



ADAPTING A MARKET SYSTEMS APPROACH TO CRISIS IN SUDAN

JULY 2024

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Executive Summary

When conflict erupted in Sudan in April 2023, it interrupted the progress of Mercy Corps' Swedish-International-Development-Agency-(SIDA)-funded Strengthening Agricultural Markets and Food Security (SAFE) Program. SAFE aimed to sustainably improve the lives of small-holder farmers by utilizing market systems approaches to increase private sector investment. Mercy Corps and SIDA utilized the lessons learned and relationships built during SAFE to continue supporting communities through the crisis, protect the development gains made, and plant the seeds of recovery. One year after the outbreak of violence, this paper reflects on the program's initial pivot and extracts lessons on how systems approaches may affect program outcomes before and during a crisis response.

Before the conflict erupted:

- **SAFE worked to strengthen market relationships and incentives** in an environment where **humanitarian distributions undercut the development of local business networks** for rural and displaced populations.
- Despite the challenging pre-conflict context, **40,000 farmers purchased seeds, with 25% of those unsubsidized**; their yields increased by 37%; and **the volume of crops sold more than doubled**. Women sold almost nine times the volume of crops after interacting with the SAFE program and its private sector partners.

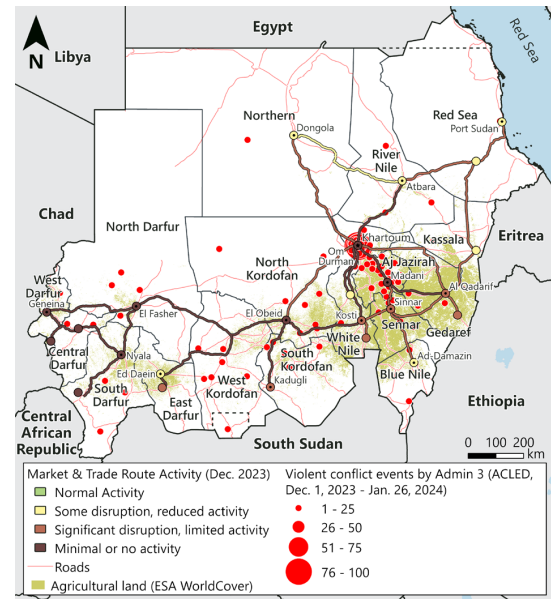
After conflict erupted:

- **SAFE's pre-existing relationships with agri-businesses, MFIs, and their agents allowed them to move fast to respond** to the unexpected shock—getting some seeds to communities that humanitarian actors were unable to access and pivoting with a local microfinance institution (MFI) to pilot cash distributions.
- **Diverse and wide partnerships were key in pivoting quickly and effectively**. The scale of the unexpected shock halted business in the initial conflict period. However, policy changes and other gains made with partners pre-conflict enabled Mercy Corps and its partners to launch a rapid, thoughtful initial crisis response.

Overall, the SAFE experience proved that an adaptable agriculture development program can work together with the private sector to support household coping strategies and ensure production of vital food supplies in the immediate aftermath of an outbreak of conflict.

Introduction

Sudan has long been heavily dependent on agriculture for economic inclusion, exports and food security, with 65% of the population employed in the sector. Until recently, the country was also the world's largest exporter of "other oily seeds" (e.g.: groundnuts, sunflower, soybean, safflower, sesame) and it produced over 80 percent of the world's gum Arabic¹. However, a lack of investment in the agriculture sector has resulted in low yields, high production costs, and poor infrastructure. Politically, Sudan has faced decades of cyclical shocks, including the secession of South Sudan in 2011, and ongoing conflicts in Darfur and the South Kordofan and Blue Nile States. When violent clashes erupted in April 2023 between the Sudanese Armed Forces (SAF) and the Rapid Support Forces (RSF), primarily in Khartoum at first, it immediately shut down the economy and forced large numbers of people to flee their homes. One year later, 8.7 million people have been displaced and the conflict continues, with varying levels of impact at different times in different parts of the country². The RSF has taken over Aljazeera State, which is the breadbasket of Sudan. In South Kordofan, additional outbreaks of violence, in particular clashes between the SAF, the RSF, and the Sudan People's Liberation Movement-North (SPLM-N) al-Hilu faction, have flared up sporadically since July 2023, reducing access to farmland and cutting off direct routes to regional trade hubs. Much of Sudan is now in a food security crisis (IPC Phase 3), with Greater Darfur, Greater Kordofan, Khartoum, Red Sea, Kassala, and parts of the southeast increasingly moving into the emergency (IPC 4) phase³.



