



# Supporting markets in post-earthquake Nepal

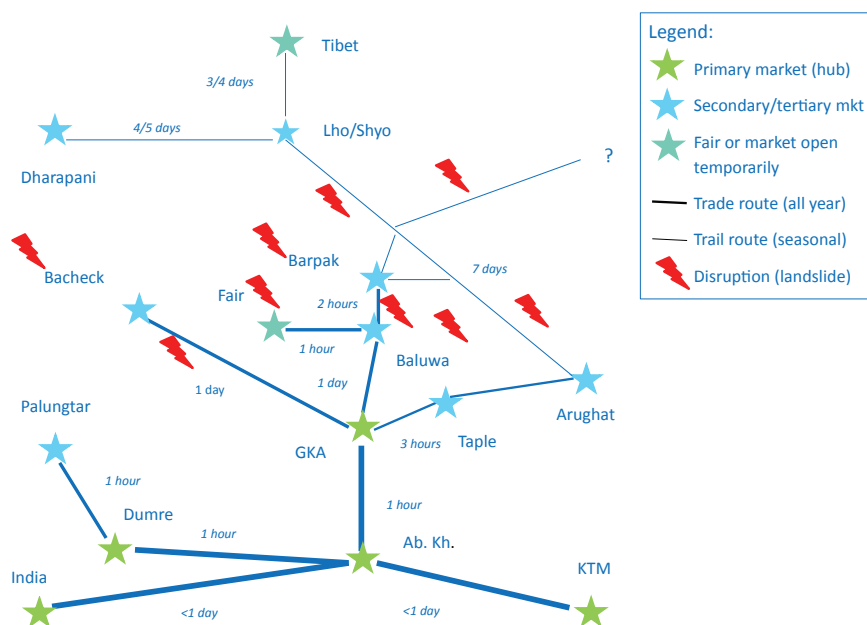
## BACKGROUND

A devastating earthquake hit Nepal on April 25th, 2015, causing large-scale destruction to lives and properties in the country's Gorkha district. The damage paralyzed economic markets, particularly secondary markets, making access to essential goods and services extremely challenging for those affected by the quake. The district's main economy was able to recover quickly, owing to less damage to supply chain and better access to supplies, but the secondary markets with poorly constructed shops in the mountain lowlands suffered major losses.

A rapid market assessment conducted by Catholic Relief Services (CRS) and Caritas in May 2015 revealed that the secondary markets, without external support from the Government of Nepal or from international non-governmental organizations, could meet only 30-50% of the demand for essential goods like CGI sheets used in housing construction. The assessment recommended restoring the capacity of secondary markets to allow vendors to provide essential goods and services to the affected households, especially in remote and interior areas.

CRS supported markets and vendors across five secondary markets that catered to intermediaries and communities in three districts and 33 village development committees (the lower administrative unit in Nepal under each district), or VDCs (see table on next page). A total of 405 vendors, engaged in a variety of businesses like grocery, construction material, hotels, restaurants, clothes, electronics, etc., were supported through a combination of cash and/or material inputs. The project was implemented between July and November 2015.

Location of key markets in project area:



### Profile of CRS market support:

Name of Market	District/# of VDCs Covered	# of Vendors Supported	Nature of Support
Hansapur	Gorkha and Lamjung (8 VDCs)	141	<ul style="list-style-type: none"> <li>Debris clearance</li> <li>Technical support (mason) for shop reconstruction</li> <li>Cash and material - combo</li> <li>Only cash</li> </ul>
Arughat	Gorkha (10 VDCs)	105	<ul style="list-style-type: none"> <li>Cash (unrestricted, conditional) support of \$ 300 per vendor</li> </ul>
Arukhet	Dhading and Gorkha (8 VDCs)	83	<ul style="list-style-type: none"> <li>Cash (unrestricted, conditional) support of \$ 300 per vendor</li> </ul>
Simjung	Gorkha (4 VDCs)	56	<ul style="list-style-type: none"> <li>Technical support (mason) for shop reconstruction</li> <li>Cash and material</li> </ul>
Sotti	Dhading and Gorkha (3 VDCs)	20	<ul style="list-style-type: none"> <li>Cash support (unrestricted, conditional) of \$150 per vendor and material (CGI sheets and tools)</li> </ul>

CRS conducted a lessons learned exercise in September 2016, almost nine months after completion of market support project, to identify some of the key successes, challenges and develop recommendations for such programs in future.





