



CULTIVATING ECONOMIC OPPORTUNITY THROUGH A SYSTEMS APPROACH

Markets, Economic Recovery, and Growth Technical Support Unit

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Overview

One in 10 people in the world live in extreme poverty,¹ and 60 million people have fled their homes due to conflict and violence.² This combination of poverty and fragile contexts impacts people in a multiple, compounding ways: jobs become scarce, financial services insufficient, business relationships break, and social capital erodes. Nonetheless, markets continue to exist in almost all environments, even those affected by severe crisis, and are vital engines of economic recovery and growth. People's capacity to cope with shocks and stresses, care for their families, and move out of poverty depends upon their ability to find opportunities within diverse market systems. For this reason, market systems development is a core element of Mercy Corps' global programming. Currently, Mercy Corps operates 117 economic and market systems development programs in 37 countries, with a total program value of over \$730 million.

To support poor and vulnerable populations, Mercy Corps works to remove the constraints that hinder their participation in markets. We take a progressive approach to improving economic well-being along the entire

¹ Extreme poverty is defined as households living on less than \$1.90 per day. <http://www.worldbank.org/en/topic/poverty/overview>

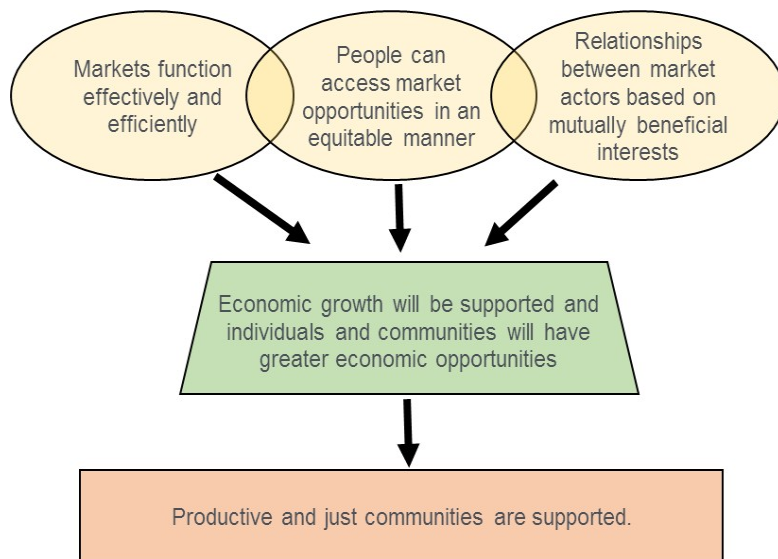
² <https://www.unocha.org/sites/unocha/files/GHO-2016.pdf>

fragility-to-development spectrum. With farmers, entrepreneurs, businesses, governments, financial service providers, and other key community stakeholders, we work to ensure individuals and businesses have sustained capacity to capitalize on economic opportunities and develop productive economic relationships.

Our Approach: Markets, Economic Recovery and Growth

To affect lasting change, we must strengthen and improve the markets that impact the people we care about. Sometimes, we may focus on a single sector (such as increasing access to alternative energy products in East Timor). More often, our work spans multiple technical areas (like supporting the livestock value chain in Ethiopia, while also helping young people find alternative livelihoods and connecting rural populations to mobile banking).

We often achieve greater impact when we work collaboratively across multiple sectors - assessing, designing, and implementing in an integrated manner. For this reason, a common theory of change underpins our approach to market systems development. We believe that:



If markets function effectively and efficiently, people can access market opportunities in an equitable manner, and relationships between market actors are based on mutually beneficial interests, then economic growth will be supported and individuals and communities will have greater economic opportunities and productive and just communities will be supported.

We put our theory of change into action by:

- Addressing critical challenges that affect the entire market system to **ensure markets function effectively**
- Recognizing who we work for and tailoring our implementation approaches to support **equitable access** to markets
- Addressing the varying interests and needs of our partners, and reducing market distortion by minimizing our role to drive sustainable, **productive relationships**

Support Effective Markets

To support effective markets, we conduct robust market assessments at program start-up, and update them regularly, to understand which markets will have the most profound impact for our target populations and where to intervene. We implement programs that focus on the critical constraints that prevent markets from functioning effectively, while aiming to address underlying systemic constraints whenever possible. And we embed underlying considerations – such as conflict and nutrition sensitivity – to ensure markets function effectively and sustainably. We also regularly adapt our program implementation approaches to adjust to fluid local contexts and our deepening understanding of those dynamics.

Create Equitable Access

Market systems development fails to achieve its goals when we do not take into account “for whom” we are working. While we aim to improve the lives of the poor and vulnerable, this overarching population needs to be disaggregated into more discrete groups (such as by gender, age, or other factors like displacement) to understand how each is impacted by market systems. This requires understanding the social and cultural norms in a given community, whether formal (i.e., codified in law and regulation) or informal (e.g., conveyed through attitudes, etc.). We then tailor our interventions to address these differences and promote equitable market access, particularly for marginalized groups such as women or youth. An important element of improving that access is harnessing new ideas and technology to deepen our scale and increase uptake, sustainability, and impact.

Foster Productive, Mutually Beneficial Relationships

Lasting, sustainable change only happens through local ownership by private, civil, and public sector stakeholders. For that reason, we work to facilitate, rather than implement, strengthening linkages between new and existing actors. To build productive relationships, we recognize that all partners have specific capacities and interests and require targeted incentives to engage in our development efforts. We build on these and align the incentives of key stakeholders who will remain long after we have left. We emphasize the role of the private sector in ensuring the sustainability of market improvements so we leverage their resources, relationships, skills, and presence by engaging them and partnering with them whenever appropriate.

