



**MARKET SYSTEMS  
DEVELOPMENT AND  
FRAGILE CONTEXTS**

Lessons from Practice

MERCY CORPS  
Alison Hemberger – Team Lead: Markets



The cover features a photograph of a dirt road winding through a lush, green landscape under a blue sky with scattered clouds. The text is positioned on the right side of the cover, with the title in large, bold, red letters and the subtitle in a smaller, grey font. The Mercy Corps logo is located in the bottom right corner.



**MARKET  
SYSTEMS  
ICEBREAKER!**



The cover features a photograph of a group of people, including a man in a white cap and a woman in a pink headscarf, smiling. The text is positioned on the left side of the cover, with the title in large, bold, red letters. The photograph is on the right side of the cover.

## **Key principles of how we take an MSD approach?**

Market system change

Facilitation

Partnerships



## **Why an MSD approach?**

Sustainability

Scale

Impact



## MSD PROGRAM EXAMPLE

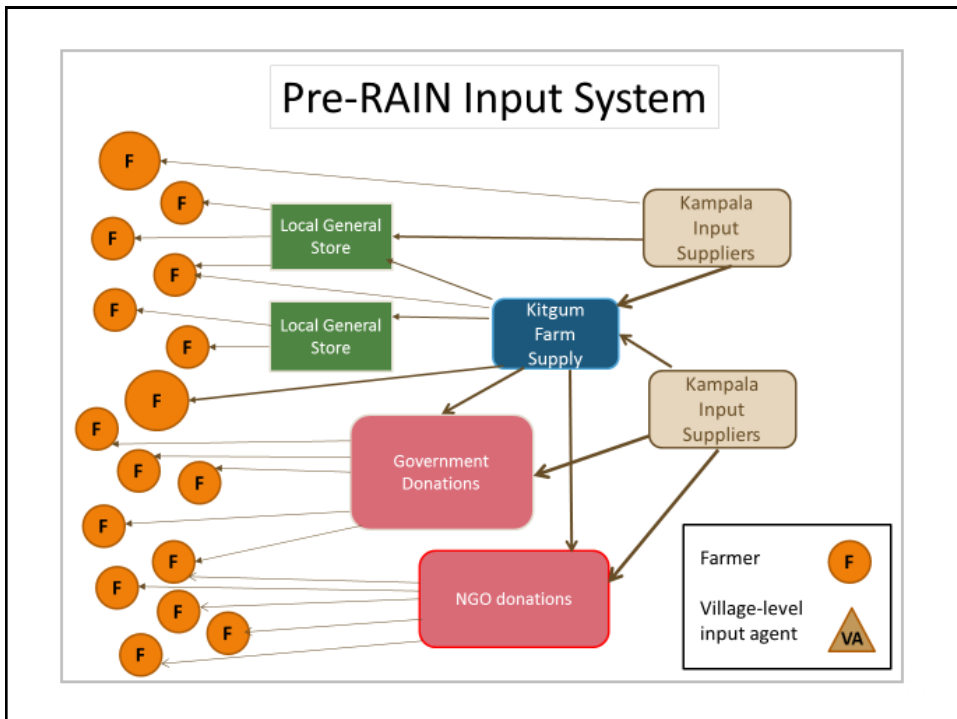
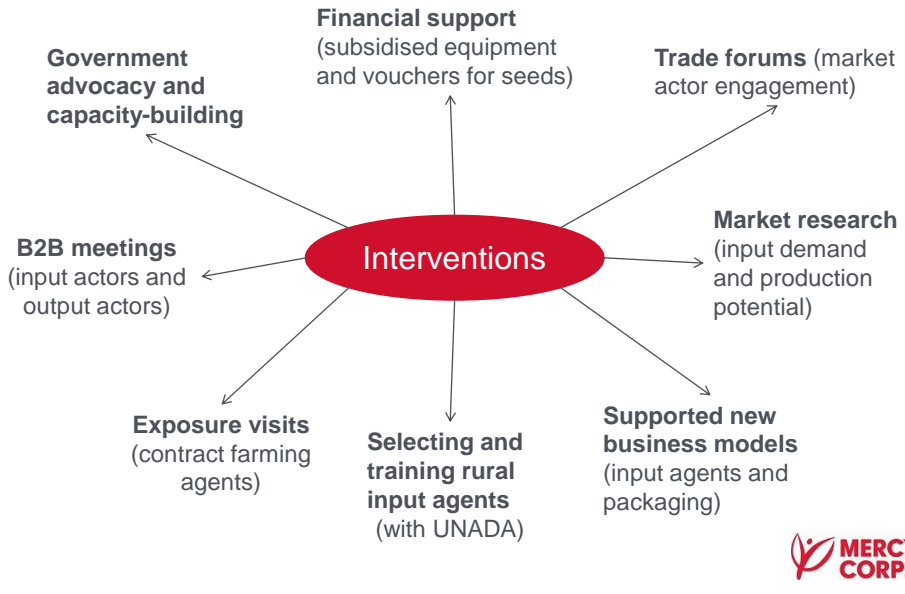
### Agricultural markets in Uganda

