

SYSTEMS KNOWLEDGE BRIEF: MARKET SYSTEMS RESILIENCE



USAID
FROM THE AMERICAN PEOPLE



ABOUT THE RESILIENCE EVALUATION, ANALYSIS AND LEARNING (REAL) ASSOCIATE AWARD

REAL is a consortium-led effort funded by the USAID Center for Resilience. It was established to respond to growing demand among USAID Missions, host governments, implementing organizations, and other key stakeholders for rigorous, yet practical, monitoring, evaluation, strategic analysis, and capacity building support. Led by Save the Children, REAL draws on the expertise of its partners: Mercy Corps and TANGO International. Learn more on our website at <http://www.fsnnetwork.org/REAL>

DISCLAIMER

This brief is made possible by the generous support and contribution of the American people through the United States Agency for International Development (USAID). The contents of the materials produced through the REAL Award do not necessarily reflect the views of USAID or the United States Government.

ACKNOWLEDGEMENTS

This publication was produced for review by USAID Center for Resilience. It was prepared by Dan Hudner (Mercy Corps) and Alison Hemberger (Mercy Corps), with contributions from Danielle Jolicoeur (Mercy Corps), Jon Kurtz (Mercy Corps), Olga Petryniak (Mercy Corps), Bradley Sagara (Mercy Corps), Lorenz Wild (Mercy Corps), John Meyer (USAID), and Kristin O'Planick (USAID).

RECOMMENDED CITATION

Hudner, D. and Hemberger, A. (2022). *Systems Knowledge Brief: Market Systems Resilience*. Washington, DC: The Resilience Evaluation, Analysis and Learning (REAL) Associate Award.

PHOTO CREDITS

Front cover: Christy Delafield / Mercy Corps
Page 3: Siegfried Modola / Save the Children

PREPARED BY



Mercy Corps
45 SW Ankeny St. Portland, OR 97204
USA



CASE IN BRIEF

Mercy Corps has piloted measurement and analysis of market systems resilience (MSR), drawing on a framework developed by USAID, in four fragile and conflict-affected contexts since 2020. This brief presents the key findings from each and overall reflections and recommendations from the experience. In particular, Mercy Corps advises combining measurements of market system resilience with measurements from the target population to differentiate between beneficial and exclusionary or negative forms of resilience among market actors. Additionally, implementers embarking on MSR measurement should carefully tailor the specific data collection approaches and analyses—data on MSR can be valuable but analysis is challenging, particularly for programs newly addressing the topic. Lastly, in systems affected by conflict, shocks are realized frequently and have diverse impacts across different actor types. Tracking the impacts and understanding second-hand effects on the population is critical to prioritizing MSR programming.

APPLYING MARKET SYSTEMS RESILIENCE TO DEVELOPMENT

Market systems are recognized as a key enabler for programming in the aid sector, based on their role connecting households and communities to goods, services, and income. They give other benefits as well—prosperous and inclusive markets can empower individuals and build cohesion among communities, and serve as valuable [sources of resilience](#) in times of crisis. As global poverty becomes [increasingly concentrated](#) in fragile and conflict-affected areas, organizations like Mercy Corps have paired market systems development (MSD) and resilience programming. Longer-term market development offers a sustainable complement to direct and resource-intensive humanitarian aid by offering improved access to markets and income for displaced peoples, propagating adaptations to climate stresses like drought-resistant seeds, and reducing the [risk of conflict](#) by cushioning the blows of sudden price shocks and drops in income.

But what happens when shocks disrupt the market systems themselves? Price fluctuations, hazardous transport routes, and nearby conflicts can cut households off from productive inputs like fertilizer and seeds, make it more difficult to sell their offtake, limit paid wage options, and can increase the price of food and essential items. To make development gains sustainable, donors, implementing agencies, and other actors have come to recognize that sustainably building the resilience of people and communities requires aid actors to also focus on strengthening market systems resilience (MSR). In December 2018, USAID published [Market Systems Resilience: A Framework for Measurement](#). Since then, implementers including Mercy Corps, [ACDI/VOCA](#), [iDE](#), [GOAL](#), and [RTI](#), have adopted, adapted, and tested USAID's MSR framework, sharing their insights in [blogs and reports](#) and through a community of practice (CoP) led by the Feed the Future Market Systems and Partnerships Activity. This brief describes the contexts, experiences, and key results of Mercy Corps' experience to date measuring and applying an MSR lens to select pilot activities.