Prior to this large-scale conflict, the international community maintained a large humanitarian presence in the country but little progress was made against the phase 2 and 3 Acute Food Insecurity most of the

SAFE has been implemented in the states of South Kordofan and Blue Nile (SKS and BNS, respectively) from 2019-2024, under a consortium led by Mercy Corps in cooperation with Adventist Development and Relief Agency (ADRA). It utilizes market systems approaches to increase 31,000 smallholder farmers' engagement with agriculture markets and sustainably increase their incomes in order to increase the food security and resilience of conflict-affected communities, including internally displaced people, refugees, and host community members.

country faced. However, a few donors and implementing agencies had begun testing more sustainable, market-driven approaches to support the resilience of marginalized groups in Sudan, including the SAFE program. SAFE's gains were threatened by the outbreak of fighting in April 2023, which resulted in the looting and destruction of many Khartoum- and El-Obeid-based⁴ companies and organizations, mass population movement within Sudan and across borders, and the blockage of many primary roads. This occurred just as the annual rains were beginning and farmers were starting to prepare for the primary growing season. Increased local fighting in

¹ Sudan Country Commercial Guide: Agriculture Sectors. US Trade Administration. July 30, 2022. <https://www.trade.gov/country-commercial-guides/sudan-agricultural-sectors>.

² OCHA Sudan Situation Report April 15, 2024. Map reproduced from [Sudan Food Security Alert February 1, 2024](#).

³ <https://fews.net/east-africa/sudan>.

⁴ Given the centralized structure of the Sudanese economy, most larger firms are headquartered in the capital city, Khartoum. Some maintain regional offices and warehouses in state capitals or trading hubs. El Obeid is the major trade hub serving SKS.

July 2023 further limited farmers' ability to reach their fields. Thus, there was both an immediate impact on short-term food production, and resulting food security, and a long-term impact on the market functions that underpin Sudan's economy.

One year after the outbreak of violence, this paper assesses the immediate adaptations a market-systems-focused program took to support the population affected by the crisis, the opportunities gained from the previous four years of program experience, and greater changes that could have been realized with additional pre-crisis work. There are useful lessons to be learned both for the Sudan response going forward and for other market systems programs operating in fragile contexts.

Safe Approach

Laying the Foundation Pre-Crisis: Market Systems Analysis with a Resilience Focus

Within its market systems approach, SAFE layered a range of interventions at many levels over four years to ensure that male and female smallholder farmers would have increased, sustainable access to quality input and output markets and to extension, financial services, and information services. The team started by conducting an in-depth analysis of these market functions and the different actors involved in them so that they could unpack underlying incentives and barriers to improvements for farmers. The team also analyzed the resilience of different market functions and actors to shocks, such as drought and local conflict dynamics, to help them prioritize the types of interventions that would be most critical in the targeted areas. A key element was to then develop strong private sector partnerships, primarily targeting Khartoum-based firms willing to extend their business operations to SKS and BNS, as well as three internationally registered firms introducing new technologies to Sudan. To persuade these companies to extend their activities, the SAFE team provided evidence of the business opportunities in the program area, helped them link to local communities, and provided financial assistance to support initial expansion. Later, the SAFE team also assessed partner business capacity and helped companies improve management practices.

