



IDP camps in Duhok governorate, Iraq. © Mercy Corps

# MARKETS IN CRISIS

## Program Snapshots

SEPTEMBER 2022

Mercy Corps' [Pathways to Possibility](#) aims "to not only help conflict and climate change affected communities meet their basic needs, but also achieve lasting, transformational change at scale." Mercy Corps' market-driven crisis response is more relevant now than ever — it is an agency distinctive in support of economic opportunities and underpins Mercy Corps' approach to food security. The new vision recognizes our experience that market systems are critical sources of resilience for communities facing protracted crises.



**Mercy Corps has achieved our greatest success in prolonged crises when we implement systems approaches in parallel with support for basic needs.**

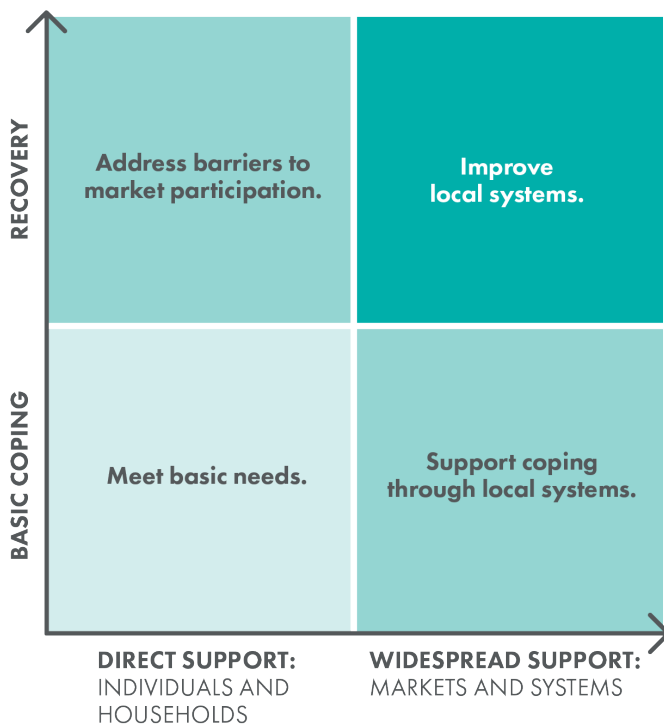
We recognize that most contexts where we engage are highly complex, with prolonged crises that ebb and flow. While there are occasional acute shocks when aid responses may change quickly, there are many more phases when windows of opportunity to build long-term resilience open and close gradually. It is also clear that communities in crisis are not homogenous: the most marginalized may have a constant focus on securing basic needs while others can focus on building longer term resilience.



# Define the Context

Within the market-based approaches community there is a blurring of the understanding of what are “thin markets,” or fragile contexts, and what are prolonged crises. Definitions of instability can be vague. There are specific conditions that make a crisis more challenging to respond to systemically:

- › Significant population movements and more rapid changes in local contexts;
- › Addition, or greater influence, of security actors and threats;
- › Breakdown of traditional social connections;
- › Increased scale of vulnerability, including newly vulnerable and displaced and host communities, and increased scope of immediate basic/lifesaving needs;
- › Increased perceived risks, and changes in actual risk, for market actors;
- › Shifts in political economy dynamics, including increased power of a few, connected entities and a missing middle tier of private sector actors, leading to greater gaps between small, local actors and few, large, powerful firms;
- › Increased scale of humanitarian programming and associated increase in number of actors and funders.



Improving Crisis Response Through Market Systems

Mercy Corps’ current markets-based crisis response is guided by [Beyond Cash: Making Markets Work in Crisis](#), which outlines a multi-track approach to supporting affected populations directly while also strengthening the networks they rely on most, thus ensuring everyone can access, and has agency over, the resources they need to navigate risks, respond to shocks, and advance their well-being. Mercy Corps’ Markets in Crisis (MIC) work builds on systems thinking, guiding us to support and facilitate local systems while also acting with urgency to meet the needs of those most affected by crises. It developed from the agency’s foundation and leadership in Market Systems Development (MSD) and holds the same principles at its core: understanding complex systems, favoring facilitation over taking on the roles of local actors, and using light-touch tactics in the right contexts to support change at scale for marginalized groups. Our MIC approach then layers on humanitarian principles and adapts how

we work with partners to deliver impact at scale without undermining local systems in prolonged crises. It focuses on four overlapping phases:

1. Meeting urgent needs through conflict-sensitive direct assistance in ways that do not undermine local markets and coping systems;
2. Helping vulnerable groups overcome immediate barriers blocking them from coping and adapting to crises;
3. Supporting and sustaining local systems, networks of businesses and institutions, to provide critical goods, services, and support in the face of continuing shocks; and
4. Strengthening systems and facilitating markets over time to support long-term aims of resilient food security, climate adaptation, and peacebuilding.

