

The importance of identifying market stakeholders and their roles in successful CVA interventions for livelihoods

The **Cash Practitioner Development Programme** (CPDP) is a structured learning and development programme aiming to strengthen the cash and voucher assistance (CVA) expertise of humanitarian professionals in the Red Cross Red Crescent Movement and expand the ready pool of available cash experts. A distinguishing feature of this programme focuses on **Actionable Learning** from a specific topic related to applying and implementing CVA in real time scenarios giving participants an opportunity to gain experience, insights and technical expertise that is not attainable in a conventional classroom setting and online. This case study is the outcome of an **Accountability and Practice Project** carried out by one of the programme's graduates as part of their course work in the field.

Background

Nepal had a big earthquake (EQ) on 25 April 2015, with aftershocks on the 12 May, which affected almost 800,000 households: nearly 500,000 houses were fully destroyed, and more than 250,000 houses were partially damaged including thousands of public buildings (Nepal Earthquake 2015, Post Disaster Needs Assessment, Government of Nepal/National Planning Commission, 2015). The destruction was in many sectors including production sectors. The share of destruction was 25% in production sector, 10% in infrastructure sector, 50% in social sector and 7% in cross-cutting sector. Many humanitarian organizations including the Red Cross and Red Crescent Movement implemented relief and recovery projects to support the affected population, in line with the Post Disaster Recovery Framework 2016-2020 (PDRF) which was prepared by the Government of Nepal. The PDRF had five strategic objectives to accelerate recovery and reconstruction efforts, of which one is for the production sector which reads “develop and restore economic opportunities and livelihoods and re-establish productive sectors”. Cash transfers were identified as a key approach and encouraged as a central part of the recovery and



reconstruction effort for the housing and livelihood intervention and revival¹. The housing support was a blanket support covering each damaged and affected household whereas other components used a targeted approach.

Prior to this mega earthquake, Nepal had predominantly been receiving in-kind approach for relief and recovery, including from the Nepal Red Cross Society (NRCS). The few projects that used cash as a modality had been for shelter and water, sanitation, and hygiene (WASH) activities but not for other sectors, comparatively.

EQ 2015, the biggest disaster in the country, affected almost 800,000 households from different strata, status, castes, locations, cultural and social values, and norms. The diverse group had different priorities, different needs, different capacity, and expectations. Similarly, the number of national and international organizations who supported the recovery and reconstruction efforts was also huge. The international organizations came with vast experience of cash and voucher assistance (CVA), who supported the Government of Nepal (GON) and Non-Governmental Organizations (NGOs) technically, strategically, and logistically to implement CVA. The support was acknowledged, and the GON agreed to use CVA despite limited capacity and confidence within its structure and system. However, the acceptance of cash transfers as a response modality was not the same among the government structures at district and local level, who were the lead agencies to coordinate the EQ recovery actions. The district-level Programme Implementation Unit (DI-PIU) and the District Disaster Relief Committee (DDRC) - the authority for coordinating recovery projects - had different levels of acceptance of using cash in livelihoods, it was not an issue for private house construction.

Nepal Red Cross Society also implemented Earthquake Recovery projects in 14 highly affected districts with the support of several Partner National Societies (PNS) and International Federation of Red Cross and Red Crescent Societies (IFRC). The Red Cross and Red Crescent (RCRC) Movement partners developed a recovery framework in line with PDRF for the recovery projects. The framework identified five sectors for recovery actions which included shelter, livelihoods, WASH, health, and NRCS organizational development. NRCS prioritized livelihoods, shelter, health, and WASH as the main implementation sectors. IFRC's Nepal Earthquake Final Report, (April 2020), shows that 37% of expenditure was in shelter, 17% on health care, 14% on WASH and 9% on livelihoods. NRCS used a multi-sector assessment tool, developed by all in-country Movement actors to identify the needs and priorities of the affected population in different sectors. In addition, detailed sectoral assessment

tools were used to map the different sectoral needs, priorities, and response options². This was instrumental in ensuring community participation and in incorporating suggestions and feedback into the project activities³. During the multisectoral assessment it was found that the Government of Nepal was taking responsibility for private housing construction, over the other sectors, including livelihood recovery. NRCS selected livelihood recovery as a priority using cash transfer modality despite having limited experience of using cash at such a huge scale and across different sectors.