The SAFE team knew that, in order to support more robust and resilient access to agricultural services, they needed multiple partners that played different roles in rural agriculture and financial markets. They built relationships with businesses, farmer associations and government entities, like the Humanitarian Aid Commission and Central Bank, with the expectation that supporting these changes at scale would require understanding and influencing actors beyond the program's core partners. The team also realized that long-term sustainability of agriculture markets was being undermined by prevailing aid approaches, which focused on Sudanese agri-businesses fulfilling bulk-sale contracts with humanitarian agencies who then directly distributed inputs themselves, and a concerted effort was needed to support locally sustainable relationships and demand-driven private sector service provision.

Emerging Progress: Private Sector-Driven Models

To help private sector partners expand the reach of their services beyond major towns to remote rural areas in an efficient, cost-effective, and sustainable manner, the SAFE team explored a range of business models. In particular, the team trained partners and helped them roll out a village agent model both for agricultural input sales, in partnership with two national seed suppliers, and for microfinance activities, with two partner MFIs. The MFIs were also trained in village savings and loan approaches (VSLAs).

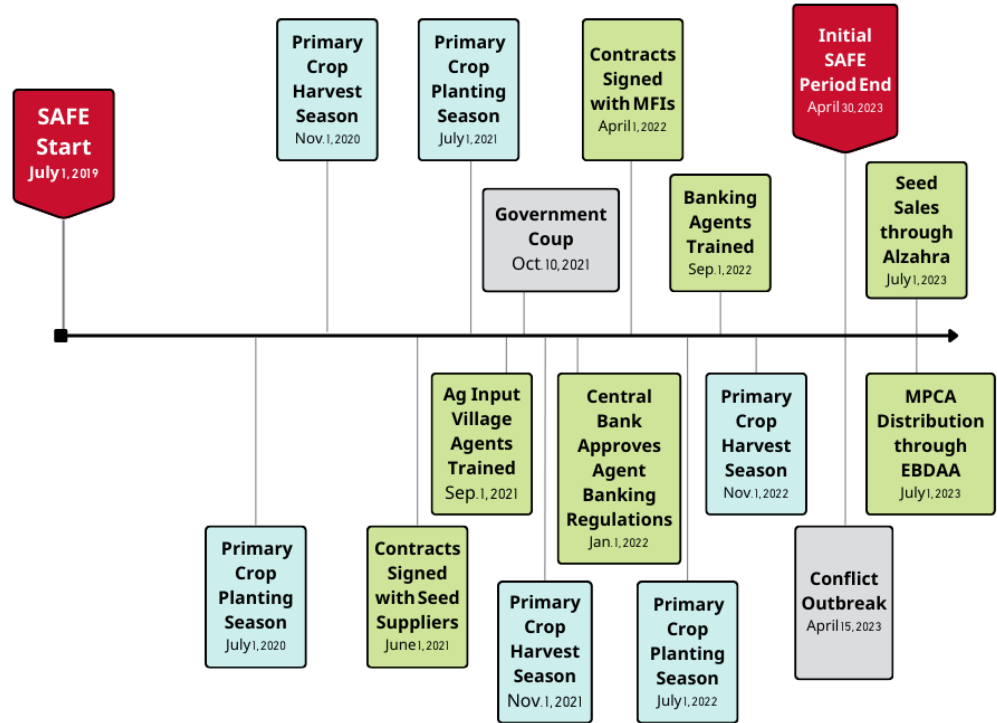


Figure 1: Timeline of SAFE and Sudan Context

While village agent models have been on the rise in other geographies and are an important step to long run financial inclusion in rural areas, they were an untapped business model in Sudan. SAFE worked with the partner MFIs to push the Central Bank to complete stalled agent banking regulations and operating procedures, leading to the official launch of agent banking in Sudan. By April 2023, 89 input supply agents and 20 village banking agents were trained by the partners and 230 savings groups were created.

By the time conflict erupted in April 2023, SAFE had partnered with 11 firms to reach 57,672 participants. A final evaluation showed that farmers increased their harvest by an average of 36.35% and their volume of crops sold by 253% (336.53 Kg to 1,189.26 Kg), with women showing even greater gains of 890%⁵. Farmers also increased their purchases of certified seeds from input companies by 17% and their sales of crops to contract companies by 25%.

