



ADVANCING ECONOMIC OPPORTUNITY AMIDST COVID-19: OUR AGENCY APPROACH

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Introduction

The global community is facing a crisis of greater scale, urgency, and complexity than at any time since the Second World War. COVID-19 will infect millions of people, with many hundreds of thousands likely to die as the pandemic continues to spread around the world; but the impact goes far beyond the immediate effects of the illness. COVID-19 is already devastating economies and will strain the political and social fabric in contexts already overwhelmed by natural disasters, conflict, and deteriorating livelihoods. The vulnerable will yet again be the most negatively impacted and face the steepest climb to recovery.

Mercy Corps' COVID response focuses on protecting and building food security, economic opportunity, and peace and stability - all severely under threat from the secondary impacts of the pandemic - in the world's most fragile environments. This includes a focus on ensuring that vaccines reach the last mile and that vaccine distribution helps advance, rather than impedes, our development, humanitarian, and peacebuilding goals.

Leveraging our core strengths in building resilience and systems-strengthening, we partner with communities, local governments, and the private sector, to strengthen their ability to better cope with the crisis, minimize adverse effects, and foster long-term well-being. Throughout the pandemic, Mercy Corps will continue to respond to meet emergency needs while strengthening local systems to accelerate sustained recovery, and lay the foundation for a better, more secure future.

Rationale: Economic Impacts of COVID-19

The global outbreak of COVID-19 and the containment measures deployed by governments are having serious consequences for the global economy. Widespread border closures, travel restrictions and shelter-in-place policies that economies adopted early in the pandemic to slow down the global spread of the virus have disrupted productive activities, presenting long-term economic consequences. Cross-border supply value chains have been disrupted, and there has been a significant reduction in the demand for goods and a slump in services. Consequently, unemployment rates have skyrocketed as business owners have reduced staff. According to ILO estimates, in 2020 global income declined by 10.7%, a loss of around \$3.5 trillion.¹ Total Working-hour losses totaled 17.3%, the equivalent of 495 million full-time jobs (based on a 48-hour working week).

In contexts where government restrictions have closed or restricted border access for prolonged periods, limitations in trade and severe disruptions to supply routes have resulted in fluctuations in fuel prices, food, agricultural inputs, and other key items.

Efforts to contain COVID-19 in emerging and developing economies, including low-income economies with limited health care capacity, are predicted to precipitate deeper and longer recessions — exacerbating a multi-decade trend of slowing potential growth and productivity gains. As many emerging and developing economies were already experiencing weaker growth before this crisis; the shock of COVID-19 now makes the challenges these economies face even harder.²

Individual, micro and small businesses suffered severely from limitations on movement, leading to loss of revenues and unemployment. Experience from China, and now the US, confirmed by our analysis during Ebola in Sierra Leone, predicted decreases in sales and customer traffic as the most significant and difficult to recover from in areas that face lockdown measures for extended periods. As we have seen in the first wave of the pandemic and as we enter the second and third wave in some countries, the disturbance of supply networks and loss of consumers has led to the closure of small businesses, high rates of unemployment, and decrease in agricultural outputs.

Similarly, the financial service sector has faced major setbacks as foreign exchange slowed, trust in banks eroded, and borrowers were unable to repay their loans. Remittances—key to coping in crises—have also reduced in the wake of the first wave of the pandemic. Most economically impacted are women and youth, particularly those who operate in the informal economy, relying on informal credit, and/or depend on fragile markets to meet their needs.³

¹ ILO Monitor: COVID-19 and the world of work - 6th Edition. September 2020.

