



Working with Markets

Across sectors and outcomes



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Introduction

This paper aims to articulate why markets are at the core of the IRC's programming in economic recovery and development and beyond and how the IRC does and should engage with markets across sectors. It will establish a common understanding of markets and how they are affected by crises and explain and define the IRC's continued approach to working with markets for analysis and response in all stages of crisis and recovery. Critically, it will highlight how working with markets is fundamentally linked to the IRC's strategy, across outcomes.

Whereas international development actors have worked through market systems for decades, the humanitarian sector has only recently begun to recognize their importance. Industry standards are increasingly calling for market analysis, as evidenced in the 2010 Minimum Economic Recovery Standards guidelinesⁱ, the 2011 Sphere handbook's guidelines for food security assessmentsⁱⁱ and the 2012 Livestock Emergency Guideline Standardsⁱⁱⁱ, a Sphere companion initiative. WFP food security analyses for baseline, emergency and monitoring contexts now include market components. Meanwhile, the dramatic increase in programs that involve cash-based interventions (themselves a type of market-based programming) and local procurement since the 2004 tsunami in Southeast Asia has established these market-based approaches within core humanitarian interventions. Elsewhere, market strengthening approaches have been mainstreamed by food security stakeholders including WFP and FAO; examples include WFP's Purchase for Progress pilot program and their Home Grown School Feeding program, both of which provide markets to smallholder farmers and support them to improve crop quality and increase their sales to WFP as well as other buyers^{iv}.

The evidence for the value and benefits of market-based programming, though incomplete, is growing. A 2012 study of a large-scale USDA pilot program found that relief supplies procured through local and national markets were usually more cost-effective and efficiently delivered than supplies shipped from the US^v. Meanwhile, emergency response and early recovery efforts that ignore market dynamics can actually cause harm, impede economic recovery, contribute to tensions and even encourage dependency on aid^{vi}.

Working to support the recovery, development and strengthening of markets is essential to achieving numerous outcomes in the IRC's new strategy. Most obviously, market-based programming can help the IRC to realize each of the economic wellbeing sub-outcomes. For example, by supporting access to goods and services (such as staple foods and transportation) and reinforcing purchasing power through either cash transfers or income-generation opportunities, the IRC can ensure that people meet their basic needs and are food secure, while tapping into the pre-existing supply networks offered by markets. Programs addressing gaps in market systems can create opportunities for people to generate more income and build assets. Finally, identifying and helping to address inequities in market systems (for example, systems where market actors are almost all men) helps to ensure that women are able to use and control resources. However, **market-based programming is equally relevant to other outcome areas, including health, education and power.** Market-based delivery of health and education goods and services can be a highly effective means of lowering costs, providing greater access and offering more choice and control for people to determine what is best for them. Meanwhile, promoting equitable access to different parts of market systems and financial services is an essential mechanism for the empowerment of women and marginalized groups within households and communities.

Understanding markets

Markets are the lifeline of the majority of the world's population, the principal means through which billions of people derive income and buy commodities to cover basic needs; they are therefore an essential element of people's livelihoods. A few key terms and concepts are important to understand for those working with markets.

Whereas the term **markets** invokes images of marketplaces, the physical locations where goods and services are exchanged, humanitarian actors often focus instead on **market systems**, which include (1) a network or **chain** of producers, suppliers, processors, traders, and consumers that are all involved in producing, exchanging and consuming a particular commodity or service; (2) various forms of **infrastructure, inputs and services** connected to the market chain; and (3) rules and norms that shape this system's particular business **environment**.

Every day, in crisis zones across the world, people rely on market systems to supply them with the basic items needed for survival, such as sorghum, drinking water and roofing materials. The role of markets in this context is fairly obvious. However, market systems for key *services*, like transportation and finance, are easily overlooked but are also crucial, since markets cannot function without them. Likewise, humanitarian actors should consider market systems for goods and services that are key sources of revenue for vulnerable people, but which they may not actually consume themselves. Examples of such **income market systems** include wage labor, vegetables and cash crops like coffee beans. Any of these types of market systems could be viable targets for humanitarian interventions in crisis or early recovery contexts.

Shocks such as natural disasters and conflict can severely limit the functioning of market systems and marketplaces and, consequently, can have a strong negative impact on people's capacity to access income and commodities that are essential for their lives and livelihoods^{vii}. Unless emergency responses are designed with a good understanding of key markets, there is a risk that they may damage livelihoods, jobs and businesses and undermine livelihood rehabilitation, which can in turn prolong dependence on outside assistance. Strengthening markets involves making sure that people can rely on markets on a continuous basis, whether during crises, after a major shock, or as contexts stabilize, whether or not humanitarian organizations are present. We want to ensure access to, and continued

Market systems for survival and recovery

In emergencies, the focus tends to be on **critical market systems** specific to a single good or service, such as drinking water, construction labor, dairy cows or maize flour, that are crucial to the survival of the affected population and that have been impacted by the emergency. Meanwhile, early recovery programs are less concerned about whether a market system is essential for survival and more about its potential to grow and contribute to sustainable livelihoods, with the relevant natural and human resources readily available. Early recovery actors often focus on developing and strengthening the **market chain**, or **value chain**, and/or on **labor market systems** — market systems involving the buying and selling of labor, looking at opportunities to create lasting employment and self-employment.

