

This brief is a synthesis of how Sida as donor could implement more inclusive and sustainable interventions in fragile contexts, reaching the most vulnerable and avoiding doing harm to the local market systems.

Markets are complex systems of people, networks and institutions that poor people rely on for their livelihood and well-being. Also, people facing crises rely on markets and networks to cope and recover. Market Systems Development (MSD) approaches have the purpose to reduce poverty by enhancing the ways in which poor and vulnerable people interact with markets to access goods and services to meet their basic needs.

THE ROLE OF MARKETS IN FRAGILE CONTEXTS

Markets comprise complex systems of people, networks, and institutions that poor and vulnerable people rely on to cope in the short term and to recover both during and after crisis.

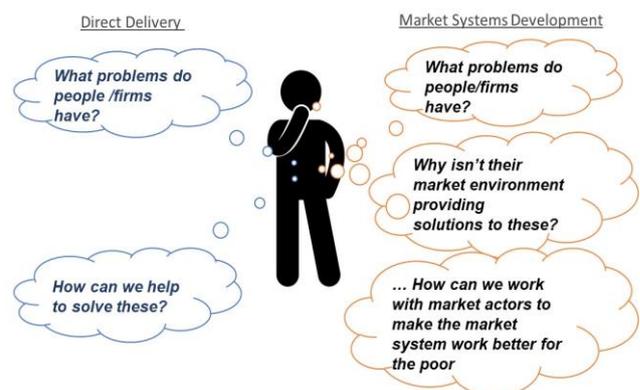
Despite facing their own setbacks, local businesses are also among the quickest to adapt to meet the populations' needs in fragile contexts, as they work through local networks and obtain access in ways that aid agencies sometimes cannot. Markets can therefore be as important to people's well-being as external aid.

The MSD-approach in protracted crisis aims at reducing the dependency on humanitarian assistance in order to reach long-term sustainable situations. This includes building on existing market systems rather than on direct support and avoiding approaches that undermines or harms the local market and its actors.

WHY A MARKET SYSTEMS DEVELOPMENT APPROACH IN FRAGILE CONTEXTS

An MSD-approach can be useful in fragile contexts such as protracted/humanitarian crises as well as conflict and post-conflict situations. It can support the transition from crisis to recovery, building resilience of vulnerable groups and societies, thus bridging humanitarian assistance and development cooperation. Sida can bridge the gaps between humanitarian and conflict/post-conflict assistance and sustainable development by supporting and strengthening these markets, taking lessons from Market Systems Development.

To safeguard markets is an important aspect in fragile contexts. While the immediate objective is to save lives it is essential to safeguard and protect what is working in the society to ensure that the crisis does not have a long-term negative impact on market systems and the households they serve.



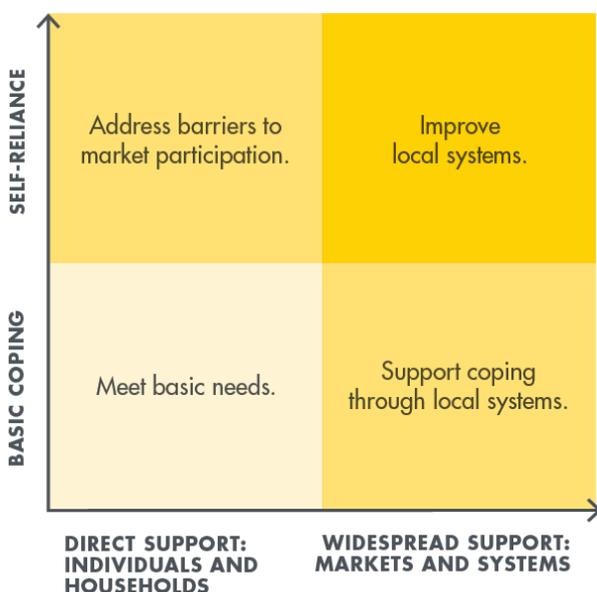
Source: Springfield Centre

ADAPTING MSD TO FRAGILE CONTEXTS

MSD adapted to fragile contexts needs to be more diversified than in relatively stable contexts where focus is on long-term development cooperation. The MSD-support should start at early stages of crisis and conflict and needs to combine different types of interventions:

- Combining interventions that involve more of direct delivery with longer term development of market systems, still avoiding undermining or harming the existing markets.
- Support local markets by combining output markets, where the poor are producers or employees, with consumer markets serving the needs of the poor and vulnerable, including various goods and services (food, sanitation, health etc.).