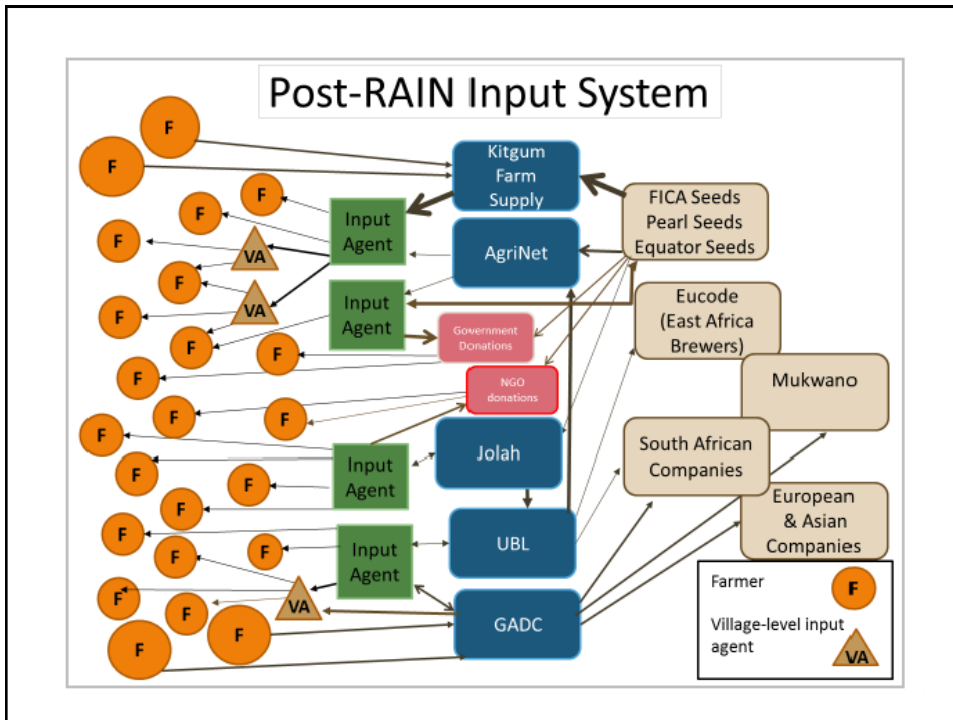


### What were the market assessment findings?

- |   |  |
|---|--|
| <b>Production potential</b>             | <ul style="list-style-type: none"> <li>• Good soil fertility</li> <li>• High farmer interest and strong market demand</li> </ul>   |
| <b>Agricultural skills and services</b> | <ul style="list-style-type: none"> <li>• Very weak farmer knowledge and skills</li> <li>• Absence of government or private extension services</li> </ul>   |
| <b>Agricultural inputs</b>              | <ul style="list-style-type: none"> <li>• Only one distributor in the region, and quality and range poor</li> <li>• Very limited outreach to farmers</li> <li>• Farmers lacked information and access about inputs</li> </ul> |
| <b>Demand-side</b>                      | <ul style="list-style-type: none"> <li>• Primarily selling to local markets</li> <li>• Contract farming potential, but poor perceptions among businesses</li> </ul>  |

## How did the program apply an MSD approach?





## What was the impact of the program?

### Sustainable market system change?

- Sustainable agricultural input suppliers? ✓
- Improved sustainable access to higher value markets? ✓
- Sustainable agricultural extension services? ✓ & ✗
- Crowding-in and self-replication? ✓

## What was the impact of the program?

### Impact on beneficiaries?

- More than 100,000 farmers accessed inputs, higher-value markets and financial services
- Yields, quality and sales increased (\$10 million increase in sales during program)
- Incomes increased (52% of households increased income in final year alone)
- Increased savings (70% of households increased their savings)

## What's different about MSD?

### Direct Delivery

*What problems do people /firms have?*

*How can we help to solve these?*

### Market Systems Development

*What problems do people/firms have?*

*Why isn't their market environment providing solutions to these?*

*... How can we work with market actors to make the market system work better for the poor*



# MSD CORE PRINCIPLES

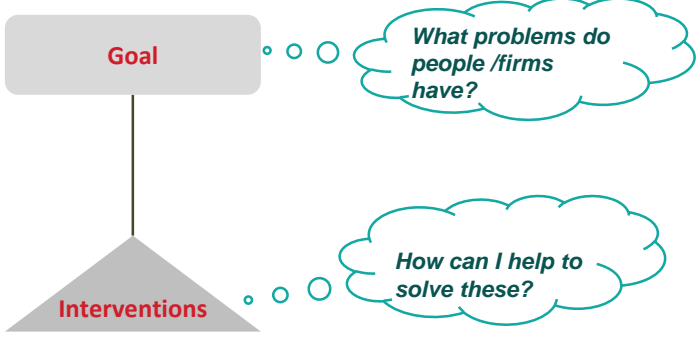
In brief!



MERCY CORPS

## Strategic Frameworks

Traditional development approach



Goal

What problems do people /firms have?

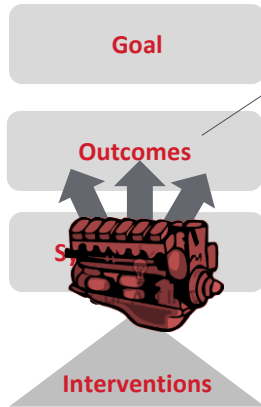
Interventions

How can I help to solve these?

MERCY CORPS

## Strategic Frameworks

System change is key



**Widespread & Sustainable**

What problems do people/firms have?

Why isn't their market environment providing solutions to these?

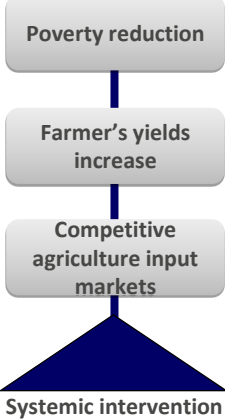
... How can we work with market actors to make the market system work better for the poor



## Strategic Frameworks

Multiple sectors

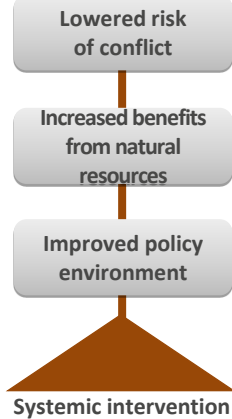
*Economic Opportunities*



*Food Security*



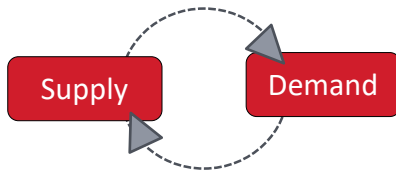
*Peace and Security*





## What is a Market System and What is MSD?

What is a market?



