Editorial

THIS IS THE FIRST TIME in 20 years that *EDM* journal has approached the questions: how can our discipline of enterprise development and microfinance help in emergency situations? What can be done to restore markets in goods, services and finance after a disaster? At the time of writing, when about three million people have been affected by Haiti's earthquake, the questions have never been so relevant. Until recently any advice about restoring markets is likely to have fallen on deaf ears in the humanitarian community. Although economic recovery operations were recognized as important at some stage, they were seen as coming some time after humanitarian aid programmes, and were generally performed by different teams, often with smaller budgets. But this is changing. Restoring the private sector post-emergency is seen as just as important as establishing a working water supply, and two of the articles in this edition describe practical guidance for those attempting to do so.

What is behind this change in attitude? First, there is growing recognition that countries with the slowest economic growth are those most prone to conflict, and that if we ignore the need for economic recovery after one humanitarian disaster we run the risk of a second one starting. Second, programmes that prolong the humanitarian stage without examining how to restore livelihoods create aid dependency, and sap people's resilience and sense of dignity. Third, cash-based humanitarian aid is now often preferred over food aid, partly because it has the potential to stimulate rather than starve local value chains. However, cash-based aid only works if the local markets are working well enough to deliver the required goods. Finally, in the wake of the Asian tsunami and earlier natural disasters, aid efforts have focused on 'owner-driven housing reconstruction' incorporating vernacular housing styles and materials, and this requires local markets in building materials to be fully working.

So, most people will now agree that in theory restoring local markets is important right from the beginning of an emergency, but how is it done in practice? The article by Albu, Mohiddin and Byrne describes the EMMA toolkit (Emergency Market Mapping and Analysis) that has been devised to help humanitarian aid workers do just this. The process involves drawing a market map before and after the emergency, and then analyses the gaps facing the target population, how the markets are affected and what will be the most effective response. Their article provides examples from Haiti where the toolkit was tested in the aftermath of the hurricanes in 2008. Using the toolkit revealed that local traders could easily secure alternative supplies of beans, so cash transfers would help affected families purchase beans for consumption. It is likely that market mapping is being used now following Haiti's devastating earthquake to restore food and construction supplies.

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Analysis of the market chain would have improved the relief efforts that followed the Asian tsunami. In their article about relief efforts in Sri Lanka, Mossakowski, Davison and Thassim describe how fishermen were provided with new boats, in a misguided attempt to restore livelihoolds, long before markets and storage facilities were rebuilt for the fish they collected. They outline the work of the Hambantota District Chamber of Commerce in surveying the losses of SMEs and lobbying for assistance for this overlooked sector.

SEEP's ***Minimum Standards for Economic Recovery after Crisis***, described here by Tracy Gerstle and Laura Meissner, also emphasizes that the same high standards required of humanitarian water and food provision should apply to economic recovery interventions. So, paying above-market rates for cash-for-work programmes, for example, would break the 'do no harm' principle, since it is likely to draw labour away from pre-existing businesses struggling to recover.

Microfinance institutions can help a great deal in emergencies, for example by providing insurance services beforehand and by allowing clients access to savings to help their recovery. But their own long-term sustainability is threatened if confusion arises between grants and loans so that repayment discipline is threatened, and best practice suggests that the period in which relief is distributed by established MFIs should be brief and followed by a return to unsubsidized loans (Nagarajan, 1998; CGAP, 2005). Our Crossfire combatants, Jesse Fripp and Tim Nourse touch on this when they debate how much microfinance and enterprise development differ in an emergency from 'normal' conditions and under what circumstances free goods and services can usefully be offered without eroding long-term repayment discipline.

Finally, a word of caution. Rebuilding markets, like other humanitarian interventions, cannot work in isolation. If the humanitarian situation arose from conflict rather then a natural disaster, then an underlying component of the grievance may be economic. As Gerstle and Meissner point out, in post-conflict situations the stronger side may be in a position to continue to restrict resources, markets and even aid to exercise control over their opponents. Relying on the laws of supply and demand alone to rebuild functioning markets will not work under such circumstances, and political negotiations will be needed alongside economic interventions. It is well to remember: fools rush in where angels fear to tread.

References

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