All interventions start with an analysis of how existing systems function, including how they are affected by compounding shocks and the incentives that underlie actors' motivations. The choice of which market actors to support is guided by our focus on marginalized groups, the barriers in market functions that affect them and the rules and norms that underpin markets. In this shifting, complex environment, it is also important to understand how local power dynamics impact all actors' ability to cope and adapt. Finally, it requires breaking these dynamics down by specific subgroups - recognizing, for example, that displaced women may have different capacities to maintain livelihood networks than displaced men. Through these steps we can best foster people's ability to cope, adapt, and thrive in the face of conflict, climate change and other shocks.

## Snapshots

As Mercy Corps teams continue their work putting our MIC principles into practice, their experience highlights key lessons for market-driven crisis response:



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### **1. Programs must be ready to shift tactics and respond to immediate needs after acute shocks, layering them onto more systemic interventions. (Ethiopia, South Sudan)**

The RiPA program in **Ethiopia** takes a market systems approach to support resilience for pastoralists, some of the most marginalized groups, working with a range of businesses and social and political institutions to support widespread and inclusive access markets and services in the face of shocks. Their partnership-driven work supports long-run access to livestock inputs and services, drought preparedness, access to finance, market connections, and business opportunities in marginalized communities. In the face of severe drought, in 2022 the RiPA-North



team used crisis modifier funds to help 115,000 affected pastoralist households survive and protect their herds while also ensuring that crucial local suppliers of feed, fodder and veterinary services and livestock buyers were able to stay in business. Their layered approach combined direct assistance with urgent support to keep livestock markets functioning for target communities. A combination of cash transfers for immediate needs for the neediest households; vouchers for feed, fodder and veterinary services; and smart subsidies to livestock buyers to incentivize them to buy and offtake distressed herds helped the local community survive the drought and still have the local capacities needed to maintain their livelihoods after the crisis ended. These interventions focused on critical support to sustain markets and directly support the most vulnerable, but they also leveraged and strengthened the overall program partnerships and aims to build inclusive and resilient market systems. For example, the commercial destocking intervention led to new business relationships between traders off-taking animals at local level and high-value buyers in export slaughterhouses. RIPA-North found that several large buyers began investing in these supply chains, for example through provision of credit to local traders.

When COVID lockdowns hit **South Sudan**'s fragile markets, women who worked as informal vegetable traders were evicted from market locations, restricting their opportunities to earn income and reducing access to vegetables for roughly 10,000 consumers. Mercy Corps' understanding of local social networks and the social exclusion these women faced spurred us to facilitate dialogue with police and the local trade association to enable the women's return to selling and communities' access to nutritious foods.

## 2. The path to sustainable change is often long and requires addressing risk perceptions. (Iraq, Nigeria)

The PERMA (Promoting Economic Revival of Micro-businesses and Agriculture) program is working in Mosul, **Iraq**, to help local populations recover from decades of conflict, overturned government structures, and ISIS control, by increasing private-sector access to inputs, finance, and services and implementing parallel social cohesion activities.

The program has encountered many challenges in its three years of building local partnerships. Market actors, from smallholder farmers to input supply companies, expect handouts from humanitarian organizations and are unprepared to expand their commercial activity without them; civil unrest has disrupted implementation; and local officials have blocked activities at times because of confusion about the development approach.

However, there are signs of change: Mercy Corps persuaded two microfinance institutions (MFIs) to restart the first lending to farmers and microbusinesses since ISIS occupation. These MFIs, which have not received any external funding or training since 2010, needed credit guarantees and capacity strengthening to be able to begin to address the huge unmet demand for financial services. By reducing their financial risk, partner MFIs were able to reach new borrowers and disburse \$3,176,600 in loans. With a default rate of less than 2%, these partner MFIs are now confident they can expand their lending to more vulnerable populations.