Beneficiary selection criteria livelihoods conditional cash grants (CCG)

1. Family with completely damaged private building/" red card" holder EQ affected Identity card holder families
2. Families who lost a family member due to EQ
3. Family with at least one member who was fully disabled as a result of EQ injury
4. Landless family
5. Family from Minority and Dalits
6. Family with monthly income less than \$100 per month
7. Family without any other source of regular income e.g., jobs, pension, remittance, or private business
8. Family with at least one member who had a disability
9. Elderly (+65 year) as head of household without young income-earning members
10. Women-headed household with children to take care of
11. Families who agree and are able to fulfill the conditions.

¹ Post Disaster Recovery Framework 2016-2020, p.17

² IFRC Nepal Earthquake Final Report, April 2020, page 21

³ IFRC Code of Conduct

What happened?

NRCS and Belgian Red Cross-Flanders (BRC-FI) implemented a 36-month EQ recovery project in Gorkha district, the epicenter of the EQ, covering nine Village Development Committees (VDCs). VDC is the lower administrative part of its Ministry of Federal Affairs and Local Development, Nepal. A multi-sectoral needs assessment was carried out by NRCS District Chapter/HQ, which identified shelter (private houses), livelihoods, health, and WASH as the main affected sectors.

During the assessment it was found that in those VDCs, livelihoods had been heavily affected by the earthquake. Lots of households – particularly those who had been living on less than 5000 Nepalese Rupee (50\$) per month had no (or very little) income. The affected families relied on subsistence farming - eating the products they grow and harvest - which gave them no purchasing power (Nepal Earthquake Recovery in Gorkha, Baseline Report, 2016), and meant that they were heavily affected by the EQ and needed external support for recovery. However, the government did not have a systematic plan to support the livelihoods sector. Instead GON was coordinating with I/NGOs to meet livelihood needs. NRCS, in coordination with DL-PIU and DDRC agreed to support the communities of nine VDCs with a recovery project that included livelihood support.



Photo: © Emil Helotie / Finnish Red Cross

A vulnerability assessment was carried out in the community to understand people's needs and capacity. The assessment also identified the most appropriate and relevant response options for livelihood recovery. A range of livelihood activities were identified which were based around agriculture and livestock. After a participatory discussion with the affected population and the local authority, NRCS decided that cash transfers would be a central part of the livelihood intervention, along with a few capacity building activities. This Cash Plus approach was the most common approach for livelihood support used by NRCS across all the livelihood recovery projects in all 14 districts. This consisted of orientation on CVA, training on business plan development and technical training on selected business, for all selected beneficiaries. These three non-cash components were selected as pre-conditions to receive the cash, however the aim was to strengthen the capacity of the beneficiaries to make their livelihood activity sustainable and resilient. However, cash disbursement for the livelihood was delayed considerably because the district government - DL-PIU & DDRC - who were leading the recovery efforts, were reluctant to provide cash to families to support livelihood activities. This reluctance was not limited to Gorkha district only⁴. The Government of Nepal accepted to use cash in private house construction however the authority was very conservative about using cash in the livelihood sector. Authorities were suspicious about beneficiaries using cash correctly⁵. Therefore, livelihood support activities using conditional cash grants (CCG) were started only in the second half of the project, which compromised the effectiveness and timelines standard of the humanitarian response. Advocacy messages were developed highlighting NRCS's impartiality and neutrality. NRCS also provided evidence of successful CVA by NRCS and other organizations locally and globally, community preferences, NRCS capacity to implement CVA, the presence of feedback and complaints handling mechanisms up to community level, their joint monitoring mechanism, comprising a team of project staff, beneficiary, and local leaders, and the participatory assessment process to the concerned authority. As a result, the authority allowed NRCS to use the CCG transfer for livelihood support.