Til Maya Thapa receives cash from Prabhu Bank representative (a CRS contractor) at a cash distribution in Bungkot village, Gorkha district.  
*Jake Lyell for CRS*

## METHODOLOGY

For the reflection on market support and documenting lessons learned, the following methodology was adopted –

- Review of project documents like rapid assessment report, proposal, progress reports, post-distribution monitoring reports, vendor database, vendor agreements etc.
- Key informant interview (KIIs) was held with 26 beneficiaries in Hansapur (Bhacheck) market.
- A 1.5 days' workshop was conducted to reflect on what went well and what could be improved in the market support project. The data collected from KIIs was also discussed in the workshop. The participants consisted of CRS and Caritas staff who had participated in implementing the market support program.

## KEY LESSONS LEARNED

### DESIGNING VENDOR SUPPORT

CRS held series of consultations with key stakeholders like Gorkha Chambers of Commerce and Industry (GCCCI), market management committees and vendors (of different profiles dealing with essential services and goods) across different markets to identify their recovery needs. These all round consultations helped in understanding the vendor business recovery needs better and develop a support package that is best suited to restore markets. The key approach adopted was to keep the vendor support package flexible and contextualise to the market characteristics like access, current supply situation for construction material and demand etc rather than having a standard package for all the beneficiaries. Each market had few unique characteristics based on its location, extent of damage due to earthquake and access to external support. Following suite of recovery support was designed –

- Support to Hansapur market for debris clearance to set up temporary shops or storage facilities.
- Technical support (through trained carpenters for 15 days per market in Hansapur and Simjung) to vendors to build their shops better and safer.
- Small business grants with two options:
  - NPR 15,000 (\$150), 2 bundles of CGI sheets and tool kit
  - NPR 30,000 (\$300)



## WHAT WE LEARNED

- Consulting vendors during project design leads to better tailored packages.
- Inconsistencies in selecting beneficiaries leads to grievances in the communities. Selections should be objective and consistent across markets.
- Small and resource-poor vendors in cluster and tertiary markets located farther from secondary markets are often more vulnerable after disasters, but also play a critical role in restoring supplies to unreached households. By providing support to this group of vendors, aid agencies can reach the neediest vendors and also restore market supplies in remote locations.
- Documentation processes, such as signing agreements with individual beneficiaries, do not add visible value to the project, and lead to delays in distribution of cash and materials.
- Partnerships with key market-related local stakeholders should be sought from the beginning. Doing so help can help aid agencies gain quick access to information about markets, a disaster's impact on vendors, and better insight into vendors' needs.



Bishnu Adhikari (57) creates a shelter for his family with CGI sheets received from CRS in their community of Hansapur, in Gorkha District.  
*Jake Lyell for CRS*



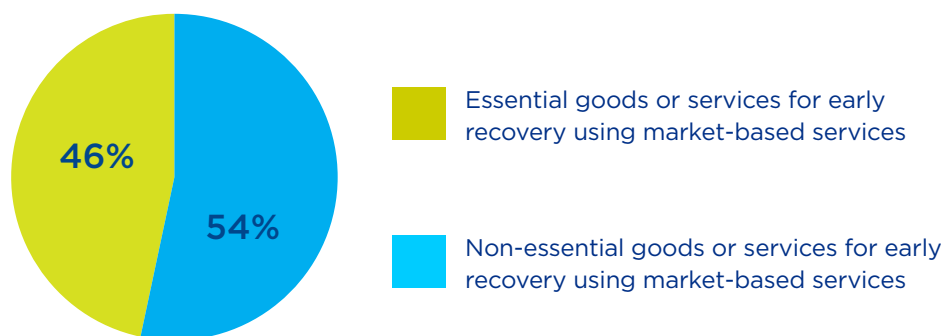
Each of the five markets were allowed the flexibility to choose the option that met their needs best. Accordingly, secondary markets which were in remote locations and it was difficult for vendors to procure CGI sheets (high transportation cost, hardship), opted for cash and material combination while secondary markets nearer to primary markets which had better access to construction material opted for only cash. Cash was mostly used by vendors to repair/reconstruct their shops and buy stock which they had lost in earthquake. There were also some instances where part of the cash paid to vendor was used for other household emergencies like repaying debts, labour payments and purchase of additional CGI sheets. For majority of small vendors, the support was adequate to recover while medium and big vendors reported the support to be very useful. More than the magnitude, vendors appreciated the timeliness, which coincided with their shop restoration schedule and plans, of the support. Even in terms of value of transfer, there was overall satisfaction among the beneficiaries.

