



Market Systems Development Learning Workshop

Community of Practice meeting report
21 January 2020

Mercy Corps and Food & Business Knowledge Platform (F&BKP)



Summary

On 21 January 2020 thirty representatives from practice, policy, research and the private sector joined the food security & stability Community of Practice (CoP) learning workshop on Market Systems Development. The meeting was co-organized by Mercy Corps and followed up on the last CoP meeting “[Supporting transitions towards market-based agriculture in fragile settings](#)” with a more practical, intervention focused perspective. The half-day workshop explored core concepts of Market Systems Development through concrete case studies in Syria, Uganda and Nigeria. Participants discussed lessons learned, challenges, opportunities and implications of the approach and these experiences for participants’ own work.

Earlier CoP meetings include “[Conflict sensitivity in food security programming](#)” and “[UNSC 2417 and local food systems in the humanitarian-development nexus](#)”.

Introduction

As the Netherlands refocuses its foreign policy towards the Sahel, Horn of Africa and MENA regions to prevent conflict and address instability and insecurity, it also looks to reform and innovate emergency aid. As noted in the new policy framework “[Investing in Global Prospects](#)”, increased humanitarian needs and costs are mainly related to the continuation and intensification of several long-term, conflict-related crises. Increased focus on local market systems as a way to deliver assistance, build resilience, and linking up humanitarian and development strategies is an important pathway used to support stability in the long-term crises of these focus regions.

Historically, the aid community has only given cursory attention to markets in relief efforts. The vital and complex role that market systems play in shaping households’ ability to cope and recover both during and after crises is now better understood. Despite facing setbacks, local businesses are among the quickest to adapt to meet vulnerable populations’ needs in difficult contexts, as they are able to work through local networks and obtain access in ways that aid agencies sometimes cannot. Markets can be, therefore, more important to people’s wellbeing than external aid.

Despite this, traditional aid often overlooks these market systems; it may bypass them through the direct delivery of in-kind assistance and can undermine them with supply-driven programmes. This is an approach the aid sector is recognizing can no longer be sustained. Conflict currently drives 80% of humanitarian needs. By 2030, half of the world’s extreme poor will live in conflict-affected settings. Serving those affected better requires recognizing the capacity that sits within crisis-affected communities and networks, particularly their durable markets.

Presentation Rojan Bolling – F&BKP / The Broker

Click [here](#) for the PowerPoint presentation.

Rojan Bolling introduced the meeting by putting the topic into its broader context with two short presentations. First, he presented a number of key insights from the previous CoP meeting. This meeting discussed working on the nexus, with one group discussion focused on integration/coordination between humanitarian-development programming; and another on agribusiness and value chain promotion in fragile settings. Second, he presented preliminary conclusions of an ongoing project by The Broker, documenting lessons and experiences of programmes that take a market-oriented approach in humanitarian-development nexus interventions.

Key insights from the previous CoP meeting

Key points from the presentations:

- Most people in fragile settings affected by shocks do not receive any humanitarian aid, they determine their own recovery and are resilient through their own efforts.
- In fragile settings the job is often the person. People matter in institutions. Champions can be the difference between intervention success or failure while people moving jobs are a challenge.
- When there is a prospect of market-led recovery there is a tendency to “pick the winners”. In North Uganda this meant small farmers losing out. A “trickle-down” effect can thus not be assumed.

- We need to work with actors that are there, whether or not they are “good actors”. Successful entrepreneurs have political connections, this is the way to get things done.
- The costs of implementing a value chain programme in time and money are higher in fragile settings due to the impacts of conflict and lack of an institutional environment.

Key outcomes from the discussions:

- An important bottleneck for nexus programming is the siloed approach of donors, with separated funding instruments.
- Policy frameworks that focus on “root causes” are in danger of being overly ambitious, we need to be realistic about what can be achieved in fragile settings.
- Practitioners should pay attention to the choices they make during their entire programming process: how do these operational choices made now impact the ability to link up or integrate in the humanitarian-development nexus later?

Key insights and preliminary outcomes from The Broker research

This ongoing project identified what is known and not known about the effectiveness of interventions with a market-oriented approach in the humanitarian-development nexus. It identified available evidence from evaluations and case studies before looking at experiences in currently active programmes. A quick-scan synthesizing this evidence also identified where evidence is lacking. These knowledge gaps included:

- How do programmes deal with trade-offs when pursuing both humanitarian and development outcomes?
- What are effects of interventions focusing to improve the enabling environment in fragile settings?
- Most evidence focuses on support for farmers or pastoralists, but what are lessons on support for agro-dealers, traders, and to a lesser extent small businesses in fragile settings?
- What are experiences with market programming in humanitarian interventions that go beyond cash or voucher interventions?

