



**Relief to  
Market Development  
in Crisis-Affected  
Economies**

# Relief Assistance – Not Business as Usual...



Saves millions of lives in countries around the world

Focuses on “supply subsidy”

Delivered through “parallel” relief channels

Supplies mostly in-kind goods from donor countries

Largely by-passes local market institutions and channels

Over \$1 billion in in-kind goods enter recipient economies annually

# Market-Integrated Relief (MIR) Principals

- **VC APPROACH TO POST-CRISIS MARKET ASSESSMENT:** Matching relief response to crisis impact on demand or supply. Focus on “demand” subsidies (cash or grants) as opposed to “supply” subsidies (i.e. in-kind relief commodities).
- **PRIVATE SECTOR PARTNERS:** Working with private sector actors (to the degree possible) to respond to emergencies, rather than creating “parallel” relief supply channels, or transitioning to commercial supply channels as early as is feasible following a crisis.
- **LOCAL AND REGIONAL PURCHASE:** Purchasing relief supplies (food, clothing, and shelter) from the nearest available source, especially “natural” supply markets, rather than importing supplies from donor country surplus stocks.
- **INSTITUTIONAL DEVELOPMENT:** Leveraging opportunities for relief assistance to “provide the muscle” to support institutional development (i.e. grading and standards systems, certified warehouse chains, trading exchanges, etc.)

**“Market Development in Crisis-Affected Economies: Emerging Lessons for Achieving Pro-Poor Reconstruction” SEEP Sept. 2006**

# Decision Tree for Food Aid Responses

*Are markets functioning well?*

**YES** → Provide cash transfers or jobs to targeted recipients, not food aid

**NO**



*Is there sufficient food available nearby to fill the gap?*

**YES** → Provide food aid sourced through local purchase/triangular transactions

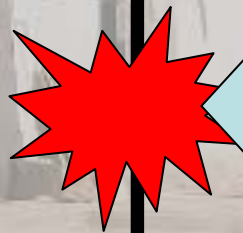
**NO** → Provide food aid through transoceanic shipments

**“Food Aid After Fifty Years” Barrett, Maxwell 2003**

Consumption/Demand



**Demand Subsidies**



**Market Linkages**



**Supply Subsidies**

Production/Supply



# Kenya Drought Situation Nov. 2005

Consumption/Demand



Production/Supply

**ACCESS (demand):** Following five consecutively failed or poor crop seasons, coping mechanisms of vulnerable populations are stretched

**AVAILABILITY (Supply):** National Balancesheets for most basic staples (including maize and beans) are positive i.e. *national crop supplies exceed consumption requirements.*

RAP is a four-month program providing vouchers for food to vulnerable individuals and households

## Beneficiaries

- *“The Project is much better compared to the general food distribution because I know the source and the person selling”*
- *“The program is better compared to the general food distribution because I have a choice to make on the food types I want. I am therefore not limited to specific commodities”*

## Shop Owners

- *“I have never sold so much amount of food in a single day. My life will definitely improve”*
- *“My capacity to purchase goods will be greatly enhanced and I will be able to serve my customers better”*