CRS's focus on collaboration with key stakeholders to understand market needs and then having a flexible approach in designing support was instrumental in its success of meeting vendor needs and contributing to restoration of key markets.

### BENEFICIARY SELECTION PROCESS

The beneficiary selection criteria and process was developed by CRS in consultation with key stakeholders like Gorkha Chambers of Commerce and Industry, village development committee, market management committees and government. However, most of the criteria like - business function reduced to less than 50% of normal; inability to restore business function within three months without outside support; willingness of vendor to offer credit, debt relief, discounts on goods, or other incentives to customers, up to an agreed-upon value; willing to track their sales, provides data to CRS on their increased business activities, provide price monitoring data of basic goods; and willingness to advertise publically the factory price and Maximum Retailing Price (MRP) shared by main CGI manufacturers - were very subjective in nature, difficult to assess and led to challenges in beneficiary selection. Additionally, there was no evidence of follow up from CRS, Gorkha Chambers of Commerce and Industry, village development committee or market management committees to monitor if the conditions are being adhered to by the beneficiary vendors.

#### Ratio of supported vendors who are essential for early recovery using market-based approach:



There were also differences in beneficiary selection criteria across markets. For instance, in few markets only one member per family was selected for support while in few other markets more than one member per family was supported. This lack of consistency in selection criteria led to complaints and it was not clear to the Gorkha Chambers of Commerce and Industry, village development committee and market management committees why such deviations were made. Finally, there was lack of consistent methodology for beneficiary verification from CRS. Out of five markets, there was no beneficiary verification in two markets and in other three markets verification was done after receiving complaints from field.

To facilitate transparency and ease in beneficiary selection process, it is always useful to have parameters which are as objective and verifiable as possible. For any conditionalities around use of relief support and/or passing on the secondary benefits to other community members, there should be a strong monitoring and follow-up plan.

### MARKET TARGETING

For the vendor support, CRS targeted five secondary markets in Gorkha district where each market catered to at least three village development committees (VDCs). In total the five secondary markets were catering



Kumari Gurung, 54, owned and operated a large hotel in Hansapur before the earthquake. When the hotel collapsed, her family lost both their home and their livelihood. With construction materials and a cash grant from CRS, the Gurung family has constructed a temporary hotel with 7 rooms available for guests. Even though they don't have the cash flow to rebuild a permanent hotel yet, they are working and saving money toward that goal. Here, Kumari tends to baby chicks she raises to increase her income. *Jen Hardy/CRS*





to 33 VDCs across three district. The decision on selection of markets was taken in consultation with Gorkha Chamber of Commerce and Industry. Support to secondary markets contributed strongly to vendors' efforts in recovering their businesses from the impact of earthquake. However, as the support was limited to secondary markets, much smaller and needy vendors in cluster and tertiary markets in remote VDCs were excluded. Given the topography and remote location of villages in Gorkha, the small retailers in cluster and tertiary markets are an important supplier of essential goods and services for the communities while the vendors in secondary markets cater mostly to traders and intermediaries. The small vendors in relatively inaccessible cluster and tertiary markets operate at a smaller scale and play a critical role in movement of goods from primary/secondary markets to the end users. These small vendors or intermediaries did not receive any external support to restore their businesses. Hence for a holistic revival of supply chain, it is essential to consider support needs of all the key players in it. The cluster and tertiary markets are located in remote areas, hence reaching and providing relief to them might be more labour and fund intensive. However, it is also true that they are more vulnerable and needy compared to vendors in secondary markets and play a critical role in movement of goods to the end consumers. There was no evidence to suggest that there are "trickle down" effect in terms of tertiary markets benefiting from the support provided to secondary markets.

Rather than confining relief activities to five secondary markets across larger number of VDCs, CRS could have considered secondary, cluster and tertiary markets in few VDCs and supported different types of vendors along the whole supply chain for a more holistic impact. While supporting vendors in secondary markets is the definite and critical first step, complimenting it with similar support for other smaller retail vendors in cluster and tertiary markets should be explored in future interventions.

## COORDINATION WITH KEY STAKEHOLDERS

CRS adopted a collaborative approach during the early market recovery phase of the vendor support program right through planning to monitoring stages. The key stakeholders included Gorkha Chambers of Commerce and Industry, village development committee, market management committees and district disaster relief committee. The collaboration helped in streamlining key project processes around need identification, developing beneficiary selection criteria, selection of beneficiaries and securing necessary approvals from government. In the planning phase CRS faced resistance from government as it was widely believed that vendors are "better off" compared to other sections of the earthquake affected communities and support to them should not be prioritised. However, with support from Gorkha Chambers of Commerce and Industry, village development committee, market management committees, CRS held regular meetings which helped in sensitising the government on the need of restoring markets to facilitate better access of communities to basic goods and services.