² Demircuc-Kunt, Asli; Lokshin, Michael; Torre, Ivan. 2020. *Opening-up Trajectories and Economic Recovery: Lessons after the First Wave of the COVID-19 Pandemic*. Policy Research Working Paper; No. 9480. World Bank, Washington, DC. © World Bank. <https://openknowledge.worldbank.org/handle/10986/34835> License: CC BY 3.0 IGO

³ In Nigeria, "As the national economy slows, day labourers and others with unreliable incomes will likely feel the economic impacts severely and may struggle to maintain their incomes, putting them at risk of increased financial vulnerability" - Mercy Corps, Northeast Nigeria Humanitarian Analysis - Impacts of potential COVID-19 outbreak, March 2020

COVID-19: A Markets in Crisis Approach

Mercy Corps' approach to protecting and strengthening economic opportunity ensures crisis-affected households can maintain their businesses and wage incomes in the midst of crisis, while laying the foundation for greater market participation and inclusive economic growth in the future. Our [Markets in Crisis](#) approach is designed to address short and long term impacts of economic shocks, meeting individuals and households immediate needs, whilst also focusing on the market system to lay the groundwork for lasting recovery at scale.

To achieve this, we focus on shoring up local economies and building more resilient market systems, employing our markets in crisis approach across three interconnected pathways:

- **Address barriers to market participation and prevent economic backsliding:** In moments of fast onset needs, we provide time-bound gap-filling services so households, entrepreneurs, producers and small businesses can continue their economic activities. This often requires direct support through knowledge and skill building and provision of short-run aid such as financial and advisory support. This support is time bound and designed to transition quickly to systems-level support for businesses and market institutions.
- **Strengthen coping through local market systems:** We support local systems that can help people cope in the short term. In the case of COVID-19 this involves working with producer cooperatives, businesses, traders and governments to ensure they work through the local system to find and implement solutions to the breakdown of supply chains and business bankruptcy.
- **Build more resilient and inclusive market systems:** To build the resilience of food and labor markets now and for the future, we will engage critical supporting functions and actors, for example finance providers, farming advisory services, job searching services, health and safety services, or regulatory bodies that emerge as increasingly important for coping and adapting during the pandemic. This will involve understanding the widespread impacts on food and labor markets such as market closure, migration, childcare centers closing down, vocational training moving online, as well as large changes in product demand; and improving those market functions for longer-term gains.

Gender and Inclusion

Gender, together with other factors including age, ethnicity, disability, education, employment, and geographic location may intersect to further compound individual experiences and vulnerabilities and entrench pre-existing inequalities during COVID-19. Women are particularly vulnerable, dominating domestic work, health and social care work sectors, and most often critical agricultural roles as producers and traders, women are at significantly greater risk of losing their income and of infection and transmission, and are also less likely to have social protection.⁴ Our LI-WAY project in Ethiopia addresses the needs of young women by providing childcare service so that they can continue to work and contribute productively to the economy. Young people overall are more likely to work in less protected jobs such as temporary and informal employment, and less likely to be members of trade unions,⁵ making them more vulnerable to income and job loss during the current crisis. We also know that Injustice, marginalization, and exclusion are all well-documented [drivers of youth participation in violence](#), which can deepen or exacerbate conflict between communities and the state (see our [COVID approach on Peace and Stability](#)). Active engagement of youth in the labor market is essential for wealth creation and creating a sense of belonging. As such, through our [Youth Impact Labs](#) project, Mercy Corps has recognized and capitalized on the adaptability of youth to new digital technologies and their ability to take on significant levels of risk to engage youth to identify and test creative, technology-enabled

⁴ILO Monitor: COVID-19 and the world of work: 5th Edition

⁵'Preventing exclusion from the labour market: Tackling the COVID-19 youth employment crisis'. ILO. May 2020.

solutions to tackle global youth unemployment, accelerating job creation so every young person has the opportunity for dignified, purposeful work.

To be effective in building more inclusive markets, we regularly monitor the market impacts of COVID-19 and the specific effects on women and men, both young and older. We intentionally engage women and men, supporting their businesses to survive, bolstering business support functions/actors and promoting expanded, inclusive social safety nets for informal workers and laborers.