Implement at the Systems Level

As poor and vulnerable people exist within complex systems as consumers, workers, and producers, we have learned that only if we focus on the market system can we address the root causes of poverty and build sustainable outcomes that will outlast our programming. This means not focusing solely on immediate needs but rather looking at the underlying constraints that prevent the poor and vulnerable from accessing goods, services and opportunities and realizing their economic potential. Utilizing a systems approach also means taking a wider perspective and considering the non-economic influences on markets, including poor governance, conflict, unsupportive gender and social norms, climate change, inadequate health, and crumbling infrastructure. For this reason, market system development is often integrated into other technical approaches, leveraging the synergies that a multi-sector solution can have on entrenched challenges.

Adapt Strategies to Fit the Context

While we believe markets exist everywhere, we recognize the contexts where we work are complex and changing. Many areas face both long-term development challenges and cyclical shocks and stresses. Economic challenges exacerbate political tensions and vice versa. Mercy Corps often supports short-term humanitarian responses and long-term development in the same location and we adapt our implementation strategies to meet different program aims and contextual realities. In our long-term economic programming, we emphasize disaster preparedness and resilience and include disaster response modalities, such as crisis modifiers, when possible. When we implement humanitarian responses, we try to meet immediate needs while minimizing market distortions; leverage and jumpstart economic recovery; and lay the foundation for longer term development. Mercy Corps analyzes evolving contexts and adapts programs, ensuring at all times that we emphasize local capacity, empower local actors, and support market systems.

MERG's Technical Sectors

To achieve the goals articulated in our theory of change, MERG is divided into five complimentary technical teams: Agriculture, Economic Coping and Recovery, Employment and Entrepreneurship, Financial Inclusion, and Market Systems Development. MERG works collaboratively across all five sectors—assessing, designing, and implementing in an integrated manner.

Agriculture

The Agriculture Team works to improve the lives and livelihoods of those in agricultural value chains. Mercy Corps' agricultural interventions are designed to:

1. Increase income for all participants across agriculture value chains, including farmers, pastoralists, processors, traders, wholesalers, credit suppliers, retailers, and consumers;
2. Build resilient farm households and communities that are better prepared to cope with and adapt to recurring shocks and stresses; and
3. Support populations to be nutritionally secure to ensure they reach their full economic potential.

Mercy Corps works to strengthen the provision of key agriculture-related products and services - including inputs, value-added activities, financial services and extension services, and designs interventions based on win-win scenarios that foster a long-term commitment to the resilience of farming communities. See the [Mercy Corps Agriculture Approach](#) for more information.



Rice seed producers in Laputta Township, Myanmar sell high quality rice seeds to others in their local communities and surrounding villages

Benny Manser/Mercy Corps

Economic Coping and Recovery

Mercy Corps believes cash transfer programming (CTP) provides an efficient, cost-effective, flexible, and safe mechanism to deliver basic needs to crisis-affected populations. It also empowers program participants to make their own choices about what products and services they need and when. We use cutting-edge technology when appropriate and view the private sector as a key partner in cash delivery. Yet the provision of cash is not enough. Once immediate needs are met, we believe humanitarian programs must shift to a broader suite of market-driven, adaptive programs that restore the independence and build resilience of crisis-affected people. A core aspect of that approach is a belief that market considerations should be included in all humanitarian responses. That means, at a minimum, we should always analyze the state of local markets and understand what effect our programs might have on them. Ideally, we should actively work with market actors to increase local trade, support business and job growth, and encourage productive competition. See our [Cash Transfer Programming Methodology Guide](#) and the [Electronic Cash Transfer Learning Action Network](#) for more information on our cash transfer programming.

Employment and Entrepreneurship

Across the globe, adults and young people are searching for meaningful work and a decent income. Yet for many, this prospect is severely limited or accessible to a select few. Mercy Corps views the employment challenge as an opportunity rather than a crisis, and our approach to the “world of work” is twofold: We

search for local, sustainable solutions to widespread unemployment, and we promote efficient and effective labor market systems, rather than short-term interventions. Our solutions are demand-driven, ensuring we match skills-building efforts (supply) with actual job opportunities (demand). Learn more about our approach to employment and entrepreneurship in the [World of Work](#).

Financial Inclusion

Mercy Corps aims to improve access to a range of financial products, including savings, credit, remittances, payments and insurance, and invests in both formal and informal financial actors to maximize impact and systemic change for low-income clients. In countries experiencing complex crisis, our goal is to maintain incomes, assets, and food security and to help vulnerable populations avoid going deeper into debt or resorting to negative coping mechanisms. In countries that have recently experienced a crisis or have a high potential for fragility, we strive to diversify incomes. In stable countries, or those already in or moving to a post-crisis state, we work to increase sustainable incomes and build resilience. We focus on five key areas: financial identity, Islamic finance and other targeted modalities, risk management, technology to enhance financial inclusion, and asset finance. See [Financial Inclusion: Approach and Capacity](#) for more information.

Market Systems Development

Market systems development focuses on understanding the role of the poor within market systems, addressing underlying causes of market dysfunction, and creating systemic change. Mercy Corps' ultimate goal is to remove the constraints that impede the poor from participating in markets, thereby turning the challenges of poverty into economic opportunities. We support programming that is implemented adaptively, enabling our interventions to adjust and scale to rapidly changing contexts in which we work. See [Market Systems Development](#) for more information.

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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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