These gaps then informed seventeen expert interviews on current programming in Nigeria, Democratic Republic of the Congo, and South Sudan. Programmes taking an innovative approach were selected for case studies: either market systems or value chain development focused, or combining this approach with cash or voucher interventions. Three questions were central to gather lessons for improved programme development and policymaking:

Firstly, how do organizations balance trade-offs between humanitarian and development objectives?

- Interviews showed that donor requirements, organizational expertise and timeframes of interventions were determining factors. Donors buy results while organizations and staff do what they are good at. This is visible in market and needs assessments informing programmes which in most cases select value chains with preferences for food security outcomes. Most programmes also focused on youth, women and the most vulnerable. Targeting refugee, returnee and host populations. A shift was observed however in several programmes to include more economically active (pre-skilled and pre-existing) businesses. Few programmes considered competitiveness of value chains and instead focused on local markets. Often programmes combined more market-oriented programming in areas of relative stability with humanitarian food security programming in less accessible areas.

Secondly, what (innovation) is currently being done to facilitate transitions from humanitarian to development work?

- In fact, most activities were not very innovative. Promotion of cooperatives, savings and loans associations, etc. What was innovative was the areas in which they were implemented and the partnerships which implemented them. A tendency towards facilitation between market actors was also observed where programmes linked up off-taking companies to cooperatives or provided incentives for private sector actors to start operating. In several programmes this was done through cost-sharing with companies who were supported in expanding their markets. This also led to a shift where trainings and extension were provided indirectly through market actors such as agro-dealers.

Thirdly, how are transitions facilitated through partnerships and coordination?

- Most programmes engaged in coordination efforts, except for the most private sector oriented who felt no need to coordinate with NGOs. Many respondents still complained about a lack of coordination,

where free distribution of low quality seeds disrupted markets. One programme found however that farmer distrust in the quality of free seed allowed agro-dealers to still successfully market higher quality seed. A different approach to bridge the humanitarian-development nexus through coordination is by operating in consortia. Operating under the same donor results frameworks organizations with capacities in different areas can effectively work together.

These preliminary outcomes already raised a number of questions, including how increasingly partnering with private sector actors in fragile areas relates to the principled humanitarian approach; and how increased economic activity that is informally taxed at checkpoints influences conflict dynamics. The discussions of this CoP will feed back into the further analysis and finalization of the research report.

Presentation Alison Hemberger – Mercy Corps

Click [here](#) for the PowerPoint presentation

Alison Hemberger, Mercy Corps' markets team lead, provided an in-depth session on the experiences of Mercy Corps with the Market Systems Development (MSD) approach. Starting with its core principles, then focusing on MSD in fragile contexts, and ending with a summary on lessons from practice. Throughout the session participants discussed key topics, reflected in the boxes below. This summary is best read with the accompanying PowerPoint presentation.

What is market systems development & what are its core principles?

In comparison to other types of programming MSD seeks to achieve change at the (market) systems level, looking at markets and their supporting elements beyond value chains. It focuses more on facilitation, working through partnerships with actors in the market. In theory this increases the sustainability of such interventions by altering or improving their operation. Interventions and partnerships are strategically chosen to have impact at systems level as a way to achieve scale.

In North Uganda for instance, the state of the market was assessed when recovery started after the Lord's Resistance Army (LRA) insurgency. With a thorough analysis from the outset of programming the goal was to achieve long-term change. Beyond farmers the assessment looked at broad constraints in the system, including actors like traders, associations, skills, available services and demand. From this market systems perspective interventions such as trade forums (organized by partners), market research, and support for new business models were prioritized. Lacking services and other bottlenecks were identified and interventions developed with the aim to take a step back to give way to local market actors. The Revitalizing Agriculture Incomes and New Markets (RAIN) programme for example partnered with a local private sector to develop a new business model for input distribution through village agents. Other actors then started picking up the model and crowding the market as an indirect result of this intervention.

