



# A STEP TOWARDS RESILIENCE

## Pioneering Market Systems Development in Humanitarian Response

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### Background

Protracted displacement requires a new generation of solutions beyond long-term relief aid. Considering global patterns of extended timeframes for displacement and repeated displacements over time, it is unsustainable to indefinitely provide costly direct assistance that maintains a situation of dependency. Donors, governments and implementing agencies debate what are viable alternatives that meet humanitarian needs while also strengthening resilience and self-reliance of affected populations. In Northern Uganda, inundated with 800,000 South Sudanese refugees, this debate is relevant and time sensitive.

Funded by the Department for International Development (DFID), Mercy Corps implemented a 12-month pilot project designed to pioneer the use of the market systems development (MSD) approach to build the resilience and self-reliance of refugees and host communities. The project was implemented in partnership with the Palladium Group and DanChurchAid (DCA). The Partners sought to create a response to the South Sudanese refugee crisis in West Nile that met the immediate needs of affected populations while, at the same time, enabling them to take increasing control of their own coping and recovery through local systems



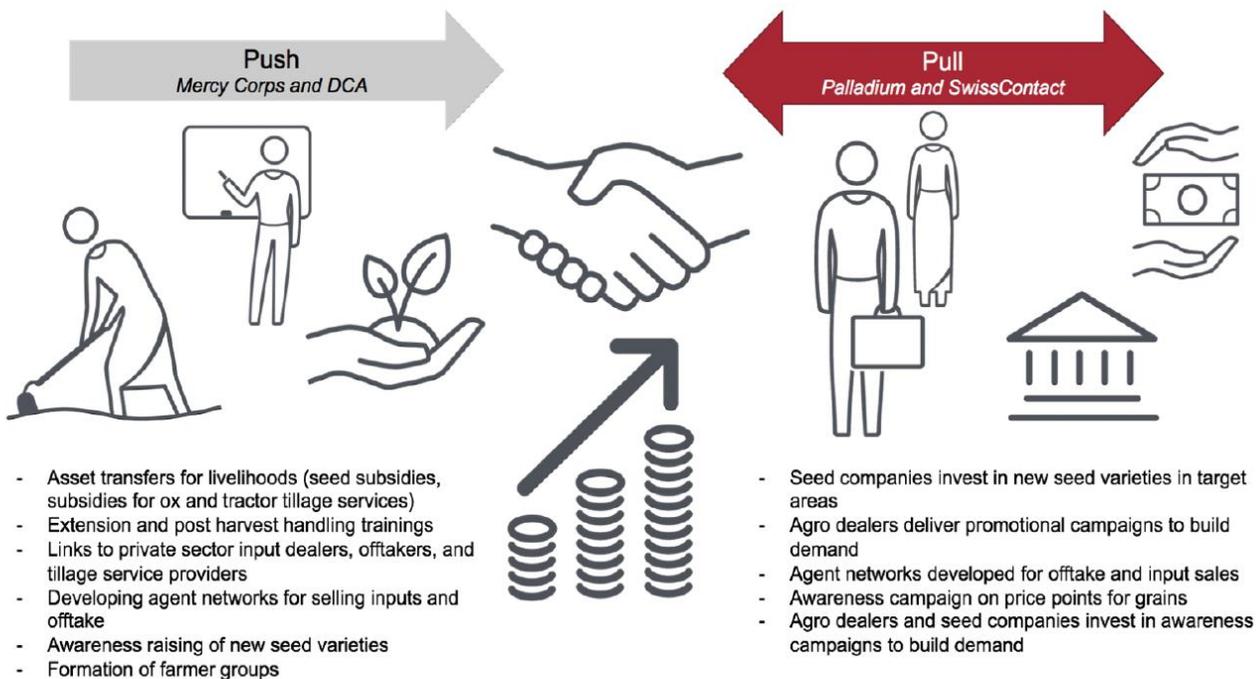
and resources. Blending aspects of direct assistance, such as partial subsidies and incentives for farmers and local businesses, with capacity building of market actors, the goal was to identify and increase market access and incomes for South Sudanese refugee and local community households who were interested in commercial agriculture. This approach was facilitated by the Government of Uganda's progressive approach to refugee hosting, which offers significant opportunities to integrate longer-term resilience and development approaches within refugee and host population assistance.

