

MERCY CORPS
MARKET DEVELOPMENT
SECTOR APPROACH
2009



Photo: Miguel Samper for Mercy Corps

INTRODUCTION

Mercy Corps helps people in the world's toughest places turn the crises of natural disaster, poverty and conflict into opportunities for progress. Driven by local needs and market conditions, our programs provide communities with the tools and support they need to transform their own lives. Our worldwide team of 3,700 professionals is improving the lives of 14.5 million people in more than 40 countries. Access to and availability of adequate market resources and economic opportunities are key success factors for both relief and development programming. Mercy Corps currently operates upwards of 30 market development projects in over 27 countries worth approximately \$100 million dollars. These projects **support at-risk communities to sustainably develop strong market systems that increase incomes and productivity while reducing the effects and risks of disaster or conflict.**

It is estimated that almost half of the world's population, 3 billion people, live on less than \$2.50 per day.¹ As the global economic crisis continues to shrink domestic demand and investment in the developing world, **emerging market growth** is predicted to decline sharply from 6.1 percent in 2008 to 1.5 percent in 2009.² An example of this decline can be seen in Africa, where the IMF projects a decline in growth by 17 percent.³ While the downturn threatens the fragile livelihoods of low-income earning populations, the market development sector offers an effective leverage point to turn these challenges into opportunities. Working in transitional environments, Mercy Corps takes a progressive approach, supporting communities and entrepreneurs from relief to sustainable livelihoods to long-term economic growth. Every context is different, and programming builds on the unique economic potential of each country. Engaging with entrepreneurs and producers at the community level as well as with lead firms and policy makers, we help ensure poor families and vulnerable communities benefit from the increased revenues that result from market improvements and sector growth.

Our market development programming is adapted for the transitional environments in which we work. Programming has successful **crosscutting relationships** with other sectors such as Food Security and Agriculture. There is also a clear synergy with our environmental and conflict management programming. The following document explains Mercy Corps' Market Development approach and how we build upon these sectoral relationships and transitional environments to help sustainably develop strong market systems in disadvantaged communities around the world.

1 World Bank Development Indicators 2008

2 The World Bank, "Global Financial Crisis and Impact on Developing Countries," 2009.

3 International Monetary Fund, "World Economic Outlook," April 2009.

Post Conflict Market Development in Serbia

Mercy Corps provided investments and technical support to 75 small processors in Southern Serbia's fruit and livestock sectors. Supplier networks were mobilized into 27 associations directly linked to processors resulting in over \$12 million dollars of additional income generated over the life of the project.

Photo: David Snyder for Mercy Corps

OUR MARKET DEVELOPMENT APPROACH

Market Development Sector Goal

Support at-risk communities to sustainably develop strong market systems that increase incomes and productivity while reducing the effects and risks of disaster or conflict.

Fundamental Market Approaches

Mercy Corps employs three main approaches throughout its market development programming. The first is a **pro-poor development** strategy that ensures that at-risk and marginalized populations are able to develop businesses and participate in market upgrading. Bridging the gap between more competitive economic actors and the economically disadvantaged alleviates tensions and ensures greater long-term sustainability and productivity.

The second principle of Mercy Corps' market development programming is a sustainable **market-driven** approach that leverages existing market forces and partnerships with the private sector. To ensure that increases in the supply of products and services are matched by corresponding market demand, Mercy Corps supports entrepreneurs to analyze market demand (volume, quality, price etc) before creating supply. This market-led strategy ensures projects capitalize on market-driven production to avoid market saturation or the wasting of valuable and often scarce human and natural resources.

Mercy Corps also takes a **multifaceted approach** to program interventions, simultaneously targeting actors and institutions at many levels along the value chain, offering adaptable and sustainable solutions for immediate relief and long-term growth. This diverse menu of initiatives provides market-upgrading resources at the local, national and international levels, strategies and support for start-up entrepreneurs, as well as development and recovery opportunities for established businesses. All of which encourages equal momentum for economic recovery and growth to all sections of the market.

Methods and Approaches

Business Development helps entrepreneurs invest in upgraded business activities, learn new skills and access greater market opportunities. Activities include work with industry groups (or clusters) and areas linked by trade (or 'economic corridors') for a greater effect. Business development helps businesses solve their own problems and work cooperatively.