In short, market systems development asks why markets are not providing solutions to problems that people and firms experience. As a result MSD Interventions aim to work with market actors to make market systems deliver better outcomes for the poor. Drawing an analogy: when a car engine is broken, the car will only go as far down the road as you push it. But if the engine is fixed it will get further and keep moving on its own. Translating this view back to development interventions means a greater focus on diagnostics of the market is needed. These diagnoses should look beyond the core supply and demand functions of a market to the supporting functions (information, services, infrastructure, inputs, etc.) as well as rules and norms that govern markets and shape incentives, behaviour and practice (laws, regulations, informal norms, etc.). Since problems in the core market are often related to issues in this wider system. Working on these systems issues provides good prospects for scale and sustainability.

Key points from the discussion

- When working at a systems level to achieve scale attribution of results can be problematic. In the case of Northern Uganda many other actors were implementing interventions, so how is it possible to attribute the outcome of a crowding market for inputs to the MSD intervention? One way to approach this is to move towards *contribution* rather than *attribution*, though being able to attribute results remains important.
- The MSD approach is very similar to the Making Markets work 4 the Poor approach (M4P). There has been a transition towards using MSD from M4P over the past five years, but there is little difference. Yet both differ from value chain approaches.
- Timing trade-offs are a factor for this approach in humanitarian contexts. Setting up partnerships with private sector actors takes longer, compared to an intervention designed to save lives. Yet it also saves time when efforts do not have to be duplicated every six months. There is a difference between what needs to be done immediately and what can be done for longer term impact. What is often forgotten is that our own aid infrastructure also adds time, for instance in the case of contracting practices.

How does MSD work in fragile contexts?

Two programmes, in Syria and Northeast Nigeria, illustrate how this approach works in fragile contexts.

In Syria households were lacking access to bread, a staple food. Due to the conflict, market access and movement was restricted, resulting in volatile prices of bread. As prices spiked riots erupted. Agencies were addressing this problem by directly delivering food baskets to households with cross-border food convoys. However this approach had limitations: delivery was inconsistent, it failed to address triggers of conflict, cut out local markets for bread, had high operational costs and reached a limited number of beneficiaries. Research showed that households had better health and psychosocial outcomes with better access to markets. Moreover, people with connections rather than money were better able to adapt. Markets and networks are thus key for resilience, showing the importance of considering the negative effects of shocks on market actors.

Market analysis ([EMMA toolkit](#)) then showed that local bakeries were a key link in the market system. These bakeries were struggling to provide affordable bread as subsidies, previously supplied by the regime, were halted in rebel-held zones. The Bread programme (2013-2018) therefore started supplying flour to bakeries, and later reimbursing bakeries for flour purchases. It turned out that these local businesses were better at sourcing flour and adapting to changing supply than aid organizations. Later, activities with mills and farmers were developed to strengthen linkages and supply. In this way the local market and a network of local businesses was safeguarded during crisis, indirectly supporting the coping strategies of the population.

In Northeast Nigeria the Boko Haram conflict has been ongoing for years. High transit fees and restricted access due to curfews, roadblocks and conflict impede market activity. Population movement outside of garrison towns is limited and business activity has broken down over the years. Aid agencies have responded to the crisis with direct delivery of food aid, inputs and with food voucher programming. The limitations of this approach were shown through several problems, for instance the undermining of local markets for cereals and beans through supply of food rations. Further issues included that preferred suppliers for food and vouchers gained market power over other market actors. While nutritional impacts of the response were limited to distribution periods. Meanwhile donors became frustrated with this unchanging response.

Layered market systems interventions are therefore currently developed on top of the humanitarian response. An MSD programme was conceived to strengthen input supply and develop the market for a new breed of poultry with a recovery and resilience focus. The programme is ongoing and diagnoses market constraints while it is implemented, building links and market support functions where possible. It takes a tiered subsidy approach based on the needs in a given context. It cost-shares investment to expand input and poultry supply into new areas with a lead firm, investing in agent networks to breed and sell poultry.

Such an MSD programme can be considered as a test case to see whether the response to this crisis can be changed in this context.