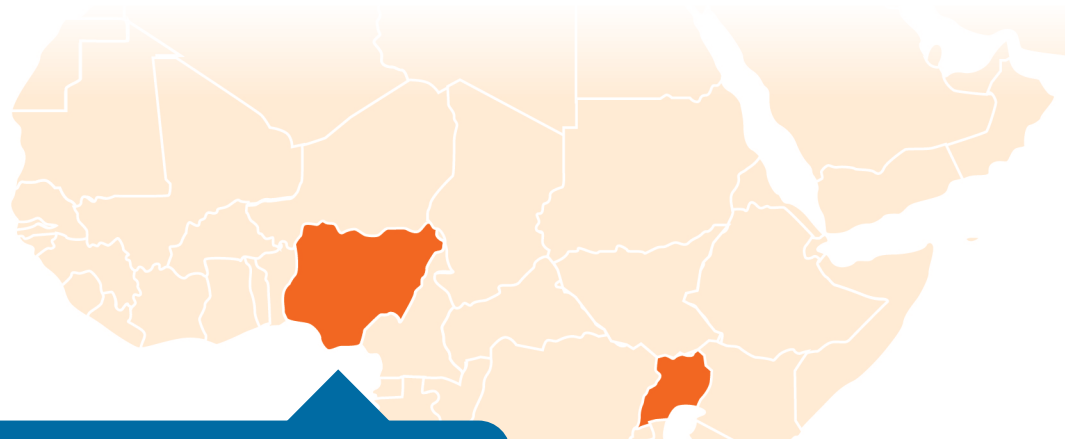
MERCY CORPS' EXPERIENCE WITH RESILIENCE AND MARKET SYSTEMS

Resilience and MSD have been core tenets in how Mercy Corps addresses development challenges for over a decade. MSD has been used to enhance programs' sustainability and reach, including in [fragile and crisis-affected humanitarian contexts](#). Within resilience, measurement is a cornerstone of Mercy Corps' approach, used to shape program design to address the effects of specific shocks and stresses on desired outcomes at the individual, household, and community level. In 2016, the agency created its adaptable [Strategic Resilience Assessment \(STRESS\)](#) approach to help programs connect the theoretical concepts of resilience to practical applications for their implementation. Mercy Corps' early work to pair the two domains through resilience-informed MSD approaches began with the [RAIN program in Uganda](#) in 2011 and [PRIME program in Ethiopia](#) in 2012.

Mercy Corps' programs target improvements for vulnerable and marginalized populations, which led to a focus on MSR as *resilience of market systems through systemic capacities, ultimately for protecting and improving target populations' well-being even during shocks and stresses*. Practically, this led Mercy Corps to measure the well-being of households within market systems, characteristics of the systems like connectivity and power dynamics, and the resilience of market actors and systems as seen in continued operations and functionality in the face of shocks.

CASE STUDIES: MARKET SYSTEMS RESILIENCE ANALYSIS IN PRACTICE

Mercy Corps piloted MSR measurement and analysis activities in four contexts between February 2020 and February 2022. The map below summarizes these pilots, two of which incorporated an MSR lens into ongoing programming while the other two stood alone as assessments to inform future policy and program design.



NIGERIA

Feed the Future Nigeria Rural Resilience Activity (RRA)

APPROACH: RRA builds and protects economic growth in Northeast Nigeria by building more resilient market systems for 4 key crops. MSR analyses included small mixed-methods COVID-19 assessment in 2020 and development of market actor resilience profiles from large-scale quantitative data in 2021.

2020

FINDINGS: Large input suppliers used new communication approaches (phone and web-based) to keep clients despite lockdowns. Influential transporters obtained passes for interstate travel, and offered loans/services on credit to maintain customer base. Women-headed households and internally displaced persons were excluded and most likely to lose income.