## West Nile Sub-Regional Context

- › 90% of the West Nile sub-region is categorised as rural with agriculture one of the most common livelihoods. Smallholder farmers typically grow crops for subsistence and one or two cash crops.
- › The sub-region is now home to over 800,000 South Sudanese refugees who are likely to be displaced long-term.
- › The sub-region has been historically isolated from the rest of Uganda and faces challenges of high population growth, climate change, pest issues, poor infrastructure that increases the cost of doing business, lack of access to capital and technology, geographic marginalisation, and market distortion due to the influx of aid money and proximity to South Sudan and the Democratic Republic of Congo.
- › Few large agriculture companies have invested substantially in the sub-region, citing poor infrastructure, low production volumes and in some cases, poor quality of produce, as major barriers.

## Approach

In July 2017, Mercy Corps, with Palladium and DCA, designed the pilot to utilise a push/pull strategy to ensure farmers had tools, skills and experiences necessary to be successful and engaging the private sector in new markets, targeting host community farmers, agro-dealers, agents, seed companies and offtakers. Key activities included using partnerships among market actors to improve farmer access to goods and services (seeds, ox-plough and tractor tillage, agricultural extension, offtake services) and support to



businesses to change practices and increase investment. These strategies aimed to generate durable income opportunities for refugee and host households but were not meant to replace livelihood/social safety net projects. The project aimed to identify “early adopter” farmers, entrepreneurs and private sector partners who could increase the functionality of the market system. At the same time, the pilot sought to recognise the existence of a potentially lower risk tolerance among refugee farmers. In this way, the pilot was a blended MSD intervention that required push interventions to prepare vulnerable refugees for market involvement. The assumption that refugee households require more intensive support to access seeds, land, tractor services and offtake markets was central to the pilot’s design and implementation strategy.

## Pilot Evaluation Findings

The pilot saw considerable success within the 12-month period, demonstrating early market systems change in the form of behavioural shifts among actors at all stages of the agricultural value chain and demonstrated potential to increasing farmers’ agricultural incomes in the sub-region in the long term. Overall, the pilot provided a greater understanding of what is possible, raised critical issues about which components of a market-based approach work well in the context of Northern Uganda, and where investment is required to support further learning on market-based information gathering, change and development. At the same time, the limited scope and timeframe of the pilot, highlighted many remaining market challenges and information gaps. If such challenges and gaps are addressed through a longer-term strategy, deeper systemic change across the agribusiness sector in the West Nile sub-region is likely.

### Overall Findings

**Changed behaviours were positive indications of early market systems change.** Behaviour changes were observed among all market actors. Farmers accessed and used improved seeds and land preparation services at greater rates. Agro-dealers increased availability and range of products offered (including new and improved seed varieties). Agro-agents expanded, both in terms of personnel and services offered (provision of extension to farmers). Seed companies began working with multiple agro-dealers to overcome transportation challenges, while agro-dealers leveraged bulk orders to negotiate prices. Offtakers started developing and testing new models which aimed to bring West Nile farmers closer to their supply-chain.



*Mercy Corps team member discusses seed sales with an agro-dealer in Moyo, West Nile.*  
Photo Credit: Ezra Millstein

**Significance of social capital and relationships in accessing goods and information.** The pilot incentivised host community farmers to prove access to land to refugee farmers by offering free tillage services on one acre of their land for every five acres provided to refugee farmers. This and other targeted activities on building and strengthening market linkages between key actors were linked to farmers’ increased access to resources, improved efficiencies in the supply chain, increased knowledge of farming practices and ultimately improved social capital as a contributor to household resilience.