The MSD approach may need to be adapted to provide life-saving measures, which later (or in parallel) may be replaced (or complemented) by support for market systems development. For example, it may be more efficient and effective to give subsidies higher up the value chain if it can address a key issue that affects large numbers of our target groups, e.g. providing inputs to bakeries rather than hand out bread directly to the consumers (see example below).



Source: Market systems in crisis by Mercy Corps

Cash-based assistance is increasingly being used by humanitarian actors to support basic needs without undercutting local businesses and markets. Cash increases people's choice and generates more market activities inside and outside the refugee camps, supporting the local businesses. However, it does not directly develop the market systems that people rely on to support themselves and therefore it is important

to also provide support to market systems that can help people cope in the short- and long-term.

SCOPE OF MSD IN FRAGILE CONTEXTS

To make MSD happen, the development actor needs to enter the fragile context at a very early stage, when there is still a humanitarian situation. A conflict sensitive approach is of highest importance, i.e. MSD must be designed to avoid doing harm to the conflict context and to maximise its peacebuilding effect. Analysis of the political economy and the conflict, as parts of market systems analysis, are particularly important to understand fragile contexts. This involves power and conflict relationships, vested interests and elite capture, formal and informal governance at national and local level etc.

At the same time, the humanitarian actors also have an important role to do responsible programming to not destroy markets. For example, market systems analysis should be a key component of response analysis, to inform the design and implementation of appropriate interventions.

There is potential scope for development and humanitarian actors to collaborate more to optimise the combination of interventions (MSD vs. direct delivery). Hence, MSD is a good approach for exploring interventions in the humanitarian-development nexus. Contexts that have both actors may be the most appropriate for implementation of an MSD approach.

However, when factors such as conflicts or crises make direct delivery through humanitarian response the only solution, certain principles of the MSD approach could still be applied, but adapted to different contexts:

- Flexible and adaptive programming, avoiding pre-packaged solutions.
- Regular market systems analysis – understanding how the market functions for the target group is vital particularly in crisis and conflict.
- Identify and analyse the context; to know when to step in with direct delivery and when to use a facilitative approach, which can range from “do nothing” to a heavy touch approach including providing financial support.

SIDA'S ROLE IN APPLYING MSD IN FRAGILE CONTEXTS

Being a large donor with parallel support to humanitarian assistance and development cooperation, Sida can play an important role in fragile contexts. It may include identifying like-minded partners and deepening the collaboration to share knowledge and build capacity on alternative approaches. It could also mean influencing other actors to move in a direction of MSD-approaches. As a donor, Sida can encourage humanitarian and development actors to collaborate with each other.

The MSD approach requires a shift in mind-set and patience by both donors and implementers, as it implies:

- time to be set up/ designed properly, which is a challenge in fragile contexts when there is an expectation to see quick wins and to quickly absorb funds;
- allowing budget allocations to invest in staff capacity and therefore staff costs will be significantly higher than “traditional” programme budgets;
- flexibility and adaptive management;
- use of strong knowledge management systems to document and handover when staff move on, as it takes time before one can see the programme benefit.

Further, it is particularly important to have strong relationships with trusted partners (implementers) with:

- knowledge about and experience of the MSD-approach;
- an understanding of both humanitarian and development approaches;
- methods for addressing protracted crisis and transition towards resilience;
- detailed understanding of the market actors' role in the conflict dynamics.

In fragile contexts, the entire environment is challenging, as there is a lack of physical and institutional infrastructure and supporting systems. In contexts where these supporting systems are weak, MSD investments may require more significant support than in development contexts with more robust markets, and the feasibility of some MSD-interventions may be limited and in some situations not motivated.