- Transactional
- Exchange for goods and services
- Economic or non-economic

*"Societal and economic needs define markets"*  
Porter and Kramer



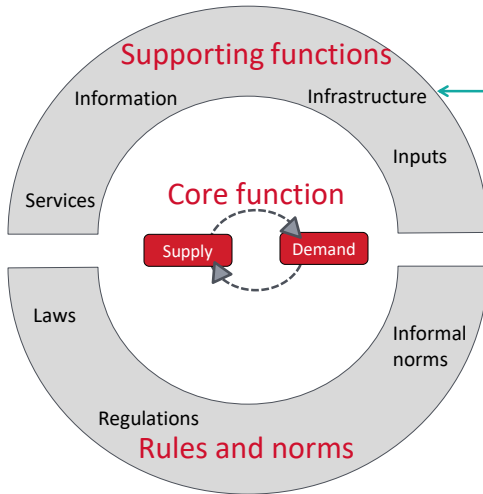
## What is a Market System and What is MSD?

What is a market *system*?



# What is a Market System and What is MSD?

## Supporting functions

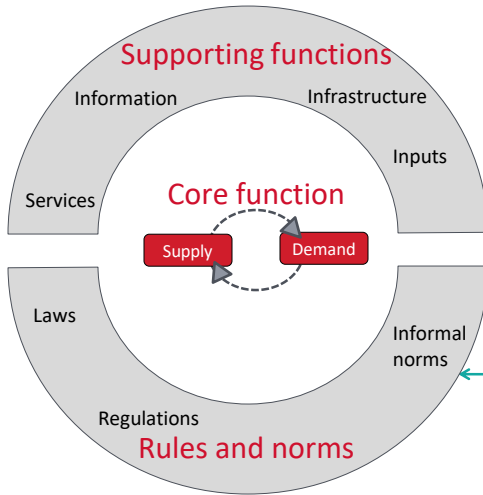


Supporting functions enable the core to take place



# What is a Market System and What is MSD?

## Rules and norms

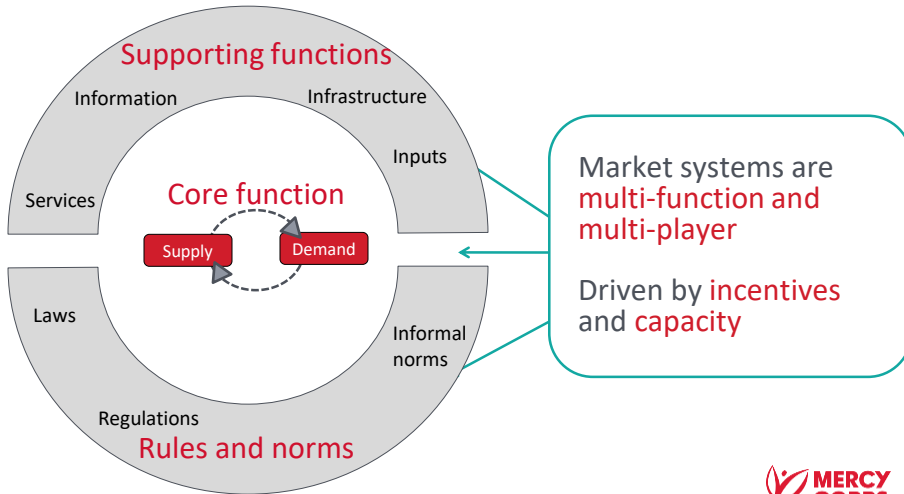


Rules and Norms govern and shape incentives, behavior and practice



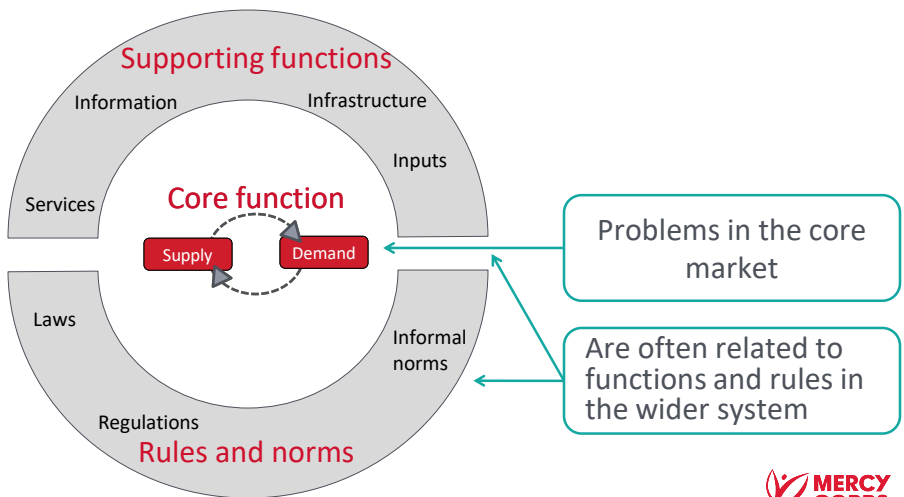
# What is a Market System and What is MSD?