Facilitating Support Markets, which provide the infrastructure and services that industries need to function, compete and grow: financial services, transport, storage, shipping, marketing facilities, communications, information services, legal services, technical assistance and technology for development (e.g. rural radio, cell phone alerts, SMS messaging and mobile banking).

Market Development in Urban Niger

In the urban slums of Niamey, where food is bought not grown, the global food crisis decimated the poor's already weak purchasing power. Mercy Corps established a linkage between a privately held under-producing urban dairy ranch and the women of one of the largest slum areas. By assisting the ranch to run as a profitable and productive businesses and then linking their increased supply to women entrepreneurs who sell locally produced milk products, the project is ensuring the availability of affordable and locally-produced, nutritious dairy products while creating income generation options for the urban poor. Importantly, strengthening linkages between producers, vendors, and consumers will build the resiliency of program beneficiaries to future shocks and will ensure sustainability.



Photo: Thatcher Cook for Mercy Corps

Value Chain Development improves the function of a series of businesses in a chain of value-adding enterprises delivering a product to an end-market: e.g. input supplier → producer → processor → wholesaler → retailer → consumer (exporter). Value chains exist within market sectors and are affected by the business environment in which they function.

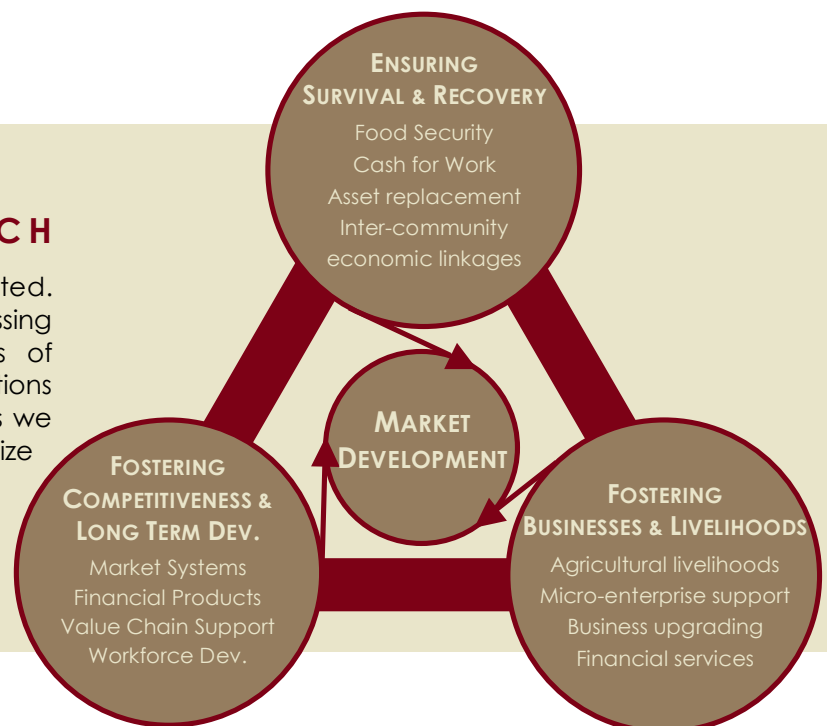
Market-Led Workforce Development prepares job seekers to fulfill employment requirements and helps industry improve its competitiveness through more effective employment practices. Vocational training is linked to clear demand in the job market; ensuring training responds to a need and prepares people to provide a quality service.

Local Participatory Economic Development encourages collaboration and project ownership by all acting entities within an economic market, i.e. government, the private sector, civil society and the local community.

Improving Market Access for the Poor ensures that all levels of the community benefit from increased economic development. To be actors in market systems, people need access to market resources and services and the tools and training to maximize that access.

VISUALIZING OUR APPROACH

Markets are complex and highly interconnected. We implement a multi-faceted approach addressing communities and businesses at different levels of survival, recovery and growth. We tailor interventions to meet the needs of the individuals or businesses we serve to ensure they are able to recover, stabilize and grow.



Supporting Young Entrepreneurs & New Businesses in Mongolia

In Mongolia, Mercy Corps' market development sector is implementing integrated national programming that supports financial services, businesses support services, local economic development and youth start-up businesses. To date, the new sales of these supported businesses have totalled nearly \$8.6 million.