EXAMPLES OF MSD IN FRAGILE CONTEXTS

Food security in Syria

[In a project funded by USAID, Mercy Corps supplied local bakeries in Syria with flour,](#) instead of transporting bread every day over the border from Turkey. The main problem to address in this project, was that households needed access to bread, a staple food item, but the conflict restricted movement and market access. In addition, volatile bread prices triggered additional conflict. Through this change in the intervention set-up, local bakeries were able to stay open and they established and adapted new sourcing relationships. The bakeries served 100,000 beneficiaries per day and bread prices stayed relatively stable in programme areas. In this case Mercy Corps had to provide flour to the local bakeries but in other contexts it could have been possible to source also the flour from local millers, not having to rely at all on cross-border logistics.

Support to agro-markets in refugee and host communities

In the West Nile region of Uganda (with a huge influx of South Sudanese refugees), increased local market activity indicated that refugee spending was on the rise, also providing opportunities for surrounding host communities. This presented possibilities for market development in a remote area with historically limited agriculture market opportunities. At the same time, in-kind aid and hand-out of seeds and tools threatened the potential for agriculture market growth and undercut existing market players. On the other hand, cash transfer programming implemented by a few aid groups fuelled spending and investment without undercutting critical markets but more long-term strategies were needed. [A DFID funded project \(implemented by Mercy Corps\), using an MSD approach,](#) therefore channelled coupons for partial subsidies on improved seeds through local agro-dealers as well as promoted land sharing between refugees and host communities. The willingness of refugee farmers to use the coupons and invest in seeds was strong and agro-dealers expanded their businesses into the refugee settlements, increasing their sales. This developed the agri-businesses and supported the livelihood of refugee and host community in the long-term.

Access to finance in refugee camps

[Sida supports Access to Finance Rwanda,](#) which has recently launched a project that will provide grants and loans to refugees. Among the financial services that refugees need are savings and credit, financial

transactions, and insurance. Previously, financial services that were extended to refugees were not affordable whereas the new financial packages are designed in such a way that refugees receive their money through their mobile phone. This makes it cheaper, convenient and more time saving for refugees to receive their money or make financial transactions.

Beyond market development

There is a possibility of using MSD to non-economic systems. For example, MSD could be employed in sectors like healthcare, engagement with Government, WASH, governance etc.

Check list for MSD in fragile contexts

- **Implement market development programmes focused on rebuilding local economies and supporting local businesses, in parallel to – not after – basic needs response.**
- **Adapt interventions and lessons from longer-term market development programmes to support disaster response and recovery**
OR THE OTHER WAY AROUND:
- **Include disaster analysis and preparedness in market development programmes and work toward the resilience of local communities.**
- **Retain MSD core principles but stay pragmatic:**
 - Safeguard and protect what is working
 - Adapt MSD to the context - use diversified, combined intervention approaches (MSD with direct delivery)
 - Allow for flexibility and strong learning components.
 - Support flexible funding for programmes and ensure they can adapt to quickly changing contexts and continue to be relevant to local needs.
- **Analyse local markets and other key market systems early and frequently and do it in partnership with local businesses and other**

actors. Political economy and conflict analysis is particularly important to consider.

- **Foster relationships with trusted partners that know the MSD approach in fragile contexts**
- **Analyse to what extent the MSD approach can be used in the context:**
 - Does the market need support in order to be able to supply key goods to the crisis-affected population? If so, what kind of support is needed?
 - Does the market have the capacity to deliver part or all the needed assistance?
 - To what extent are local market actors willing and able to provide key goods?
 - Are the key good available of sufficient quality?
 - Is the population able to physically and safely reach the market places where key goods are sold?

FURTHER READING

- BEAM Exchange. [What is a market system?](#)
- DCED. [Market Systems and the Poor.](#)
- [Beyond cash: Making markets work in Crises.](#) Mercy Corps. 2018.
- Approach to resilience Why, What and How? Draft resilience brief June 2018
- Peace and Conflict Tool: [Conflict Sensitivity in Programme Management.](#)
- [“Guide to market-based livelihood interventions for refugees”](#) UNHCR & ILO, 2017

This brief has been prepared based on a joint Sida-Mercy Corps learning event on market systems development in fragile contexts in September 2018. It has also been inspired by a workshop by BEAM Exchange, conducted at Sida in January 2018.