Key points from the discussion

- The Syrian programme did not have sustainability as its aim, it had a humanitarian focus for fast implementation. The idea evolved as the conflict progressed and evolved as well. Initially the programme did not anticipate for the conflict to last this long. However finding the time needed to analyze and adapt was a challenge. Aid organizations took over the role of the government through providing and later subsidizing flour, as government remained in control of flour mills and bakeries adapted their supply chains. The problem of bread prices remains, while the government is currently taking over again and aid organizations leave without an exit strategy.
- Attractive in using the MSD approach in fragile contexts is that it focuses on seeing what works and does not work and tries to address this. This is similar to the approach of the Netherlands in Mali after the civil war broke out. It kept its food security programming running throughout the occupation of the north. The chain was still functioning so the programme could keep subsidizing agricultural inputs. Farmers said this was the right approach for them. Meanwhile WFP wanted to start distributing food. Key message is: do not substitute what can still function if you can adapt it. For instance work through community based development actors.
- In the Syrian case a political economy around food prices exists. People often assume that a market functions through supply and demand, but this is not always the case. In some cases subsidies are needed which impact the system. In humanitarian situations therefore cash transfers and subsidies are often needed.
- Development banks like FMO often begin where programmes end. If a market analysis is done it should consider looking at all actors in the chain, including the private sector. For Middle Income Countries in crisis, like Iraq, this can be particularly relevant.
- In humanitarian situations MSD is a tool for a particular purpose. Your driver is to resolve the immediate effects of a crisis. However when you progress through the nexus to a developmental approach the driver changes. It becomes part of the policy/donor arena where MSD is not the ultimate driver but again serves as a tool to achieve goals such as women entrepreneurship. This poses a challenge from the perspective of continuity, continued engagement. Looking at what market deliver benefits to a priority target group is key here.
- There can be a trade-off between benefits for consumers and producers. When traders or wholesalers import food because of better prices, these actors as well as consumers benefit. However the local economy and its producers lose out as cash that could be injected locally leaks abroad. In these contexts a judgment call must be made for the type of support that is needed.
- In humanitarian contexts smaller businesses sometimes lose out to bigger, more formalized, businesses because of their capacity to act as partners to international aid actors. This happened in Uganda and northeast Nigeria as multiple agencies go for the same partners for voucher programming. Smaller businesses however often reach people further out. There is a tendency to say that vulnerable people are not engaged in markets however an economy is there and people do engage, though not always with good outcomes.

What are lessons from practice?

Research done by Mercy Corps on their South Sudanese refugee response interventions in Uganda provides valuable operational lessons on MSD. In this context people have been displaced multiple times over a period of up to ten years, while the response of aid organizations has been similar each time. In this protracted crisis situation (humanitarian) funding for analysis was not prioritized. However, as these are long-term situations understanding the capacities of refugees to engage in markets is equally important to understanding their vulnerabilities. In many cases a lot of thought goes into financial support and subsidies but often more market-oriented approaches are possible even if these are only one step up from subsidies (see *Figure 1*). Moreover, market facilitation in practice is as much about how to do it as it is about what type of support to deliver. For instance by parking the INGO car behind a shop or stand at a seed fair to help input suppliers market seeds – preventing people from thinking the INGO provided them.