## Market system

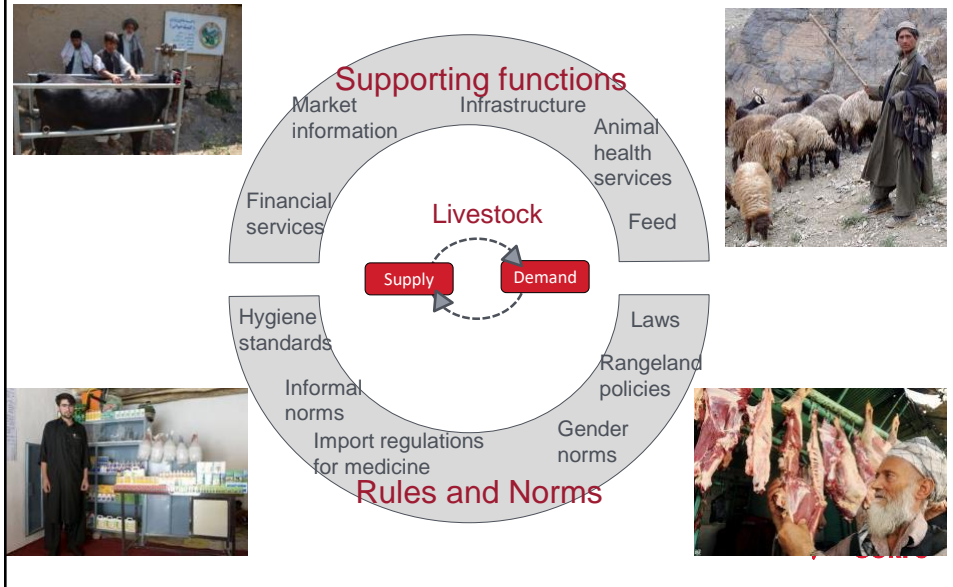


# What is a Market System and What is MSD?

## The donut

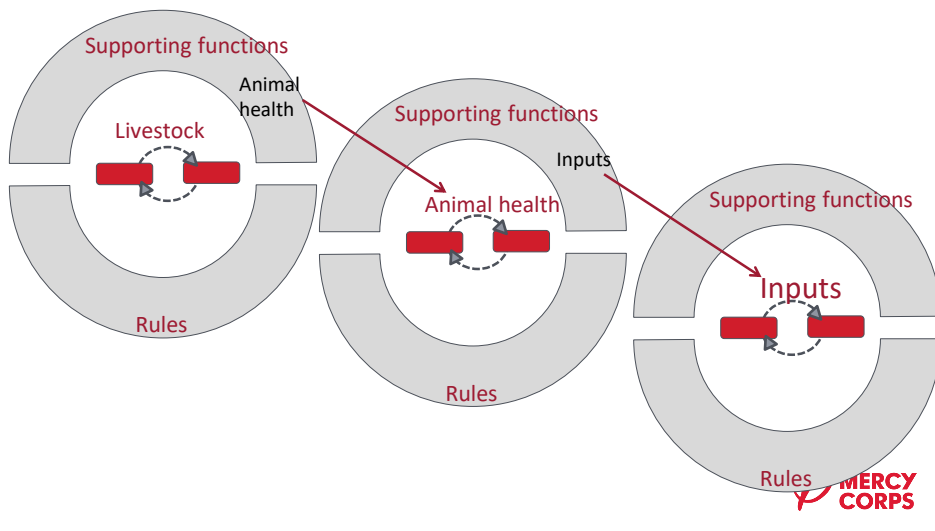


## Afghanistan Livestock Example



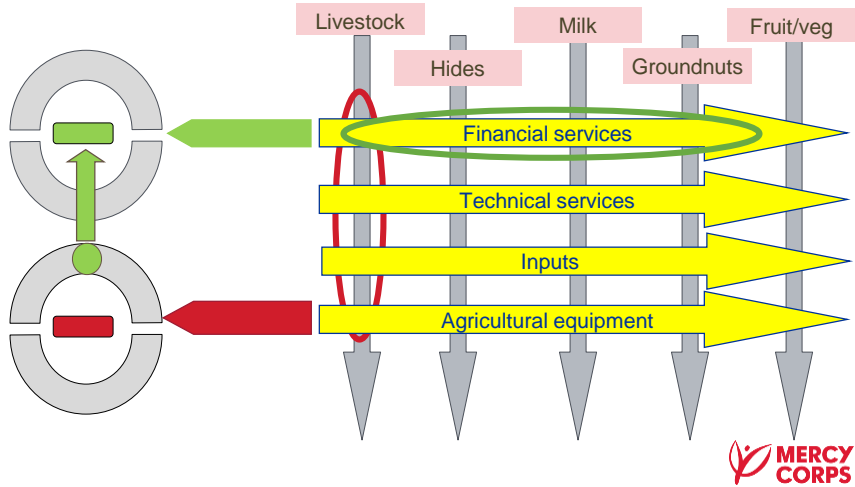
## What is a Market System and What is MSD?

