ECONOMIC AND MARKET DEVELOPMENT
SECTOR APPROACH

An Overview
It is estimated that almost half of the world’s population, 3 billion people, live on less than $2.50 per day. The global economic crisis, conflict, natural disasters, and environmental impacts threaten the fragile livelihoods of these low-income earning populations. However, the world’s poor demonstrate impressive resiliency, coping strategies and entrepreneurial energy. Mercy Corps applies a market development approach to understand the complexities surrounding the poor and focuses on removing constraints to their participation in markets, offering a leverage point to turn challenges into opportunities.

Mercy Corps fosters appropriate economic development in some of the world’s most challenging areas. We currently operate upwards of 112 economic and market development programs in 36 countries, with a total program value of $436 million dollars.

Our Strategic Goals and Approach
Mercy Corps facilitates the development of systems that increase incomes and access to goods and services, while reducing the effects and risks of disaster, conflict or other shocks. The Economic and Market Development team focuses on three strategic objectives:

- Reducing income poverty.
- Driving integration of market-based solutions and private-sector partnerships in multi-sector programming.
- Defining and promoting strategic nexus points between economic development and other technical sectors.
Mercy Corps employs community-led, market-driven programs that engage with public, private and civil society sector actors in transitional environments. We take a progressive approach, supporting communities, entrepreneurs, governments and the private sector from recovery to long-term economic growth. We encourage applying a market-development, or systemic, perspective to sectors including “public good” markets, such as water, energy and sanitation. We recognize the vital importance of agriculture as a contributor to global trade and food production and the primary income source for approximately 700 million families, while also acknowledging that agricultural markets present unique challenges due to seasonal cycles, perishability, and poor linkages to information and market systems. We also recognize the continuing movement of the poor to urban centers, where vulnerabilities and opportunities are distinct. We believe that economic growth, to be sustainable, must be socially inclusive and environmentally sound; in particular we emphasize youth and women as key constituents.

A market development approach acknowledges that the poor are participants in complex market systems and understands their role as producers, consumers and laborers. We act as facilitators, engaging stakeholders to overcome constraints that prevent the poor from participating to their advantage in markets. We ask the question “Why isn’t the system itself providing solutions and how can we address the constraints that are preventing it from doing so?” Our role as facilitator lays the foundation for scale and sustainability by building on, and aligning, the capacities and incentives of existing stakeholders.

Mercy Corps believes in the enormous potential of “shared value,” and focuses on developing solutions that are economically and socially beneficial. We recognize the potential impact that can be created by engaging the private sector, along with civil society and government. Within Mercy Corps, we prioritize strategic coordination and joint implementation on economic development and cross-sectoral nexus points, in particular energy poverty; conservation agriculture; economic development initiatives for peace-building; business enabling environment and market governance; youth economic independence; and access to food.

**Market-Driven Principles**

**Pro-Poor:** Mercy Corps believes in confronting the development challenge of poverty and works to reduce income poverty.

**Systemic Approach:** Mercy Corps believes that poor people exist within complex systems as consumers, workers and producers and that more effective functioning of market systems can be a means through which income poverty is addressed.

**Evidence-Based Intervention and Knowledge Management:** Mercy Corps believes in conducting analyses—market, conflict and political economy—that influence our intervention decisions and form the basis of quality measurement systems. We believe in synchronizing indicators internally and with best practices, and in learning from this evidence base.

**Contextually Driven:** Mercy Corps believes in tailoring solutions to specific contexts. Our analysis considers underlying causes of why the poor are not benefitting; global and local influences; and prospects for systemic change within the specific contexts of transitional environments.

**Sustainability:** Mercy Corps believes systemic change is based on a vision of how a market will work more effectively and inclusively without aid actors in key market roles. We enter market systems knowingly—and clearly differentiate our role as facilitator from that of market actor. When we choose
to take on a key market function, we do so from a genuine need and structure the intervention as a commercial enterprise.

**Partnerships:** Mercy Corps believes change happens through ownership by private, civic and public sector stakeholders. We believe in not undermining local actors’ valid roles but facilitating and strengthening linkages, which improve market systems for the poor.

**Crisis Creates Opportunities:** Mercy Corps believes crisis can create opportunities. We respond to short-term needs (tactics to address symptoms of underlying weakness), while remaining aware of and focused on long-term development processes (strategy to address causes), and the opportunities to “build back better.” Leveraging and jumpstarting the private sector, avoiding market distortion and laying the foundation for market development are key principles of our relief and recovery programming.