SAFE’s approach of having Sudanese private sector partners lead field activities and gradually drive expansion was challenging and took longer to gain momentum than the program team had hoped. In a post-war, thin market with a government-controlled economy, political instability, localized conflicts, and a long history of humanitarian programming, there were few private sector partners interested and those that were willing to invest needed significant capacity building. With a heavy focus on building a business case, attracting partners, and working to secure government buy-in, by April 2023 most private sector partners had been working with SAFE for two agriculture seasons, and the MFI partners had been operating for one year. In practice, this meant that both MFI and ag input supplier partners had created and trained village agent

⁵ Sudan SAFE Program: Final Evaluation Data Analysis. August 2023. Causal Design.

networks, and those agents had completed their first season of sales experience, but partners had not put in place all the support systems needed for sustainability, such as advance financing mechanisms. However, **the capacity built, and relationships developed, proved vital to both Mercy Corps' ability to pivot programs and to the resilience of local systems.**

Crisis Reaction

When the conflict erupted in April 2023 there were fears the resulting infrastructure loss, market disruptions and population flight would undo the progress from the previous four years' work. Certainly, private sector partners were heavily impacted, especially since they all had headquarters in Khartoum. The MFI partners, Ebdaa and Irada, lost their headquarters and Khartoum branches to looters who ransacked and occupied their premises. Many staff from all partners fled Khartoum and even Sudan. The seed supplier partners had their stocks in regional warehouses in El Obeid, an area which became inaccessible when the major road to the south was blocked. With the blockades of key roads and the breakdown in national communication networks, in the first weeks after the conflict erupted it was nearly impossible for market actors and supporting agencies to find out even what economic activity was possible. A year after the eruption of conflict, most agriculture-related companies have resumed at least limited operations, either through existing branches or newly created offices in regional hubs in Aljazeera and Gedaref states and in some cases managing operations from outside the country. Some input suppliers have shifted the types of goods they supply, depending on what they can obtain.

Pivoting with the Private Sector: New Interventions to Meet Basic Needs

As Mercy Corps pivoted to supporting the immediate needs of conflict-affected populations, some of SAFE's private sector partners proved invaluable in the crisis response. Ebdaa quickly moved its national management to a regional office and reestablished operations wherever it was safe to do so. As an institution with a poverty alleviation mission, they were eager to support the crisis response. Because of their trust in Mercy Corps, they were also willing to learn yet another new approach and became a multi-purpose cash assistance (MPCA) partner for Mercy Corps' humanitarian response, even though they had never conducted cash distributions before. The Ebdaa staff worked closely with Mercy Corps' humanitarian team to develop a distribution system and pilot MFI-led MPCA to 1,517 households in Gedaref State, Sudan. The cash distribution enabled Ebdaa to remain active at a time when they had very limited financing for their normal activities and layered additional lessons onto the SAFE experience on how to expand effective service provision in rural areas. Ebdaa then was able to expand their network and, as of early May 2024, had distributed MPCA to 10,000 households in four states in partnership with Mercy Corps and to additional households with other agencies.

Beyond meeting immediate needs, Mercy Corps was aware the primary planting season was approaching and was eager to ensure farmers had access to seeds to avoid a greater food security crisis later. However sporadic violence in SKS and BNS meant Mercy Corps staff could not travel to field sites, in-person assessments were impossible, and it was unclear what farmers' capacities and intentions were.

From Large to Local: Diverse Market Actors Needed to Reach Farmers

Within six weeks of the outbreak of conflict, a mobile-based Interactive Voice Response (IVR) survey of farmers' planting capacities and intentions, conducted via SAFE's partner Viamo using existing lists of 1,400 farmer contacts, found that rains had been good: More than 50% of farmers reported preparing to plant across South Kordofan (SKS) and Blue Nile (BNS) States. Of those who had not started preparations, 82% said they would plant later in the season. These farmers intended to rely on their own stocks or the local relationships and networks they had to obtain seeds, as detailed in the chart below.