TAKEAWAYS: As a result of the assessment, RRA incorporated both transporters and Information and Communications Technology providers as partners in their activities.

2021

FINDINGS: Off-takers, traders, and processors felt increased costs and loss of market access, leading to decreased demand for production of farmers. Farmers also suffered from increasing food prices and drought. Processors in associations, and both input suppliers and off-takers/processors with strong client communication networks, could better continue operations.

TAKEAWAYS: The team began exploring options to connect processors with clients outside Northeast, including information sharing, to stabilize demand.

UGANDA

Food for Peace Apolou – Resilience Challenge Fund (RCF)

APPROACH: Apolou's RCF grant strengthens the animal health (AH) system in Karamoja, where high rates of animal disease reduce household production. Apolou used mixed methods to assess resilience of the AH sector in 2020 - 2021.

FINDINGS: Border closures cut off drug supplies, while cattle raids increased the risk for AH providers to visit communities. AH providers cooperating to purchase from remote sources could maintain supply, and those connecting to local councils could plan movement around combatants' movements.

TAKEAWAYS: The program began connecting AH providers to peace committees to further inform their travel, and built their capacity for risk-aware business planning to enable calculated expansion to uncovered areas.

LEBANON

Mercy Corps Microenterprise Resilience Assessment

APPROACH: In 2020 - 2021, Mercy Corps Lebanon studied the resilience of microenterprises to cumulative shocks from currency devaluation, political unrest, COVID-19, and Beirut port blast to inform policy in the country.

FINDINGS: 90% of microenterprises lost sales but remained operational, with 5% more severely affected and 5% thriving. Those which deliberately adapted, bringing new products and delivery methods to the market, succeeded, but those which attempted innovation by emulating existing products failed more often. Microenterprises with more competitive outlooks were more innovative, while cooperative-minded less so.

TAKEAWAYS: The results highlight that support to business networks must be carefully designed in order to effectively support resilience. In particular, development actors should confirm and contextualize assumptions about the benefits and types of cooperation before working to increase it.

IRAQ

Cash & Livelihoods Consortium for Iraq (CLCI)

APPROACH: In 2020, CLCI partners conducted quantitative assessment of COVID-19 impacts on employment in Iraq, with data from households and Micro, Small, and Medium Enterprises (MSMEs).

FINDINGS: MSMEs able to understand and adapt to COVID-19's effects—developing response plans, complying with COVID-19 restrictions, and incorporating e-commerce—were more likely to continue operating. However, households in areas with more resilient MSMEs were not better-off, with the exception of areas where MSMEs better maintained access to materials and inputs.

TAKEAWAYS: Deeper investigation is needed to understand MSME dynamics in different sectors to understand how and when MSME support programs contribute to key outcomes, like food security and employment. Care should also be taken in understanding when they may be at odds with household resilience.

REFLECTIONS ON ADAPTING AND APPLYING USAID'S MSR MEASUREMENT FRAMEWORK

1 Supporting resilience means investigating resilience outcomes for market systems and target groups together.

Incorporating MSR thinking into a program's design and measurement depends on pairing market system measurements with resilience outcomes for the target groups, typically vulnerable populations or individuals. By doing so, the program can verify whether increased resilience of the market system is positively contributing to vulnerable groups' resilience—or see where the relationship is breaking down. Practically, this means that in addition to regular, qualitative exploration of how markets adapt to shocks, **program-oriented MSR analyses should identify measurable markers of resilience for market functions and actors, such as changes to their functionality, financial health, pricing, and employment levels in the face of shocks.** This approach moves beyond the MSR theory—that characteristics of the market system contribute to resilience—to actually test whether, and how, improved resilience of market functions and actors matters for vulnerable households and individuals. It also re-reinforces the importance of focusing on pro-poor, inclusive market system change in MSD programming.

Using resilience measures for market actors helped RRA connect reduced demand experienced by farmers in Northeast Nigeria back to increased costs and loss of market access for processors. In Iraq, testing the relationship between MSME functionality and household well-being showed that successful coping strategies used by MSMEs could have negative effects on their nearby communities.

