in Chronically Insecure Environments" in the fall of 2007. Livelihoods experts from around the world will gather to discuss ideas and identify best practices for livelihoods support during chronic complex emergencies.
- In conjunction with the U.N. and non-governmental organizations (NGOs), USAID/OFDA is developing a rapid market assessment tool for use immediately following a disaster. The tool will help inform program design and lead to more effective economic recovery interventions.
- USAID/OFDA is preparing a paper on transitional programming based on experiences following the 2005 earthquake in Pakistan. In partnership with NGOs involved in the earthquake response, USAID/OFDA hopes to identify and document lessons learned from both NGO and U.S. Government perspectives.