### Ethiopia interconnected markets

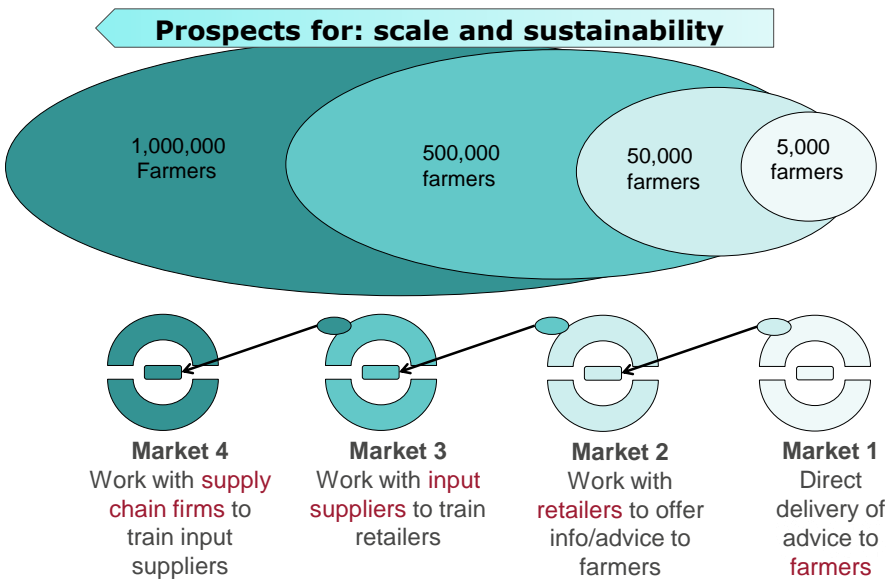


# What is a Market System and What is MSD?

Ethiopia interconnected markets



## Finding a Leverage Point





**FRAGILE  
CONTEXTS:**  
Making Markets Work in  
Crisis

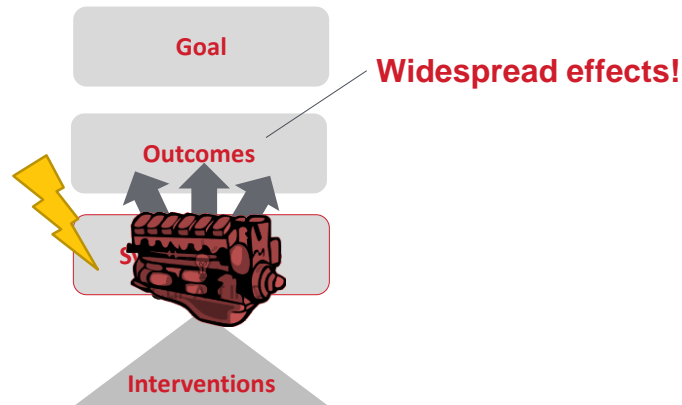


**Resilience in a Crisis: Syria Research**



## Market Systems in Crisis

Shocks to market actors can undermine coping and recovery



## Syria Program Summary

- Food security, bread market
- 5-year multi-round program
- Cross-border in active conflict zones
- Almost \$50 million, funded by USAID Food for Peace





## Main Problems

- Spiking/volatile bread prices
- Market access and movement restricted by conflict
- Households need access to bread, a staple food item
- Volatile bread prices trigger additional conflict

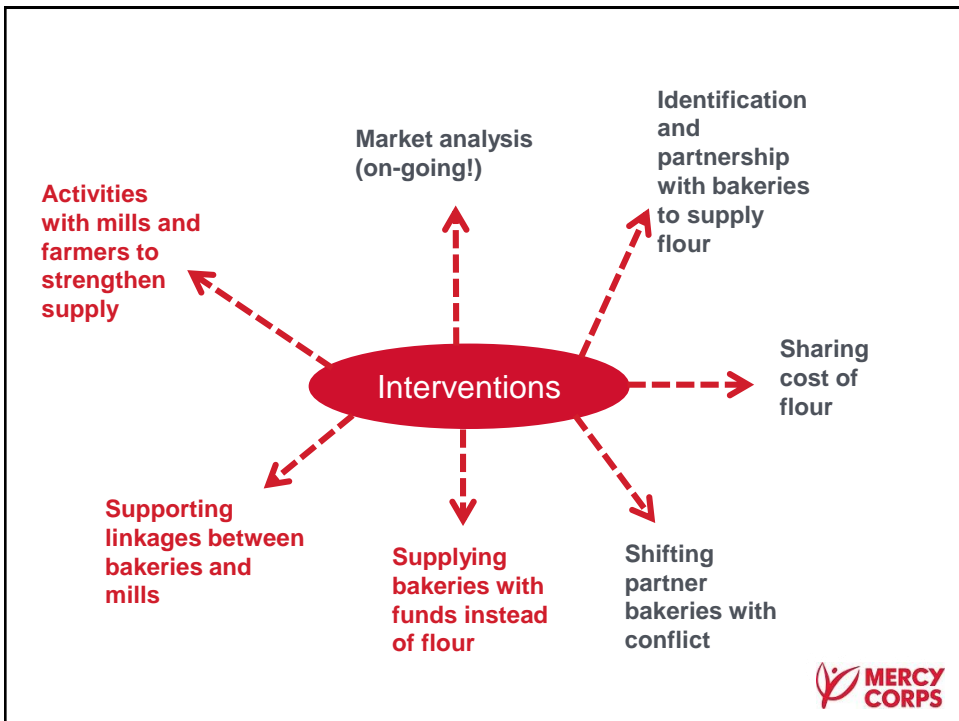
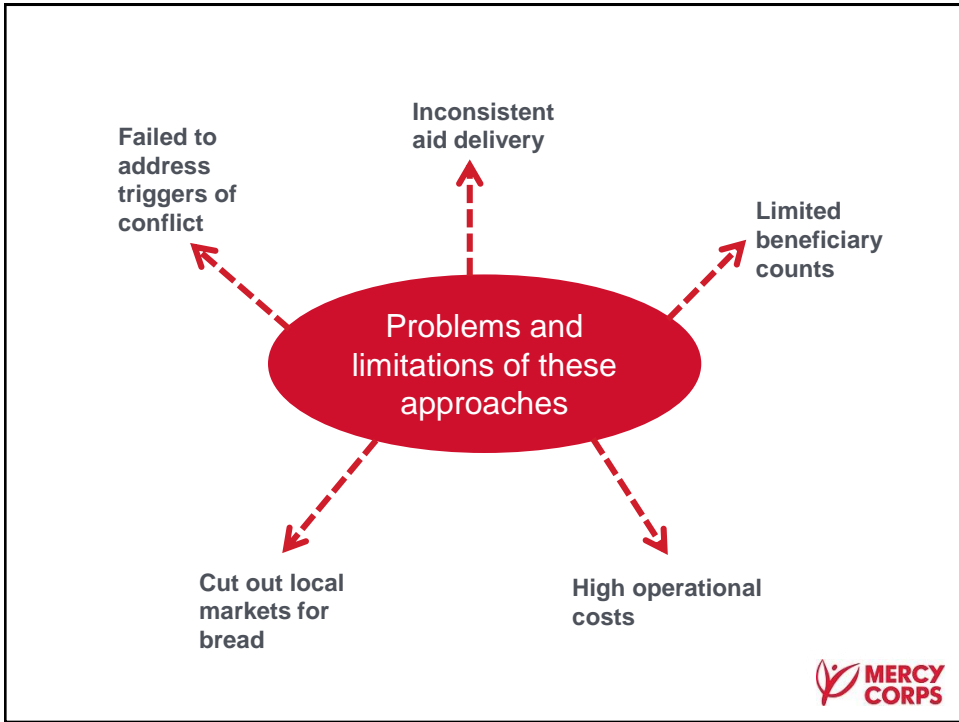