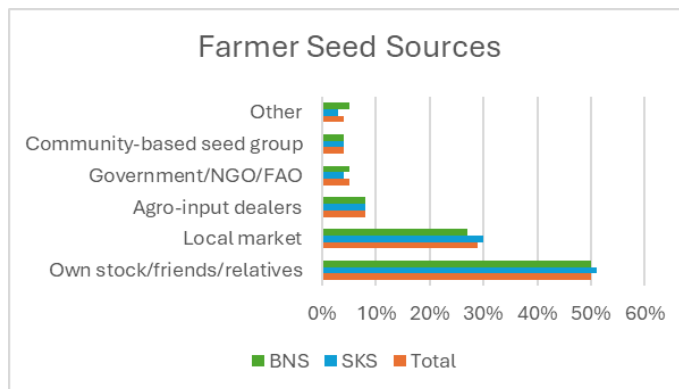
While it was clear farmers intended to plant using accessible resources, the disrupted transportation networks and insecurity meant agricultural inputs, particularly improved seed stocks, could not be brought in from central warehouses and visible commercial deliveries were at high risk of theft on some roads. Agriculture input suppliers were justifiably worried about taking the risk of transporting seed to the SAFE communities.

However, because they trusted Mercy Corps and had built relationships and a sense of responsibility for the communities through the SAFE program period, one of the seed suppliers, Alzahra, was able to work creatively with the SAFE team to get as much seed as possible to the farmers. The company had vegetable seed stock in an area near the farmers and they were able to transport sorghum seed from Gedaref. Where it was safe, Alzahra transported seed directly to the villages. For the riskier areas, the company relied on the smaller, village agents they had established under SAFE to move smaller amounts of seed with lower visibility. Because of high inflation and farmers' reduced cash-on-hand, subsidies were increased to ensure farmers could afford the seed. In total, 2,800 farmers obtained vital seed supplies during the planting season. While this quick pivot's reach was limited in scale, these were the only improved seeds that reached farmers in SKS in the first planting season after the conflict erupted because the private sector could access areas humanitarian aid agencies could not reach.

Because local agents were important for extending reach, the private sector would have likely been able to serve more farmers if SAFE's partners had been further along in the development of their village agent networks. At the time of the crisis, national actors were still developing the agent communication, planning, and supply systems.

Robust and Redundant Partnerships Needed during Crisis, and Before

While Mercy Corps was able to utilize several existing private sector partners in the crisis response, not all were able to engage. One MFI partner, IRADA, was not able to overcome the destruction of their Khartoum headquarters and, because IRADA is a wholly owned subsidiary of the Bank of Khartoum, they required board approvals to shift operations that could not be obtained quickly in the face of the conflict. While IRADA did not restart operations, their role in SAFE was still critical to the response; as a prominent player in the Sudan banking system, they took the lead pre-crisis in obtaining Central Bank of Sudan approval to allow MFIs to implement agent banking.



Another seed supplier, Agro Nectar, did not have decision-making staff based in South Kordofan prior to the crisis so they were unable to sell seed at a time when communications and transportation were cut off. After the war began, the company's senior leadership left Sudan and, while they expressed interest in partnering with Mercy Corps, they were not able to follow up on documentation requirements. One year later, they are partnering with Mercy Corps to supply other agricultural inputs but have not restarted seed sales.

Trust, Relationships, and Market Analysis: Enabling a Rapid Response

Each of the crisis pivots the SAFE program made—and the impact on local coping—would not have been possible without the longer-term relationships and market knowledge of the team. Immediately after the start of the conflict, Sudan's communication networks were so weak that it took multiple days for simple texts to reach their recipients. However, because village agents were in place, the SAFE team was able to use the limited network connectivity to verify that farmers wanted to plant and could reach their fields. Likewise, Alzahra's representative could not always reach his corporate bosses for approvals but, because all levels of the organization knew the MC team and Alzahra already understood what Mercy Corps needed for contracting, they were able to sign an agreement quickly with minimal communication and then solve problems together as the security situation changed daily.