Programmatic Response: What We Do and How We Do it

A market-driven response at scale will help vulnerable workers, micro- and small businesses, and agriculture producers cope and recover from the crisis and - most importantly - allow them to adapt and grasp new business opportunities and processes such as digitizing their businesses and better address climate change requirements. Building on our experience in Ebola-struck countries and leveraging our Markets in Crisis approach, we will implement a multi-layered approach, directly supporting them in the very short-term to ensure a continued supply of goods and services, while simultaneously supporting existing efforts of some early innovators and business owners around the world to deal with COVID-19 to ensure they bounce back better, i.e., ensure they contribute to resilient, efficient, and diversified markets. We will:

- **Preserve assets, specifically for women and vulnerable workers and entrepreneurs** - Working with payment providers and leveraging technology where relevant, we provide cash transfers or vouchers to those individuals (farmers and workers) the most at risk, including specific support to women producers and entrepreneurs (see our COVID response to support food security). Cash transfers are accompanied by information dissemination on locally available COVID-19 related health, hygiene and vaccination services in an effort to combat misinformation (see our COVID response to build peace and stability) and promote healthy behaviors now and in the long-term. When feasible, cash transfers will become building blocks for longer-term food security and economic development through the development of markets or a path towards financial inclusion.

Example: Mercy Corps in Jordan, through its Youth Impact Lab project, channeled 13,000 JD (\$19K) in emergency cash to 3 gig platforms to help them continue to provide essential services to gig-workers; provided 90 workers with a cash transfer of 150 JD (\$210) each to meet immediate basic needs; and selected 3 start-ups - ViaVii, an e-tourism platform, Salalem, an ed-tech firm employing freelancers, and Utrac, a freelance delivery platform - for further technical and funding support as they demonstrated high potential to recover and grow beyond COVID-19 and continue to employ hundreds of gig workers.

- **Support essential micro-, small- and medium businesses** – We support MSMEs, with priority to those within the agriculture and food systems and those providing high employment opportunities for youth, with an emergency relief package to help maintain and diversify their customer base and supplier network. This package includes essential information (related to market needs and gaps, border closures and government requirements); business advice (related to finding alternative markets and diversifying formal and informal input supply channels); and emergency capital and/or adapted loans (see below our work with Financial Service Providers). Longer-term strategies involve preparing those businesses for other types of shocks by fostering COVID-safe practices and processes, supporting business continuity planning and climate-resilient strategies, diversifying supply chains and

output markets, supporting digitization; and accessing long-term financing. Supporting these businesses during the crisis while making them more resilient will not only support consumers' access to food in the short-term, but also allow youth to keep their jobs, and farmers and small businesses to access diversified and climate resilient inputs and supplies during this crisis and the next.

- **Support financial services and liquidity** - To maintain market functions that are critical to the development of micro- and small businesses, we support formal and informal partner financial service providers (FSPs - such as banks, micro-finance institutions, input supply businesses, and traders) to 1. adapt their services to ease the economic burden on the most vulnerable such as adjusting policies to lengthen and add flexibility to loan payment terms or deploy 'COVID safe' agent banking networks to reduce traffic in urban centers; 2. Access wholesale finance (such as debt, equity, and grant capital) to be able to continue and expand the provision of loans, by for example providing guarantees; and 3. Shift more rapidly to digital solutions to encourage digital financial payments and digital remittance flows. In all cases, we will ensure that the new products and services provided are resilient to future shocks and that FSPs strengthen their partnerships with governments for more liquidity and risk-sharing arrangements. Complementary support will include developing resilient community-based financial services that continue to function in a safe way during pandemics and similar crises - for example, by digitizing savings groups and supporting the rapid scale up of agent banking networks.
- **Support social protection systems** - Where possible, we work with local governments to support the expansion and adjustment of their social safety nets models so that they can become more agile and respond to increased needs. (see our *Food Security COVID response*). We also work with larger businesses, associations and governments to advocate for and adopt long-term social protection measures for independent workers and those at risk of sliding back to poverty or food insecurity - these include but are not limited to safety measures for workers, more inclusive labor laws, and social insurance, including for informal workers or those in the front line, who are mainly women and youth.