**Improving market opportunities requires a multi-year approach.** Within 12 months, the pilot achieved significant results especially relating to farmer increased use of improved inputs and market engagement.

Results showed, however, that there are unexplored sales channels that offer greater market opportunities, and more importantly, greater profitability to farmers than those targeted under the pilot. Though further analysis is required, filling these market information gaps, as well as collecting data on yields, losses, prices, etc. over time could help support the business case for farming as a worthwhile livelihood strategy.

## Findings on Farmers

**Greater market participation:** Market sales participation increased from 15 percent among farmers at baseline to over 50 percent among farmers at endline. Market participation was associated with higher agricultural incomes at both periods surveyed.

**Improved access to inputs:** At endline, 41 percent of farmers reported an improvement in their ability to access inputs (seeds, fertiliser) from the previous growing season, with refugees significantly more likely to report an improvement compared to host community farmers.

**High use of improved varieties:** Vouchers provided by the project for improved seed were well-utilised, despite the need for farmers to cost share. Of the 77 percent of farmers that purchased seeds at baseline, 43 percent purchased an improved variety. At the end of the pilot, 79 percent of farmers purchased seed, of which 90 percent purchased an improved variety.

**Greater rates of purchase from agro dealers:** At baseline, 30 percent of farmers purchased seed from a local market, 27 percent from an NGO, and 13 percent from an agro-dealer. Purchasing patterns shifted at endline: 48 percent purchased from an agro-dealer, 20 percent from a NGO and just 6 percent from a local market.

## Findings on Subsidies/Finances

**Pilot strengthened relationships between seed companies and agro-dealers,** inspired agro-dealers to engage in more marketing activities and illustrated market opportunity to agro-dealers.

**Subsidies worked as an incentive but have (long-term) limitations.** Broader access to finance challenges hampers growth for farmers and other actors.

**Willingness to purchase full price seeds remains unknown.** At endline, only 8% of farmers had purchased any seeds at full price (with only 3% improved). Farmer willingness/ability to pay full price for inputs will take time beyond the 12-month Pilot.

**Competing approaches may distort market functioning.** Competing approaches used by other humanitarian actors may lead to market distortions. 29% and 49% of farmers received free seed at baseline and endline, respectively. Expectation of free seeds may have influenced farmer willingness to pay.

**Limited access to finance options hinder growth.** Private service providers such as ox-plough and tractor service providers faced credit constraints which hampered their ability to expand the customer base they could serve.

**Agricultural finance to support farmers:** Purchasing tools or inputs for agriculture was a top reason for borrowing money. The common reasons for borrowing included education (46%), food (34%), medical bills (29%), agricultural inputs or tools (19%) and investing in non-agricultural business (17%).

## Recommendations

- The pilot clearly indicated that price remained a primary barrier for farmer uptake of improved inputs and tillage services. **Financing models such as trade finance, agriculture sector loans, and village savings and loans groups should be prioritised for future research and programming.**
- The issue of unfavourable market prices requires further learning by market actors. Many of the pilot's interventions were designed under the assumption that supporting farmer linkages with larger city based markets would offer the greatest opportunity to farmers. However, the results from the pilot suggested local sales channels may be more profitable for farmers. **An in-depth assessment of potential sales channels, market dynamics, pricing structures, and transaction costs** would help to more fully understand the most profitable and sustainable market avenues for farmers.
- **Future programming needs to address cross-cutting constraints such as access to finance, climate change and poor infrastructure.** Specifically (1) supporting access to finance interventions, and; (2) identifying and encouraging market-driven solutions to challenges around infrastructure, natural resources and transportation (including distribution and aggregation).
- **Greater consideration needs to be given to the availability of natural resources.** Sufficient water for production, land quality and size, and environmental protection techniques, such as agroforestry and the use of organic principles, are all vital components to achieving successful yields, particularly with regards to climate change. Further targeted longer-term interventions and greater budget allocation is required to truly address these formidable challenges.



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### About Mercy Corps

Mercy Corps is a leading global organisation 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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