In addition, the close relationship with local government, built over many years, particularly in South Kordofan, allowed SAFE teams and partners to continue operating at a time when government was restricting humanitarian movement. Because the South Kordofan Humanitarian Aid Commission understood the SAFE program and appreciated its importance, they supported its continuation, despite the conflict.

However, the response also highlighted even greater opportunities missed because of the relative level of progress of the sustainability approaches and the limited resilience capacities of individual partners and the overall systems. The centralized economy of Sudan, with most storage, processing, and research and development capacity in Khartoum, proved to be a significant weak point in the agricultural system's resilience. When the initial violence destroyed most warehouse and processing capacity in Khartoum and blocked all main transport routes out of the capital, rural parts of the country who initially experienced minimal direct conflict still suffered from lack of food and other crucial supplies, could not access economic inputs, such as seeds, and faced great uncertainty over future ability to sell and process agriculture production. Decentralizing aspects of the supply chain, such as regional warehousing of inputs and moving them closer to production areas in advance of the planting season, would have reduced the negative impact of the conflict on Sudan's economy and food security.

Lessons Learned

Extrapolating from the Mercy Corps' experience with SAFE, some broader lessons can be learned for other MSD programs operating in volatile or highly fragile contexts:

Build redundancy within partners and systems to increase resilience. Achieving change at scale often requires programs to partner with many firms that play similar roles in a market to support wider systemic change. In unstable contexts, it is also important to build multiple partnerships among input suppliers,

financial institutions, local government, and other actors, to support stronger economic systems and a greater ability for markets to adapt to unexpected events.

Layer partnerships at different scales and geographies to improve local coping. For example, within agriculture supply chains, it is important to support both the expansion of national-level suppliers and strong localized networks of smaller distributors and businesses that can maintain key relationships and respond more easily to changes in local context, including operating at a lower visibility when necessary. Each of these actors has different risk profiles and response capacities in the wake of a crisis.

Understand the unique capabilities and risks of different partners to support more robust markets. Partnerships with market actors that can pivot in the face of a shock are critical, but having partners with diverse strengths is also key. IRADA, as a subsidiary of the Bank of Khartoum, was not able to restart operations immediately after the conflict but their advocacy work on agent banking pre-crisis made other actors' response more effective.

Prioritize risk analysis with partners to better prepare for shocks. The centralized structure of Sudan's economy proved a significant weakness in its resilience and hindered the private sector's ability to continue to operate and serve the needs of rural populations. While the specific manifestations of this conflict were not predicted by anyone, some of the logistical challenges faced after the crisis could have been mitigated if emergency response procedures had been developed. It is equally important that local businesses and institutions conduct risk analysis and risk-informed business planning. Completing that process with Agro Nectar might have led them to prioritize increasing regional management capacity.

Continually analyze crisis at many levels, prioritizing location-specific responses. Initially, the April fighting was heaviest around Khartoum and a few other specific areas. National actors were extremely affected and transportation networks were disrupted but many of the agrarian areas were able to continue relatively normal life, including preparing for the main annual planting period. Over time, the relative stability in areas shifted as armed groups began fighting in parts of South Kordofan while conditions improved in other areas, requiring different contingency plans and nimble responses for every locality. The preexisting relationship with local government was immensely helpful in South Kordofan and the lack of that mutual trust when the Mercy Corps team expanded to new States highlighted the importance of developing strong government relations prior to a crisis.

Conclusion

In humanitarian settings, it is important that aid agencies do not overlook local and permanent actors, including the private sector. It is equally important that development agencies continue to invest in long-run change in contexts that face the threat of future crisis. In the drastic and unexpected wake of the most recent Sudan conflict, Mercy Corps' work under the SAFE program demonstrated that long run relationships with businesses and other institutions supported gains for farmers and continued to prove meaningful as the context changed. While businesses were deeply impacted by the onset of conflict, several market actors continued to serve communities by flexibly pivoting to deliver support where humanitarian agencies could not. Together, an adaptable agriculture support program and the private sector were able to support household coping strategies and ensure production of vital food supplies in the immediate aftermath of an outbreak of conflict.

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