

MERCY CORPS

MARKET DEVELOPMENT

FISCAL YEAR 2009 SECTOR UPDATE



Photo: Thatcher Cook for Mercy Corps

Furthering our Mission

Since 2005 in over 31 countries and in 128 programs, Mercy Corps has employed market development approaches to economic growth to improve the performance of enterprises, their market linkages and the overall business environment. Market development improves the function and competitiveness of economic systems in both urban and rural areas and by reducing poverty levels can increase a country's stability. Mercy Corps was an early adopter of market development approaches in post-conflict and post-disaster situations, pioneering some of the techniques used in the development industry today.

In fiscal year 2009, Mercy Corps' market development programming expanded in two key strategic areas: urban solutions and post-conflict relationship building.

Improving Incomes and Increasing Stability

Access to economic opportunities and increased incomes are important dimensions of poverty reduction. The poverty of choices, opportunities and income is often an underlying cause of conflict and contributes to states' fragility. In the past year, Mercy Corps' Market Development sector has supported or launched five new projects in countries ranking in the bottom third of UNDP's Human Poverty Index (HPI¹). All of our current programming targets countries struggling with poverty, conflict or natural disasters and two of our most recent and innovative market development projects have launched in Afghanistan and Niger, both of which are rated in the bottom 4 of the HP index and are highly fragile states. Our current portfolio of over 30 programs represents over 100 million dollars, the majority of which are implemented in weak or critically weak states². Impact data collected in 2008 shows that projects over the last three years have reached over 1.3 million households, supported over 34,000 businesses and increased incomes by an average of 24%.

Mercy Corps is well positioned to steer future dialogue and lead the learning agenda within this key aspect of the market development sector. Our programming will continue to develop new, innovative projects. Across all regions we will determine best practice in creating projects that address poverty reduction and conflict management in fragile environments. In 2009-2010 Mercy Corps will be piloting new impact indicators in a multi-county research pilot focused on the hypothesis that: **with well designed poverty reduction interventions we are able to further increase incomes and reduce the likelihood of conflict and instability.** This approach will

¹ UNDP developed the Human Poverty Index (HPI-1) to measure the relative levels of poverty experienced by communities in over 135 of the most underdeveloped countries based. Rankings are based on three key metrics: longevity, knowledge and a decent standard of living. <http://hdr.undp.org/en/statistics/indices/hpi/> and http://hdr.undp.org/en/media/HDI_2008_EN_Tables.pdf

² Susan E. Rice and Stewart Patrick, Index of State Weakness in the Developing World, Brookings Institution, 2008.

include core principals of market development: creating focused, high-impact, market-driven interventions that have the capacity for sustainable and conflict-sensitive implementation. Their success will be measured by their impact on both economic development and conflict management. Mercy Corps is also active in the industry, working with others to generate new tools and approaches for both US and European development communities, such as developing and piloting EMMA³ and the Economic Recovery Minimum Standards.

Addressing Urban Poverty

In many countries the current economic downturn and the continuing food crisis is hitting urban populations hard. The urban poor are often reliant on imported foods and have less access to land for subsistence agriculture. Increasing food prices are putting even the most basic staple foods out of their reach. Furthermore, rising transportation and production costs spurred by the economic crisis are increasing prices of locally produced food sold in urban centres. This has forced many urban households to change their dietary habits; choosing less expensive foods that are often less nutritious as well as eating fewer meals.

Mercy Corps’ market development programs, in collaboration with our food security initiatives, are developing urban-based market development projects that increase incomes while focusing on food access. This will not only help people cope with this new reality in the short term, but create income opportunities to help them develop in the longer term. For example, in Niamey, Niger, we are helping an urban dairy become a viable and growing business by linking them with women-owned businesses in the artisanal dairy sector, ultimately strengthening the value chain and increasing production. In Jakarta, Indonesia, we are supporting the development of the Tofu and Tempe value chains while improving profits and food hygiene in the urban SME sector. This program is supporting job creation and meeting demand for the protein rich and affordable staple food.

Monitoring and Evaluating Reach and Program Results

The Market Development sector at Mercy Corps monitors and evaluates program data on a yearly basis to ensure we are having a real impact on poverty. The following table gives a summary of our market development program impact from available data for the most recent 3-year period.

Market Development Portfolio Highlights

Market Development Programs	21
Households Reached	1,359,000
Average Increase in Income	24%
Businesses Supported	34,400
Average Increase in Sales	32%
Jobs Created	2,284
% of Participants that are Women	55%

GLOBAL HEADQUARTERS

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