Partnership with Gorkha Chambers of Commerce and Industry and market management committees additionally helped CRS in gaining quicker access to vendors and understand their needs better. All this led to faster planning and smooth implementation of vendor support program. Finally, it was a win-win situation for both CRS and Gorkha Chambers of Commerce and Industry.

## AGREEMENTS WITH BENEFICIARY VENDORS

Agreements with individual beneficiaries was signed to make them understand the conditionality of receiving the cash. It was meant more for program quality and transparency and not to be binding on the vendors. The signatories in the agreement included beneficiaries, market management committee representative and village development committee secretaries. The process of signing the agreements with individual beneficiaries involved significant workload for the volunteers and market management committee representatives. It took an estimated 5-7 days of consistent follow up for each of the five markets to get the agreements signed as vendors and other signatories were busy with multiple priorities. However, it was not clear if the agreements were, in any manner, able to serve the purpose for which they were signed. There was little awareness among the signatories about the agreement content and there was no follow up from CRS to assess the extent to which the agreement terms were adhered to by the vendors. Hence, it is not clear what purpose the intensive process of agreements served.

In an emergency relief program, it is very difficult to enforce end-use and monitoring as beneficiaries have multiple needs and often prioritise them in their own ways. Standalone strategies like signing agreements on "right" use of relief support is often not realistic to enforce. Other strategies like messaging and follow up visits to vendors should be explored to encourage beneficiaries to spend relief support on productive purposes.

## RECOMMENDATIONS

Based on the above, the following recommendations are made for future market support programs:

- The ultimate objective of a market support program is to ensure that essential goods and services are available to those affected by a disaster. Hence it is important to adopt a holistic approach while analysing the supply chain and identify intervention areas to make maximum impact. In geographies where physical access to primary markets is challenging for consumers, the secondary and tertiary markets play a key intermediary role in movement of goods to the end users. Hence an analysis of the pros and cons of vertical (covering primary, secondary and tertiary markets in a smaller geographical area) vis-à-vis horizontal (covering only primary markets over a larger geographical area) outreach should be made to identify the right markets or a combination of markets for support.
- Out of the total vendors supported, about 54% dealt with essential goods and services and 46% were non-essential goods and services. While there is often a case and pressure from communities to support all the vendors, it is important that support to vendors dealing with essential goods and services is prioritised in the beginning. At a later stage, support to other needy vendors can be explored based on need.
- Any potential market support intervention should be conceived right from the early relief phase and necessary preparations like assessments should be planned out well in advance. Designing a strong market support project takes time and needs of the vendors are often dynamic in nature post disaster.
- Recovery needs of vendors may differ from one another depending on the market location, nature of business, extent of damage and individual capacities. Hence it is important to adopt a flexible approach by designing 2-3 different types of support packages (as done in case of the current project) for vendors and markets to make interventions more relevant and effective.
- The beneficiary selection criteria and process should be objective and consistent across all target markets. If any changes are made to accommodate local needs or to adjust to dynamic operating context, then such changes should be communicated clearly to all the stakeholders. Right from the beginning, CRS should develop light processes and play active role in beneficiary verification process. Additionally, to ensure fairness of the process, sample verification of beneficiaries should be undertaken.
- Coordination with key stakeholders linked to vendors like local market committees, associations, etc., should be prioritised from the needs assessment to planning and implementation stages. Such collaborations not only help in designing market appropriate interventions, but also get other key actors like the government on board.
- Market support programs, just like any other relief interventions, should critically assess the need of documentation requirements like individual agreements with beneficiary vendors for recovery support (and not involved in voucher programming or supply of material for individual beneficiaries). Unless there is significant value addition, project designers should not opt for avoidable documentation. A need based and streamlined documentation process helps save time and resources for the team.
- If feasible and appropriate, the market support interventions can explore the idea of facilitating a government registration process for vendors who have not yet registered themselves. Such a process has a potential to increase the resilience of vendors as they may be eligible for financial services like loans and insurance.

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Cover photo: CRS staff members conduct a market assessment of construction materials available in Ghayalchok, Gorkha District, to determine what products are already in place and what can come into the shop quickly if CRS decides to do a cash or voucher program.

*Jennifer Hardy/CRS*



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