Research, Learning, and Influence

Collaborating with Mercy Corps Research and Learning and Crisis Analytics teams, our continuous research and market analysis is a core pillar of our economic resilience programming. Through our investment and sector leadership in knowledge sharing, advocacy, and influence efforts related to economic recovery, market systems, financial inclusion, we seek to improve policies and practices beyond Mercy Corps own programming.

In-depth, regular market analysis is the key to understanding the impact that control measures and other shocks have on different groups' access to key goods, services, and income. This analysis enables sector actors to build a deeper understanding of how local markets work, and the range of businesses and institutions that support them to function and cope throughout the crisis. Through sharing these research findings with policymakers, donors, and peers we are not only informing how sector stakeholders respond to the immediate needs and recovery of markets and households in relation to COVID. This research also presents an opportunity to inform and transform sector-wide policy at country, regional and global level to increase economic resilience to shocks such as COVID in the future.

Throughout COVID, Mercy Corps has continued to build on the findings of our watershed report [Markets in Crisis](#) and [country level research](#), which outlined the imperative for a markets systems development approach to economic resilience programming, presenting a way forward for implementers and donors.

Our [COVID-19 Global Rapid Market Impact Reports](#) report highlighted initial economic and food security impacts of local policy responses around the world, and signals potential negative impacts or consequences of those responses.

Our research drew from 22 Mercy Corps country programs across the Middle East, Asia, the Caucasus region and Africa. Other more targeted research include the Impact of COVID on [Livestock Markets in East Africa](#), in the [Somali Region, Jordan](#), and [Georgia](#) among others.

Grounding our research into our sector contribution practice, Mercy Corps leadership in the Markets in Crisis-SEEP steering committee has informed the sector's market-based responses, and we plan to work with the Propagate coalition and CGAP to share practitioner perspectives on COVID-19.

Recommendations for Donors and Implementers

Donor institutions and governments should:

- **Increase emergency relief packages for essential businesses and local institutions.** While we have seen a resurgence in emergency funding for more “traditional” humanitarian responses through cash and WASH responses for households, supporting small businesses is critical to maintaining the local economy, including agriculture and food systems, and employment.
- **Increase the timeframes and flexibility of program funding.** The COVID crisis is a protracted crisis with various phases impacting countries at different times with different scope. It is critical to ensure COVID response funding is available and rolled-out in the medium- to long-term for appropriate and timely responses when needs arise.
- **Support host-government policies and practices** to ensure social protection and insurance is streamlined, expanded, and reaches those most affected.
- **Allow for systematic, continuous and gendered market analysis** that will provide both macro- and micro-learning for a constant adaptation to the situation. Considering the uneven impact of COVID on women-owned businesses, combined with the fact that cash and assets from women-owned businesses are more likely to be used to meet household needs during times of crisis,⁶ our market analysis must aim to understand how market systems and interventions affect men and women differently.
- **Support a “building back better” scenario** where our responses can support a positive shift in the way business is conducted - more climate-resilient, more technology-based, and more inclusive.

Implementing agencies should:

- **Standardize policies, procedures, and data systems across cash actors to improve efficiencies, scale and integration with national safety nets.** To deliver cash assistance effectively, integrated data systems and Standard Operating Procedures must be adopted by cash actors and consortia to deliver assistance rapidly and avoid the duplication of data and subsequent duplication of resources.
- **Embed COVID-related information within cash transfers** to facilitate the adoption of appropriate COVID behaviors and build trust with health systems and vaccination campaigns.
- **Design interventions that work with and through the market.** More than ever, local businesses need support to stay afloat. This is the impetus for aid agencies to pull away from direct interventions to support market actors instead to reach those most in needs. This will include ensuring the quantity and quality of in-depth gendered context analyses, both formal and informal and identify light-touch, fast, and informal feedback systems that help program teams adapt.

⁶Seshie-Nasser, H.A. & Oduro, A.D. (2019). International Journal of Gender and Entrepreneurship. Women-owned businesses and household welfare.

- Leverage opportunities to respond to today's main challenges by streamlining interventions that scale **digitization** and address **climate challenges**.
- **Counter COVID-related tensions** by incorporating Do No Harm and conflict sensitivity where and when appropriate.

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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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