2 MSR measurement can provide helpful strategic value for informing programming and shaping policy, but right-sizing the approach can be a challenge.

Complex MSD programs face the constant challenge of managing assessments and studies, because on-going, detailed analysis is the currency that drives partnerships and helps programs respond to changes they see in market systems. Layering in resilience measurement can further complicate this challenge—pushing teams to collect and understand granular information about shifting shocks and stresses and their impacts on actors' behavior.

To limit the measurement burden when applying MSR within a program, Mercy Corps sought to incorporate MSR analysis into routine data collection; adding questions on shocks, shock impact, and coping strategies to market system assessments (MSAs) and monitoring surveys. This reduced the cost of data collection, but considerable time was still required to allow staff to engage deeply with MSR analysis and sense-making. In RRA's case, staff members from around the Northeast joined a sense-making session to review the results of the baseline resilience profiling to better incorporate findings into the program design. The workshop was highly successful at increasing the team's overall knowledge of resilience thinking and MSR in particular, but also incorporated a substantial overview of both topics to bring all team members up to speed. This challenge—supporting implementing teams to comprehend and internalize MSR concepts—is exacerbated by the lack of real-life examples available which demonstrate MSR programming.

In RRA's case, quantitative MSR profiles will enable further follow-up surveys to spot alarming trends among market actors, without requiring in-depth analysis after each survey round. Apolou's Resilience Challenge Fund addressed a smaller set of actors—animal health providers—and investigated their decision-making and perspective of costs and benefits for managing the shocks and stresses they experienced, leading to both immediate supporting activities and further clarity on systemic changes the program could target.

To plan program activities addressing MSR capacities, qualitative data that can illuminate root causes and constraints around shock preparation and actors' responses are most important. To monitor and adjust implementation, and to show a program's effects, large-scale and lighter-touch quantitative data that allow connections between household- and market-level outcomes are recommended.

Studies that are focused on informing policy and strategy outside of a single aprogram can somewhat avoid the MSR measurement burden because they are less iterative and can take advantage of less-granular secondary data and survey efforts. In the case of both Iraq and Lebanon, large data sets played a critical role in understanding trends and making comparisons between the resilience of different types of market actors. These analyses were critical to testing and challenging assumptions about resilient businesses, but qualitative probing was still required in these cases to explain findings and provide the granular insights needed for program design.

3 Programs in conflict settings should expect frequent shocks, and account for the diverse impacts on different types of market actors.

While all market systems face the risk of shocks, in fragile and conflict-affected areas these shocks come to pass more often and with greater impact. This creates tension between program approaches that seek to be agile and responsive to critical needs, and system-building approaches that slowly break down barriers. ***MSR programming can work towards mitigating the impacts of conflict shocks by understanding how violence, forced displacement, road closures, and others cascade throughout market systems***, but they must also navigate this tension between urgency and indirect action.

To focus their efforts, teams can first map the impacts of shocks on the target population and then use a market systems analysis process to develop a short list of the critical functions and actors. These groups either cause these shocks through their own vulnerability or exclusionary coping mechanisms, or effectively support households to manage these shocks. Programs can then set up monitoring systems that are better equipped to provide timely and relevant information in fragile contexts. With this focus, activities can build the capacity of these key groups to mitigate or recover from the shocks they experience which have the greatest impact on household resilience.

MERCY CORPS' MSR LEARNING JOURNEY

Mercy Corps has taken early steps to incorporate USAID's MSR measurement framework into studies to inform policy, assessments to contextualize program design, and monitoring tools to track the resilience of targeted market systems and populations over time. The agency will continue to test its approach with activities in different contexts and at different stages of the program cycle. As new lessons are learned, and new questions raised, Mercy Corps will continue to share its experience through learning briefs conducted under the [REAL Award](#). In the next year, these will include more detailed guidance and reflections on assessing MSR for program design and incorporating MSR thinking into programming.



USAID
FROM THE AMERICAN PEOPLE