Conditionalities for the cash grants

To receive first tranche

1. Selection based on the vulnerability criteria
2. Participation in CVA orientation & business selection sessions
3. Participation in business plan formulation workshop and submitted business plan
4. MOU with RC and local authority
5. Attended the technical training for business

To Receive Second Tranche

1. Completed the structures as mentioned in the MOU
2. Monitoring by the joint team of project staff and local committee
3. Recommended for second tranche distribution by the monitoring committee

⁴Dobbai, A and Shesh Kanta, K. Mid Term Review of Nepal Earthquake Recovery Operation, 2017.

⁵Ferrie, G and Raj Gautam, B. Cash Preparedness in Nepal - Lessons from the 2015 Earthquake, March 2017.

Steps of beneficiary selection

Step 1

1. Orientation to Red Cross DC Committee about CVA
2. Orientation for ward level committee and community leaders about CVA purpose, objectives and steps, as well as feedback mechanisms
3. Jointly agree the selection & monitoring committee and prepare work plan
4. Beneficiary selection criteria (inclusion & exclusion criteria) developed, and trained ward level committee and community leaders on selection process, raking and scoring.

Step 2

4. Committee prepared draft beneficiary list
5. Posted the beneficiary list in public places for feedback and comments for 7 days
6. 10% of the houses from the draft list were visited by project team for verification and complaints and feedback registered
7. Second meeting organized by committee to finalize list after reviewing it based on household visit report and complaints.
8. Final list of beneficiaries published and authorized by the authority.

The activity started with beneficiary selection and was done by using a mixed method. A committee was oriented on the process, selection criteria and ranking. The committee prepared the first draft of a list of most vulnerable families with the technical help of the project team. The list was posted in community locations for complaints and feedback. 10% of the selected households were also visited by the project team to cross verify the selection. After a week, a consultative meeting was organized to finalize the list based on the household monitoring findings and complaints received from the community. The second meeting approved the final list and selected families were informed about their selection. All these selected families were invited for CVA orientation and business selection. Based on their interests, a business plan was formulated, and technical training was given to representatives of each of the selected households. Before formulating their business plans or conducting technical training, a key informant interview (KII) was carried out with respective government departments and with a few shopkeepers, but no market analysis or market system mapping was conducted based on the selected businesses. Based on the results of the KIIs, the project team suggested/allowed a group of beneficiaries to choose the breeding of egg-producing chickens for their business. All three pre-conditions were fulfilled by beneficiaries and cash was distributed to each family in two installments. The families used the first installment for structures construction and the second tranche for the purchasing of seeds, or animals as per the business plan.

Business selection process

1. CCG orientation to beneficiaries and allow them to discuss with families to choose their business
2. Orientation on business plan formulation
3. Collection of business selected by beneficiaries
4. Consultation with local authority to check the viability of business and get their suggestions
5. Support families to draft business plan
6. Approve business and plan prepared by beneficiaries
7. Conduct the technical training

“Respect culture and custom” and “build disaster response on local capacities” (IFRC Code of Conduct, principle 5 and 6).

After the distribution of cash, using a remittance service, a small group of beneficiaries, who selected egg-producing chickens as their business, complained of being cheated by the supplier. The egg-producing breed was recommended by the government technical department because there were enough chicken farms to produce meat to meet the local needs, but their egg production was lower, and egg was being imported from neighboring district. The secondary data and KII findings also highlighted a better market for eggs over meat to earn some money locally. So, the project team suggested an egg-producing breed. This small group of beneficiaries brought pullets from a distant market because that pullet was not available in the local or nearby market. During the long journey some of the pullets died and no compensation, neither from the supplier nor from the project, was offered to the beneficiaries. In addition, the cost of the pullet was expensive in comparison to others. On top of that, the supplier cheated with the wrong breed and charged a higher cost than the standard price. So, beneficiaries had to compromise on their small business (a smaller number of pullets) with higher expenses, in comparison to other beneficiaries. The beneficiaries raised complaints about the livelihood project team and organization.