# Consumption/Demand



**Food**  
**Seeds & Other Ag Inputs**  
**Roads & Infrastructure**  
**Training & Credit**



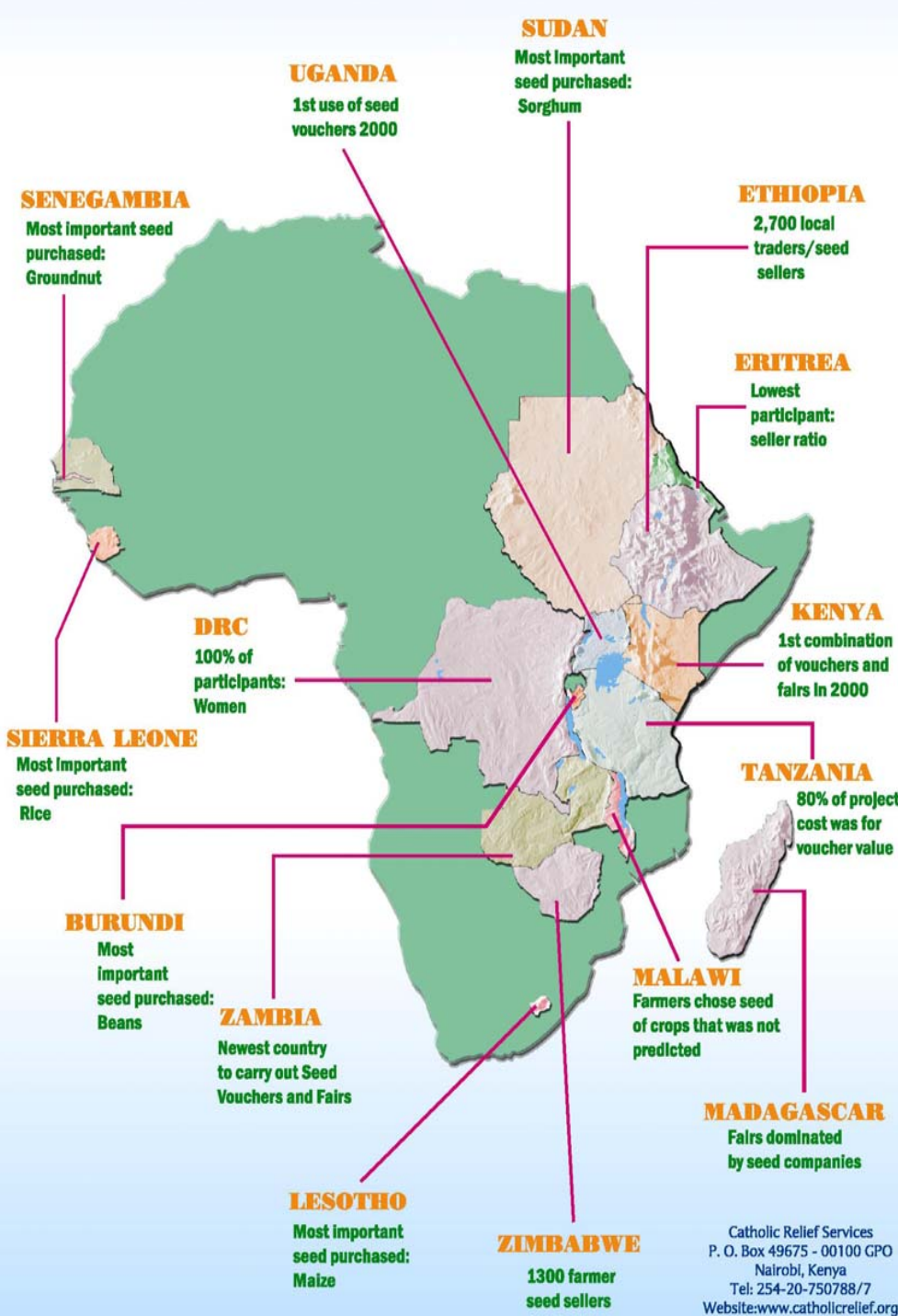
# CRS Seed Vouchers and Fairs



Seed Vouchers & Fairs is an alternative relief seed approach that focuses on demand rather than on supply

A Voucher is a currency with restricted fungibility

A Fair is a dedicated market event where seed sellers and voucher holders interact



# Seed Vouchers & Fairs After Six Years

- Support to market seed sellers
- Support to farmer seed enterprises
- Integration of formal and farmer seed systems
- Approach embraced by governments
- Expanded donor support

# Institutionalizing Demand Subsidy

## Conditional Cash Transfer (CCTs) Seven African Countries by DFID/World Bank

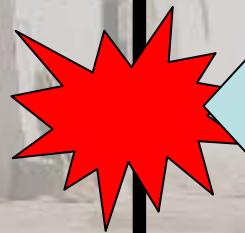
- CCTs pay people to use buy food or use services
- Latin American Origin: Mexico, Brazil
- Conditionalities: Food Security, Education, Health
- *Why not in developing countries?*



Consumption/Demand



**Demand Subsidies**



**Market Linkages**



**Supply Subsidies**

Production/Supply



# Local and Regional Purchase (LRP)



ECHO: Almost 100% of food aid donations will be acquired through LRP

WFP: Purchased over 300,000 mt of food in Uganda and Ethiopia alone. Claims to support grading and standards systems

CRS: Over \$6.8 million in LRP between 2000-5 in 11 countries - LRP Agency Survey May 2006

**CRS**  
CATHOLIC RELIEF SERVICES

# LPR in Niger

During the 2005 food security crisis in Niger local purchase operations by NGOs and IOs:

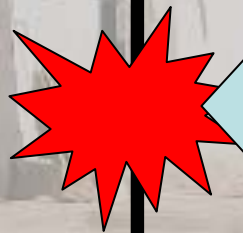
- Reportedly raised prices so dramatically that marginal populations became food aid recipients
- The Government of Nigeria closed the border to commodity traffic because of rising prices in that country



Consumption/Demand



**Demand Subsidies**



**Market Linkages**



**Supply Subsidies**

Production/Supply



**Consumption/Demand**



**Production/Supply**

- Drought-related crop failure combined with monopoly cereal trading policy resulted in market failure (supply-side)
- Inconsistent grain supplies to and from the Grain Marketing Board (GMB) idled mills and emptied shelves
- Staple maize-meal was sold only through “parallel” channels at very high prices well beyond the reach of low-income urban households

# **MAP in Zimbabwe**



## **Market Assistance Program (MAP) Field Manual for USAID P.L. 480 Title II Programs**

**USAID Office of Food for Peace  
(USAID/DCHA/FFP)  
October, 2005**

# Temporal Market Failure in Angola

## Market Assistance Program (MAP) Feasibility Assessment in Angola



# Risks and Opportunities

Consumption/Demand



**Demand Elasticity**

**Supply Elasticity in Source Markets**

**Policy Issues and Targeting**

Production/Supply

# Institutional Development

Consumption/Demand



**Pensions, Social Security and Insurance**

**Certified Warehouses, Grading and Standards, Etc.**

**Enterprise Development**

Production/Supply

# Market-Integrated Relief (MIR) to Development?

**Consumption/Demand**



**Production/Supply**

- How can (market-integrated) relief transition to sustainable market development?
- How can market assessment help avoid negative impact on markets (esp. elasticity)?
- Can relief support institutional development?