### Intervention Areas

Mercy Corps implements the following types of interventions to reduce income poverty and integrate market-based solutions:

**Job Creation and Enterprise Development:** Acknowledging the massive problem of underemployment and unemployment globally, we focus on entrepreneurship and enterprise development as a means to create jobs in sectors with the greatest potential for sustainable growth. We concentrate on helping entrepreneurs to invest in upgrading business activities, to learn new skills and to access greater market opportunities. We focus on youth job creation, emphasizing the importance of life skills for increasing employability and understanding when employment matters in conflict mitigation. We recognize the potential of enterprises to be active contributors to conflict mitigation, improved food security, social inclusion, environmental stewardship and good governance.

**Post-shock Economic Recovery:** We specify no fixed “stages” post-shock and, with the belief that crisis creates opportunities, we utilize market-integrated relief and early economic recovery as platforms for longer term economic development. Response efforts consciously lay the foundations, forge partnerships and catalyze learning between relief and economic recovery and development. We believe cash-based programming has particular relevance for recovery and have prioritized leading the development of cash-based methodologies in emergencies.

**Increasing Financial Inclusion:** We recognize that financial inclusion is critical for poverty reduction and acceleration of economic recovery. The following areas of financial services are focus areas in our interventions: rural and agriculture credit; savings; micro-insurance; remittances; access to capital and equity investments; increasing and leveraging mobile technology for financial inclusion; and financial literacy.

**Value Chain Development:** To ensure sustainability and scale we emphasize improving the functions and relationships in a chain of enterprises delivering a product to an end-market: e.g., input supplier → producer → processor → wholesaler → retailer → consumer.

**Facilitating Support Markets:** We believe in supporting the infrastructure and service systems required for industries to function, compete and grow—such as financial services, transport, storage, marketing facilities, communications, information services, legal services, technical assistance and technology development.
The Approach In Action

The **Georgia Alliances** program has been successfully operating since October 2008 in the livestock sector in the Samtske-Javekhti region and, more recently, in the Kvemo-Kartli region of Georgia. Alliances is designed and implemented in full accordance with a “Making Markets Work for the Poor” approach, funded by the Swiss Agency for Development and Cooperation. Examples of Alliances’ successes include the development of commercial artificial insemination services; development of livestock market information services, resulting in increased revenue for 5,000 small farmers; and development of a farmer's supplement in the local newspaper. These initiatives are growing without donor support and involve considerable investment by private sector partners.

The **Nepal Market Development Program** facilitated improved technical practices and contracts between farmers and ginger exporters to the Indian market—increasing farmer profits by over 200 percent at a cost of less than $150 per farming household per year. Partnering with Nepalese and Indian private sector companies, the program is now focused on removing key market constraints in the ginger sector, including disease management and availability of quality seed.

The **Value Initiative Program** (VIP) in **Indonesia** addresses market constraints impeding the urban tofu and tempe value chain from improving product hygiene, safety and quality and increasing incomes of relevant businesses. In partnership with SwissContact, VIP increased incomes, improved working conditions, and diminished the environmental impact of tofu and tempe production for 40,000 enterprises in the Greater Jakarta area. With funding from EC SWITCH the program is now concentrating on further reducing the negative environmental impact of the value chain through a market-development approach.

Through the **Fair Trade Raisin Market Development** project in **Afghanistan**, Mercy Corps and partners Parwan Raisin Producers Cooperative, UK-based Fulwell Mill, and Fair Trade Labeling Organizations International have obtained Fair Trade certification for hundreds of Afghan raisin farmers. Their products are now successfully exported to the UK and are currently the only Afghan Fair Trade-certified products on the UK and EU market. Fullwell Mill remains committed to purchasing raisins for a third season and recently Sainsbury's (a UK supermarket) has requested 100MT of raisins to satisfy demand.

Key Partnerships

Mercy Corps is leading the application of market development principles in fragile and conflict-affected environments, working in partnership with the Springfield Centre for Business in Development. Mercy Corps has developed and delivered the Market Development in Fragile and Conflict-Affected Environments elective as part of the annual “Making Markets Work for the Poor” course. We are also an active member of the implementation group for the Emergency Market Mapping and Analysis (EMMA) Toolkit and the Cash Learning Partnership (CaLP). We participated in the development of the SEEP Minimum Standards for Economic Recovery and completed an in-depth USAID-funded study, “Evaluation and Assessment of Poverty and Conflict/Fragility Interventions,” in collaboration with leading academics and our field teams in Uganda, Indonesia and Ethiopia, testing key theories of change in poverty alleviation, economic growth and conflict.

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