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In conflict-affected Northeastern **Nigeria**, the Poultry Development for Resettlement program, funded by the Gates Foundation, wanted to improve household income and nutrition outcomes by supporting business models—often women-led—for a new breed of hybrid poultry. However, a private sector partner producing the new breed of chicks in South West Nigeria felt it was too risky to enter conflict-affected markets in a new region. The Nigeria team helped them overcome their reluctance by providing rides on humanitarian flights for partner representatives into the target area to build their confidence, filling the function of transport over the short run, until the partner quickly developed their own connections. Recognizing how much risks and costs associated with transportation affected the recovery and longer run growth of market opportunities in the Northeast, the team also supported local actors to develop their own transportation and coordination platform, which included local businesses, associations, and security actors, to ensure a sustainable system of coordinating safe passage of goods and reduce losses due to road closures. In this case, the team’s approach to systems change drove them to analyze and build partnerships that went beyond the actors directly involved in poultry production, pivoting between heavier and lighter-touch support based on the context and partners. By the end of the program, the number of small-to-medium enterprises investing in the business model doubled without program support, and female poultry producers self-reported an 80% increase in their own resilience. However, supporting stronger markets for women and other marginalized groups in the Northeast is a long run goal. As communities have faced shocks like COVID-19 and the food price crisis, the Nigeria team continues to build on PDR’s work under new programs, like the Rural Resilience Activity, working with a wide range of businesses, associations, and government actors to improve inclusive agriculture and livestock market opportunities.



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### **3. Programs must adapt tactics that overcome the effects of short-sighted aid in order to achieve deep impact. (Sudan and Lebanon)**

In **Sudan**, the SAFE program introduced market facilitation into South Kordofan State (SKS), an area marked by conflict and a long-term humanitarian response that had distorted the local private sector. Agricultural input suppliers were used to selling products to humanitarian agencies, who then directly distributed them to local farmers for free. This process had greatly undermined the local sustainable supply of seeds, fertilizer, and other key inputs to farmers. Mercy Corps was initially unsuccessful in its public tender for private sector partners to co-invest in a commercial approach but, after shifting tactics and investing heavily to directly solicit strong candidates,

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the SAFE team successfully partnered with a Khartoum-based ag-input supplier to SKS, helped them develop an agent model to affordably reach small rural communities, and used their strong local connections to build trust in the community and identify individuals to potentially fill the agent roles. The agent model is now growing and evolving: the partner company is expanding it to other areas independent of program support, and other ag-supply companies are interested to adopt the model as well.

In **Lebanon**, the deep economic and political crisis that has driven up poverty nationwide has overwhelmed traditional humanitarian and development approaches. For example, decades of skills training have not led to sustainable employment as the primary issue is a lack of demand for labor rather than a supply shortage. Most actors, however, work on the supply side, offering training themselves, as interventions are less complex, outputs are easier to measure, and the cost per beneficiary is lower in the short term. To design new, systems-based approaches, the Mercy Corps team invested in deep analysis to understand what micro and small enterprises, the primary employers in Lebanon, need to sustain and grow their businesses. The team has used this information to partner with business service providers and with companies providing industrial and solar energy equipment. Businesses were supported on a cost-share basis, thus avoiding handouts and promoting a culture of ownership. Mercy Corps has also partnered with a local MFI (Al Majmoua) to ensure that small entrepreneurs have access to financial products, a crucial element in a country where the banking system has collapsed.

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## RESOURCES

[Beyond Cash: Making Markets Work in Crisis](#)

[Cash to Financial Inclusion](#)

[Facing Up to the Challenges](#)

[COVID-19 Global Rapid Market Impact Report](#)

[Paying for Darkness + One Year On](#)

[Currency of Connections](#)

[Market Systems Resilience Learning Brief](#)

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### About Mercy Corps

Mercy Corps is a leading global organization powered by the belief that a better world is possible. In disaster, in hardship, in more than 40 countries around the world, we partner to put bold solutions into action — helping people triumph over adversity and build stronger communities from within. Now, and for the future.



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