Though it was not the responsibility of the Red Cross to supply the pullets, nor were they involved in supply, but it was the responsibility of the Red Cross to give right and enough information to the beneficiaries about the markets (pre- and post-production), the range of stakeholders involved, the possible risks and constraints, and the roles and responsibilities of all the stakeholders to the beneficiaries. The IFRC Code of Conduct says “hold ourselves accountable” which was compromised in that context. In fact, this should have been identified in a participatory way with stakeholders and beneficiaries for all business options. The information provided to beneficiaries was enough to other businesses but for this group the information related to the business set up was not only insufficient but also very poor. The beneficiary registered their complaints which was welcomed and NRCS made efforts to address the issue with the supplier to get compensation. respecting beneficiaries as dignified people not as aid recipients only.

However due to a lack of any formal documentation between beneficiaries and supplier the compensation could not be completed. During the course, the Red Cross realized that the main reason behind this problem was a lack of market system analysis, and marketplace assessment before recommending or approving the business options. In fact, there was no market-related assessments conducted in the district with a focus on livelihood recovery. The business options were approved based on basic market-related information, and KII findings which were focused on postproduction. It was realized that the active involvement of logistics and another related department was lacking in all phases of project planning which was key, not only for the project’s success but also to strengthen the local capacities of the beneficiaries.



Recommendations

- 1 Livelihood activities played a key role in the earthquake operation by restoring income, for food security while strengthening the local economy. The program provided them with the opportunity to engage in diversifying their income-generating activities, that helped build back their lives better.
- 2 Conditional cash grants: the modality used was very effective for the livelihood recovery however a lack of market assessment can lead to negative impacts for the beneficiary and for the organizational image.
- 3 As part of market-based programming (MBP) (see text box below), CVA is very useful to further enhance the capacity of affected populations because it makes the response easier and quicker while offering choice and dignity to the affected population with their active engagement. It also ensures the linkages with local stakeholders and private sector to revive the local economy and market rehabilitation.
- 4 In line with IFRC's code of conduct the business options must be decided based on the market assessment report of the local context not based on the lessons from the similar context because each market functions differently, even if they look similar.
- 5 The market mapping (baseline maps, emergency maps, forecast maps and marketplace maps) must be carried just after the selection of business by the beneficiary because every good and service might have a different market system, even though they look alike.
- 6 While collecting the market-related information for decision-making, the information must be collected for pre-production phase, during the production phase and post-production phase. Emphasis on post-production while ignoring the business establishment phase and production phase makes the support incomplete.
- 7 Cross validation of information is very important despite the source of information. At least three different sources of information must be selected and cross verified before taking any decision on response options.
- 8 Logistics and finance teams must be actively involved in CVA because they have a better idea of the market, systems, administrative process, and legal requirements.
- 9 The livelihood business options must be challenged by the findings of the market assessment. Adaptive project planning should be the approach of the organization while implementing CVA. e.g., indirect support to pullet supplier could have changed the scenario or providing a value voucher instead of cash.
- 10 Community people might not have capacity to deal with external suppliers or markets. Involving finance and logistics will be very helpful to find out those gaps and ways to meet those needs.
- 11 Working with government officials was very challenging due to their lack of knowledge of CVA and their wrong perception about the cash support for livelihood.
- 12 There was a lack of knowledge on market-based programming and market assessment capacity within the organization.