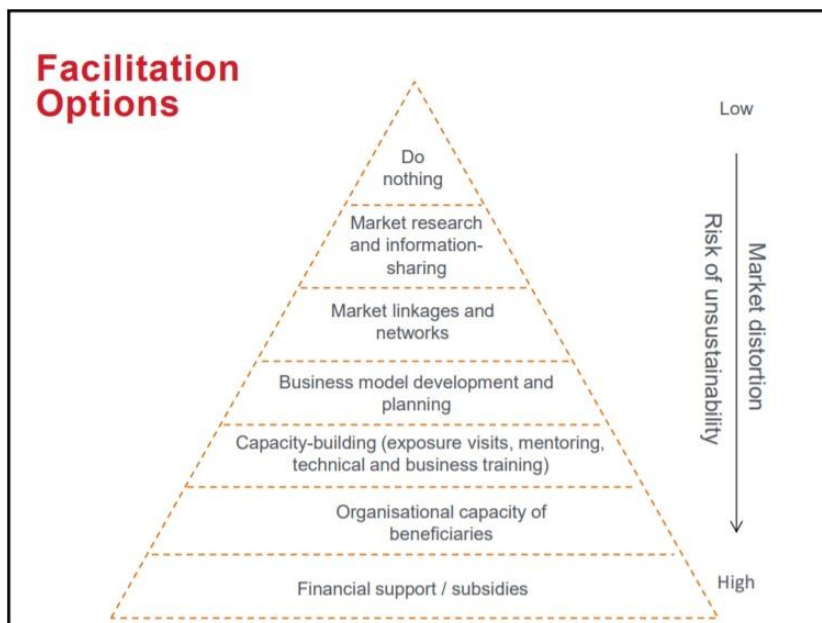


Figure 1. Market facilitation pyramid

In this context we know that market opportunities are there, but these need to be made visible and insightful to those looking for them. Market evidence was needed. In this case such evidence showed for instance that there was a 75% redemption rate for coupons, a 66% increase in input purchases from season 1 to 2 and a preference for extension services via the private sector. In addition, a market for solar energy was present composed of approximately 20.000 households and 35.000 businesses. Lessons that can be drawn from this experience therefore show that vulnerable groups are seen too homogeneously, with a lacking focus on their capacity to engage in markets. Parties are seen arguing about whether refugees can pay for seeds or not. In such disagreements about ToCs, donors can play an intermediary role. Furthermore, the funding and prioritization for analysis and learning is limited – resulting in a lot of ‘copying and pasting’ of approaches. This results in limited mechanisms for INGOs to partner with (informal) businesses quickly. Which has to do with funding structures but also with INGO cooperation agreements. Finally, communication is lacking. Professionals engaged in market development are often reluctant to talk to humanitarians, or do not know how to involve them, even though they have a rich understanding of the context.

Key insights from the group discussions

- Refugees are not a homogeneous group, some of them can buy seeds, others cannot. This difference is a problem, but when people are treated differently that creates side effects or tensions as well. However, the potential strength of the MSD approach is that it supports both host and refugee populations. It helps to make services available in a context. Yet current design is still often done around refugees; better analysis is needed of who can and cannot access these services delivered by the market.
- What this discussion on MSD is missing is participation of beneficiaries. Programming needs to be designed based on needs specified by them. In the humanitarian field there often is not enough time to invest in this, but this should be done more often for the humanitarian-development-peace nexus. However, beneficiaries have limited insight into what is needed at a systems level. Plan International for instance adjusted WHO standardized breastfeeding kits by asking women what they needed and providing vouchers to acquire these items. A next step at systems level could be to see why these items were not easily available in the local markets and working with suppliers for impact at larger scale.
- Donors that attempt to get humanitarian and development actors to coordinate, to do joint analysis and to partner up find this difficult. It is for instance very difficult to get humanitarians to appreciate the long-term aspects of programming. Donors can use their position as a powerful

actor to force people to talk to each other however. Joint approaches that include other donors, development banks and UN organizations are helpful to this end. In Sudan the Netherlands Ministry of Foreign Affairs organized talks between ILO, IFC and UNHCR which adapted programming, but more time is needed to learn from this.

- The market facilitation pyramid has risks associated with reinforcing power dynamics and inequalities. Capacity building of certain actors can be riskier than financial support. In crisis contexts power dynamics are often overlooked while it is a big issue in contexts facing conflict. There is a need to understand the social side and political economy associated with markets: who controls who can sell where? What (in)formal regulations keep people from accessing markets? In Syria for example the people who were best off were not the ones who had money, but the ones with connections.

Discussion and plenary wrap-up

Before wrapping up participants split up into groups to discuss implications for policy and for implementation and to identify key questions for future learning.

When thinking about implications for implementation questions arose such as: where and when to start linking market development to relief efforts? How to prevent people from being excluded from certain interventions, e.g. when men have more access to technology than women should we support digital vouchers or not? How to check the way in which cash support is actually spent once it reaches households? Participants agreed that one programme cannot do everything; this means it is important to think about sequencing and overlaying, an MSD approach can for example meet one need while another approach meets another. Moreover, the issue of power dynamics comes back at all levels, from the household to the state. To prevent reinforcing existing dynamics and to influence them positively a lot more monitoring is needed. Learning is also needed about how market and actor analysis can be made actionable.

Policy implications include the need to prioritize and allow for flexibility over fixed time frames, as well as to specifically develop enabling policies for programming in these protracted crisis contexts. The current lack of policies and lack of modalities is restrictive to what can be achieved. The sector is donor driven so it is necessary to start shifting policies. At [BEAM exchange](#) a technical exchange on MSD concluded that the aid system needs to be assessed: what incentives and dynamics are created by it? The discussion around the humanitarian-development-peace nexus needs to be made practical. Humanitarian organizations need to be given time to work with development organizations for better market analysis. Joint budgets are needed, which DANIDA is doing. Examples need to be actively shared with other donors, the nexus needs to be made practical at field level but also policy level. This focus on practicality is important because ideas from the policy level take a lot of time to actually impact implementation at field level.

Participant list

Name	Organization
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