## How were agencies addressing these problems?

- Direct delivery of food baskets to households
- Cross-border convoys of food







## What was the impact of the program?

### Success in sustaining markets?

- Partner bakeries able to stay open, serving 100,000 people per day ✓
- Bread prices stayed relatively stable in program areas ✓



## Key principles of how we take a market systems approach?

Market system change

Facilitation

Partnerships



## Key principles of how we take a market systems approach? *And in crisis?*

Market system change

Facilitation

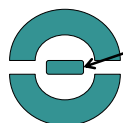
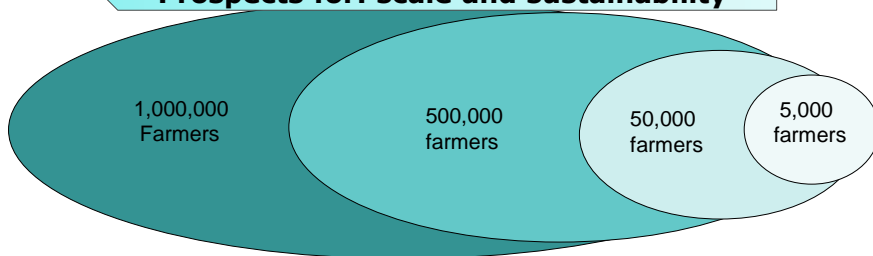
Partnerships

**Market safeguarding**

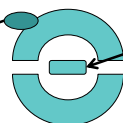


## Finding a Leverage Point

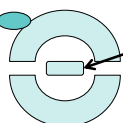
Prospects for: scale and sustainability



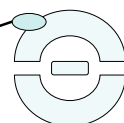
**Market 4**  
Work with **supply chain firms** to train input suppliers