Lessons learned

A A proper advocacy plan and feedback mechanism must be established at the beginning of the activity especially where authority has limited understanding about CCG, market-based programming (MBP), and cash distribution for livelihood support. If the authority disapproves of the CCG approach, other response options must be explored. Communication with donors and partners is also an important part of advocacy to be addressed because sometime donors might have limitations to switch to in-kind options

Market Based Programming (MBP) : Market-based programming or market-based interventions are understood to be projects that work through or support local markets. The terms cover all types of engagement with market systems, ranging from actions that deliver immediate relief to those that proactively strengthen and catalyze local market systems or market hubs. (CaIP CVA Glossary),

B Market system analysis is compulsory to choose the right response options. Ignorance on market system analysis can leave negative impacts on beneficiaries. Therefore, the market analysis must be carried out together with need and gap analysis and response analysis. IFRC's Market Analysis Guidance (MAG) tool is the recommended tool to use for the market system analysis because it gives a more detailed analysis than the Rapid Assessment for Markets (RAM) tool and gives a more solid basis for market-related program decisions. MAG can be conducted within a year after disaster. The Emergency Market Mapping and Analysis (EMMA) tool can also be used in this context. Critical market system selection and market mapping and marketplace mapping are the important assessments to be done to avoid such problems while implementing livelihood CCGs.

C It is essential to carry out business-specific market assessments and mapping because the market system for one commodity/service/ business might be extremely different from that of another even if both are traded in the same market locations. For example, for egg-producing chicken breeds if baseline maps, emergency maps and forecast maps were produced and if marketplace mapping was conducted this option could have been omitted from the response options or indirect support, for example supporting pullet production, could have been selected.

D Customize the market system analysis based on available time but it should never be ignored or dropped. The livelihood project was started after one and a half years due to government reluctance for cash distribution. A quick market assessment using RAM or EMMA could have helped to identify other better options.

E Collecting, and collating information from multiple sources, interaction with stakeholders and authorities, and validating collected information must be at the core of market assessments or CVA. This provides the strong evidence needed to decide alternate response options or promote the certain types of intervention which might differ from the project documents.

F After identifying response options or after business are selected by the beneficiaries, a risk analysis of each business must be carried out to identify different risk factors associated with each business, that can be mitigated, reduced, or transferred, and identify those risks that the organization or the Partner National Society (PNS) agree to accept. The associated risk must be clearly communicated to the authority and beneficiaries because sometimes, risks are inevitable despite precautions and mitigation measures.

G Prepare the risk mitigation strategies for each business's identified risks. This must be a joint effort of the program team, beneficiaries, market stakeholders and authority. For example, if insurance was bought prior to transporting the pullets, reimbursement for the dead pullets would have been ensured.

Lessons learned continued

- H** Project must be flexible to adapt to the findings and recommendation of monitoring and adjust the project interventions e.g., allowing beneficiaries to switch to another business, refine the business by increasing the cash transfer value or use the value voucher system, etc.
- I** Active involvement of logistics and finance team is very crucial. They have very good understanding of timing required for the procurement, market nature and factors affecting market functioning, administrative procedures, documentation, compliances, and legal issues.
- J** Nepal is known as Shangri-La of disaster. Every year thousands of households from dozens of districts get affected by floods, landslides, EQ, and other disasters. Every NRCS district chapter supports the affected families with cash grants and other relief or recovery support. However, the market assessment is not considered while programming because in emergency the support is the priority though there are tools, such as the RAM, to do assessment in a short duration. If NRCS does a pre-crisis market analysis (PCMA) for key government-identified vulnerable districts for different disasters, that will make CVA easy, quick, and impactful.

Conclusion

Cash and Voucher Assistance is proven to be an effective and efficient approach to empower the beneficiaries with choice of freedom, power of decision making and dignity. In livelihood also conditional cash grant is one of the best options to support the recovery efforts of the disaster affected families if the response options are carefully selected, based on the assessment including a markets system analysis. There is need to increase the knowledge and skills in CVA and market-based programming, and market analysis both within the authority and implementing organizations. Also, the active involvement of all departments including finance and logistic teams from the planning phase gives better results of the project. There is a need to enhance the market assessment capacity of NRCS to implement the CVA.