To target **young entrepreneurs**, Mercy Corps developed a "businesses incubation" package that provides training, one-on-one technical assistance and loan guarantees to assist these promising young entrepreneurs in launching and nurturing their new businesses. Although a "pilot effort", this approach has already launched 26 new businesses and generated new revenues of over three quarters of a million dollars.



Photo: Thatcher Cook for Mercy Corps

THE CONTEXTS AND PEOPLE WE WORK WITH

Post Shock/Emergency

In a post shock or emergency context, such as the fragile time after an earthquake or civil war, market systems can be disrupted or stop functioning altogether. Goods and services are often hampered by shortfalls in demand or supply. The infrastructure and services that once supported markets are destroyed or function sporadically at best. However, support to local and traditional markets is a key access point to rebuild. Local markets and actors can be reliable and are often trusted given their historic standing. Working within the business community to improve existing systems and meet immediate needs can have far-reaching positive effects. These development opportunities offer a meaningful leverage point to help communities recover from shocks or emergencies.

Mercy Corps' market development programs target market-driven development in the aftermath of emergencies. This stimulates the creation of sustainable jobs, increases the circulation of currency with cash-for-work style programs and ultimately ensures the availability of and access to crucial goods and services. While our post shock and emergency programming acts swiftly to address the immediate needs of individuals, we design our recovery programs to ensure sustainability and future market resiliency. This is done by including local participatory initiatives that reduce the overall dependence on external actors and empower people to be the agents of their own recovery. It is only through this long-term development approach that an economy and market can be considered stable for years to come.

Conflict

Transitional environments, whether undergoing political, economic or social upheaval, require forward-looking assistance to rebuild insecure markets. Mercy Corps supports communities and entrepreneurs through a sustainable progression of program interventions that evolve from immediate post-conflict recovery to long-term development. Re-establishing market-driven trade in an equitable way and providing the necessary business skills and resources can break the cycles of poverty, inequity and conflict while presenting opportunities to change the status quo.

Peace building and conflict management programs strengthen local communities' negotiating and conflict-management skills. Employing these skills can uncover many of the underlying causes of violence, such as competition for natural resources, youth alienation and unemployment. Market development programming, building on this knowledge of a deeper understanding of tensions and flash points, can continue to mitigate conflict by increasing incomes and livelihood opportunities. This diffuses conflict and increases the chances for lasting stability.

Youth

Today, half the world's 6.7 billion population is under 25 – the largest proportion of young people ever recorded. This swelling demographic of energetic and impressionable young individuals is shaping the markets of tomorrow. Mercy Corps believes that youth are an integral part of rapid, sustained and broad-based economic growth. Youth bring the energy, optimism and drive needed to overcome and adapt to the challenges and opportunities of social entrepreneurship.

Mercy Corps has developed a core competency in providing at-risk youth populations (aged 10 to 29) access market opportunities. Programming includes workforce development and employment, access to financing and business training, mentoring and other “soft-skill” development. Coupled with our rigorous analysis of value-chains and demand trends, we work to ensure that training services available to youth are based on real market demand and develop human capital, a process that ultimately helps catalyze economic growth.

Women

Improving women's incomes has been shown by many comprehensive studies to directly improve family health, access to education and general well-being. By working with women, not only is the immediate familial situation improved, but also through better health care and access to education, the next generation has a greater chance to move out of poverty. While women often have strong cultural and contextual pressures keeping them out of the market place, they can be some of the most dynamic and successful entrepreneurs. In countless cases, most strikingly documented in the financial services sector, women have been better savers and managers of credit than their male counterparts.

Capitalizing on this and supporting equal rights for men and women, Mercy Corps designs all of its market development approaches to ensure women have increased access to economic opportunities. By understanding women's diverse cultural and contextual situations and designing projects that can work within these social structures, we are able to improve their incomes and livelihood choices. With greater control over assets and familial livelihoods, these entrepreneurial women have a stronger voice and decision-making ability in their households and wider communities.

GLOBAL HEADQUARTERS

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**You must be the change
you wish to see in the world.**

~ Gandhi