**Market 3**  
Work with **input suppliers** to train retailers

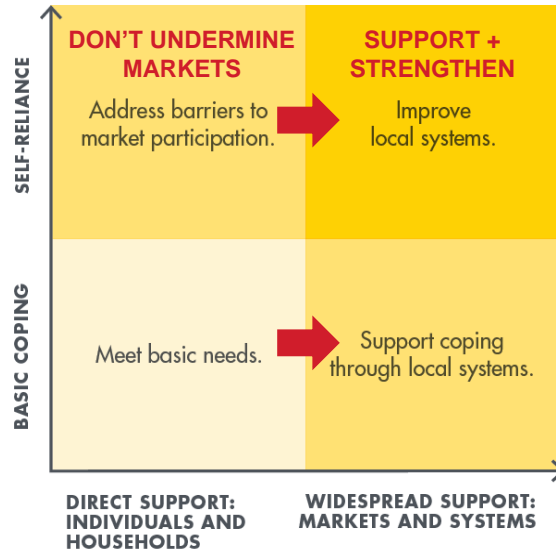


**Market 2**  
Work with **retailers** to offer info/advice to farmers

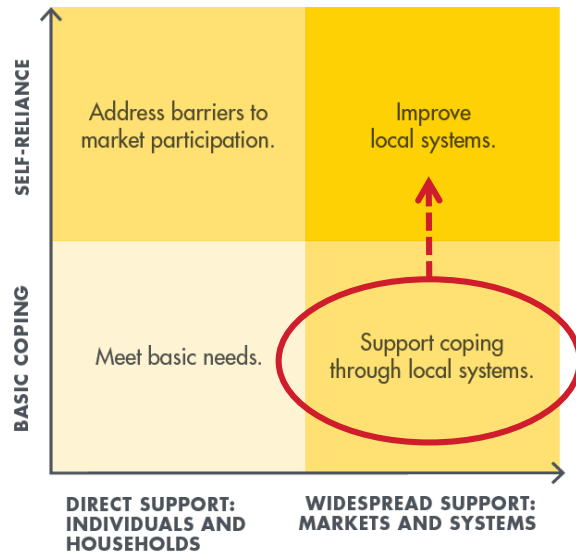


**Market 1**  
Direct delivery of advice to **farmers**

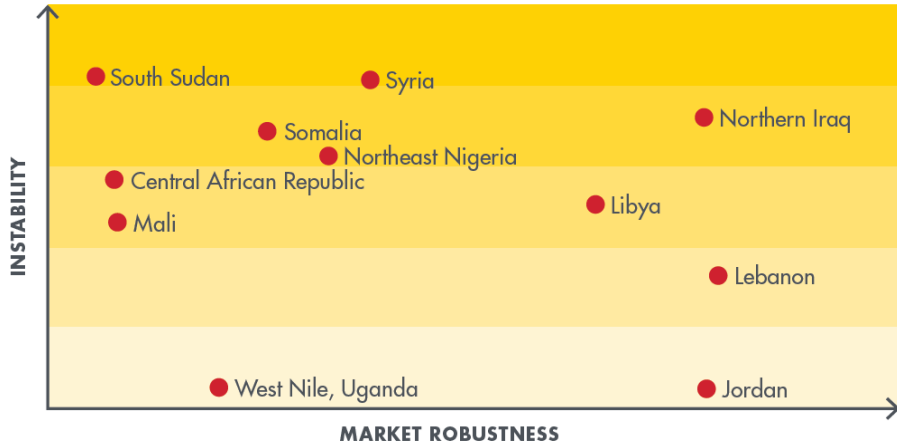
## Market Systems in Crisis



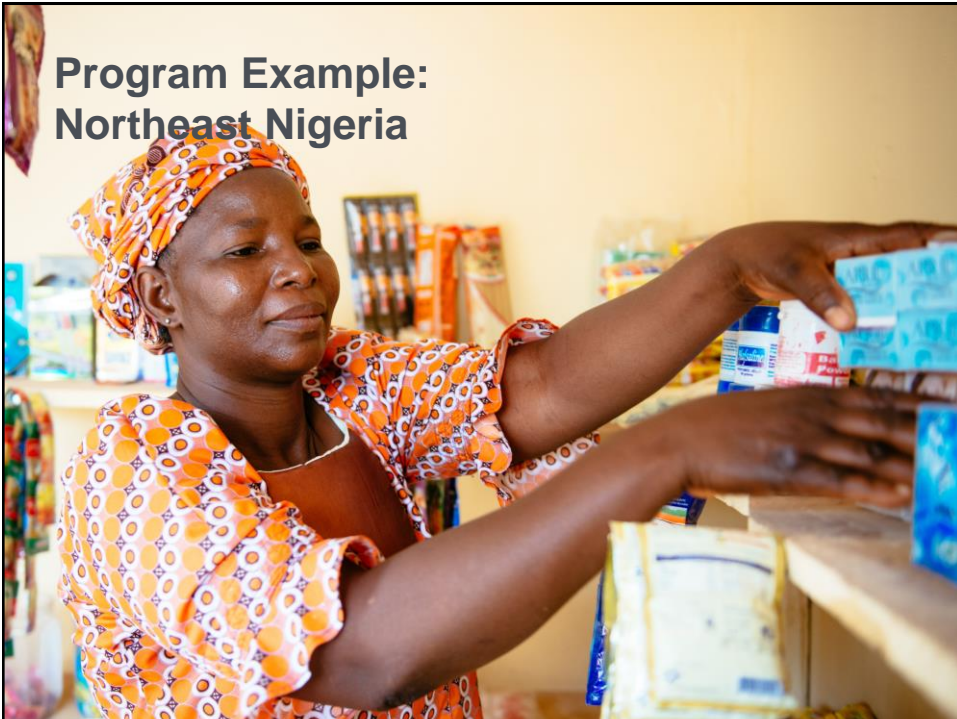
## Market Systems in Crisis



## Contexts for Coping and Recovery



### Program Example: Northeast Nigeria



## Program Summary

- >\$5 million from Bill and Melinda Gates Foundation and GIZ
- \$15 million EU Funding for Recovery and Resilience
- Strengthening input supply
- Developing market for new breed of poultry



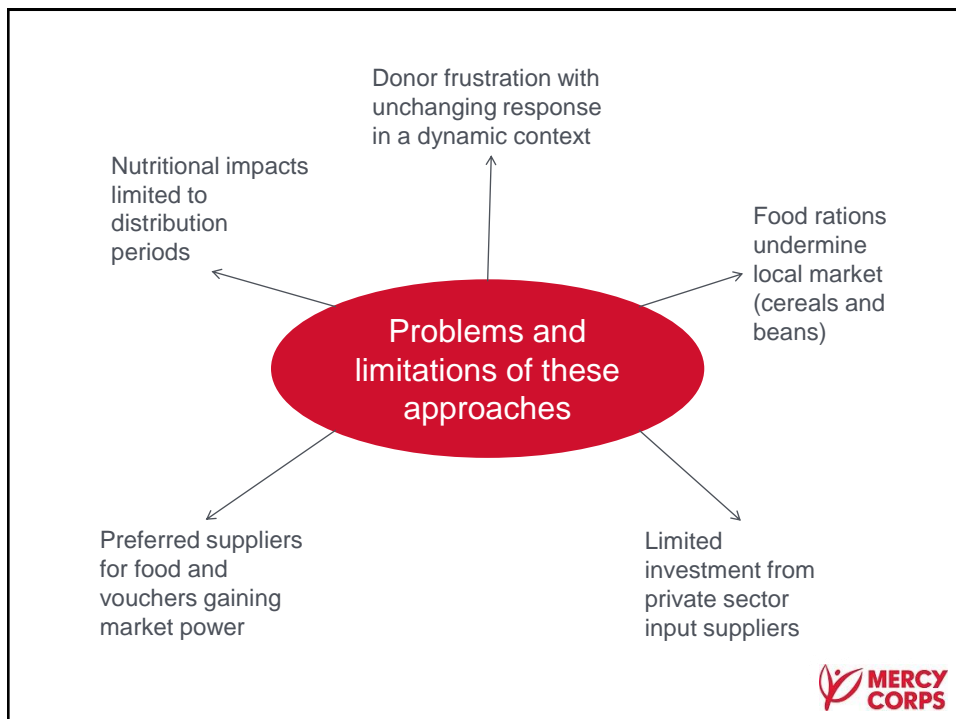
## Main Problems

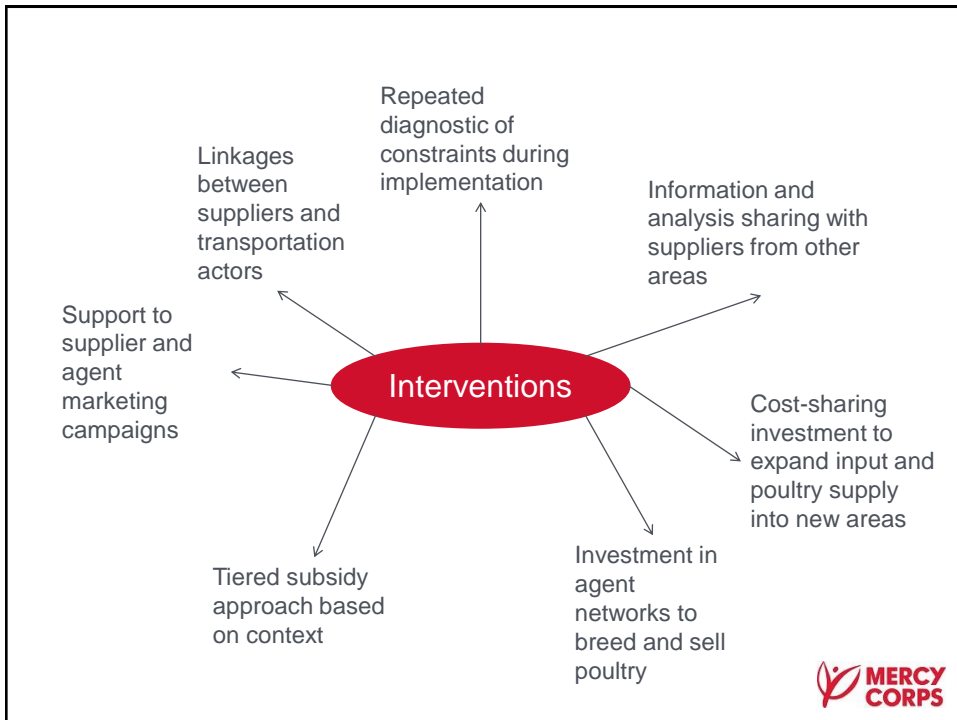
- On-going conflict, resurgence of Boko Haram conflict following declaration of defeat
- High transit fees and restricted access due to curfews, roadblocks, and conflict
- Population movement limited outside of garrison towns
- Breakdown of businesses activity over years of crisis



## What approach were aid agencies taking?

- Direct delivery of food aid to households
- Direct delivery of inputs to households
- Food voucher programming





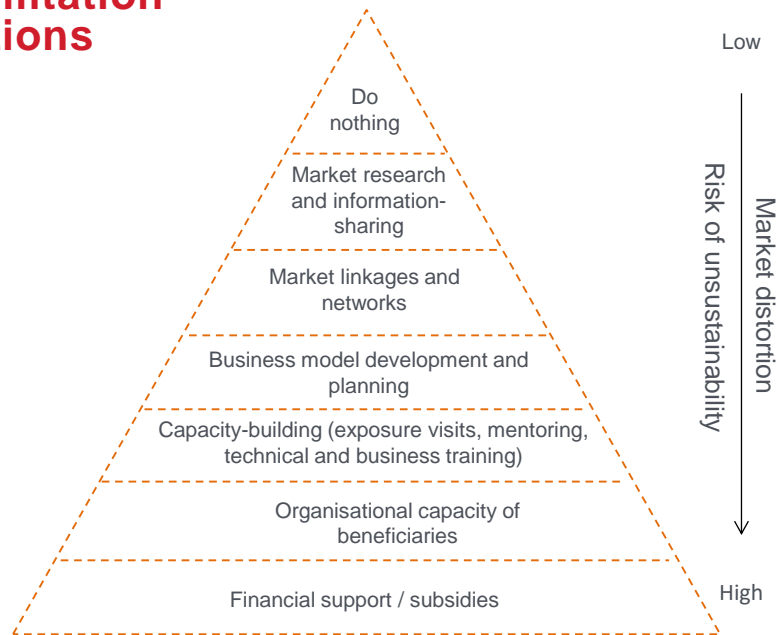
## What was the impact of the program?

**Success in sustaining markets?  
Success in market systems change?**

- Reduction in low-margin petty trading among agents ✓
- Increase in profits for agents, and self-reported improvements in recovery ✓ & ✗
- 95% interest in continuing as agents ✓ & ✗



## Facilitation Options



## DISCUSSION

*What are your experiences with market-based programming in fragile contexts?*

*What is the value of using MSD in the nexus?*

*What are the challenges and opportunities with using MSD in fragile contexts?*



# BREAK!



# GETTING OPERATIONAL



## MSD in South Sudanese Refugee Response

### Context

- Protracted displacement (expected up to 10 years)
- Geographically isolated with thin markets
- Opportunities and risks in refugee host dynamics
- Aid impacting markets
- Forward thinking government policies



## Facilitation Options




## Market Evidence

- **Agriculture:**
  - 75% redemption rate for coupons
  - 66% increase in purchases from season 1 to 2
  - Preference for PS extension services
  
- **Energy**
  - Solar market estimated at 97,000 individuals (20,000 households) and 35,000 businesses
  - Current pilot sales: 3,600





## Lots of Learning!





**FACING UP TO THE CHALLENGES**  
**Blending Market and Humanitarian Support for Refugees in Uganda**  
 NOVEMBER 2019 – SIMON LERHE, GRACE SECTION

**Executive Summary**  
 Recent numbers of displaced people and growing humanitarian needs require our sector to change the way aid is funded and delivered. This challenge was globally recognized at the 2019 World Humanitarian Summit and is at the center of multi-lateral debates related to coherence, self-reliance and the nexus. Humanitarian and development actors agree that the complex and shifting nature of crises means people's needs extend far beyond short-term support. The graphic reveals how our humanitarian and development divisions and implementers collaborate across historically divided aid bureaucracies with shared tools, funding cycles, decision-making processes and incentive structures in response to this global call for durable solutions, a new organization is working on practical approaches to protracted crises and refugee contexts. Their program focus on strengthening local actors' ability to serve crisis-affected populations, rather than directly delivering relief and livelihood support.

**PAYING FOR DARKNESS**  
**Strengthening Solar Markets for Refugees in Uganda**  
 NOVEMBER 2019




## Operational Lessons

- Tendency to view vulnerable groups homogenously
- Vulnerability and capacity infrequently considered together
- Funding and prioritization of analysis and learning limited
- Limited mechanisms to partner with businesses quickly (including informal businesses)
- Field-level information sharing limited by silo-ed communication channels
- Donors' cross-cutting perspectives can help influence response



## DISCUSSION

*What are implications for policy?*

*What are implications for implementation?*

*What are key questions for future learning?*