At the most basic level, markets involve the production, distribution and exchange of goods and services. However, well-functioning, healthy, equitable markets have more nuanced qualities, which market-based programming should aim to foster. Such markets are:

- **Inclusive** of the most vulnerable members of crisis-affected populations, including displaced people, women and youth. Safe and equitable access to markets for all people to both purchase survival items and assets needed for longer-term livelihoods strategies and to earn income to meet their needs, is necessary to ensure economic wellbeing for everyone.
- **Resilient**. Markets that can provide high quality basic goods and services, including employment, and recover quickly following shocks, will allow affected populations to better help themselves during and after crises.
- **Responsive** to consumer preferences, able to bring in more quality goods/services to the local area in a timely manner when demand is high, and with a sufficient number of actors to avoid collusion.

functioning of, markets so that vulnerable populations can meet their basic needs either directly – as they buy goods and services to serve household and livelihoods needs, or indirectly, as they rely on markets for employment to generate income and then make purchases.

MARKETS AND THE IRC STRATEGY

In the IRC2020 strategy, the organization commits to improving people's lives in five main outcome areas - health, safety, education, economic wellbeing and power – while narrowing the gender gap. Our engagement with markets can help to achieve most of these outcomes. Markets provide the forum in which people may buy needed goods, sell goods for income that they then use elsewhere in the market, or sell labor. These core interactions with markets can happen at any time of an emergency or post-emergency recovery period. The linkage between markets and economic wellbeing is perhaps the easiest to envision conceptually; however, equitable and functioning market systems are also necessary to achieve outcomes in health, education and power. For health and education, supply markets deliver the materials needed (such as stationary, school uniforms and medicine), labor markets provide jobs for teachers, doctors and technicians, and in some contexts, education and health services themselves are partially or fully privatized, and consumers have a choice of providers. Markets play an important role in ensuring access to, and availability of, the materials and services needed across IRC outcomes.

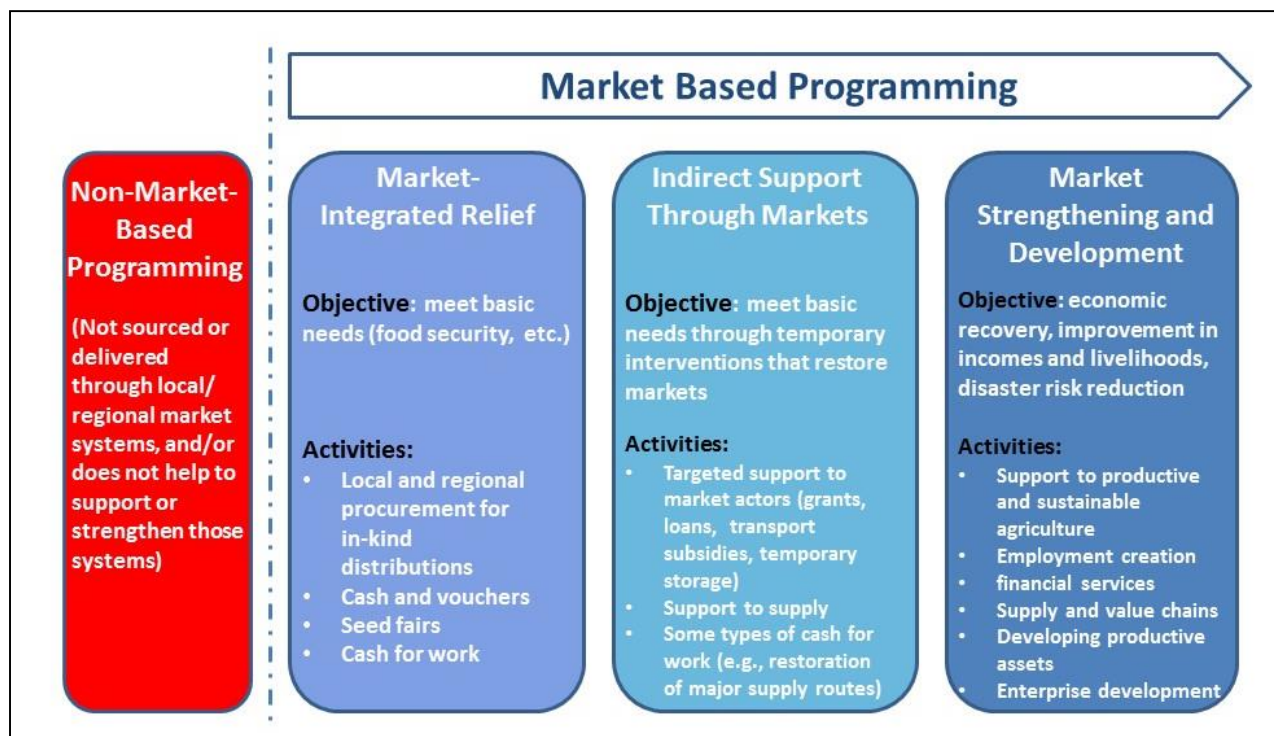
While it's fairly easy to see the role markets play in health, education and economic wellbeing outcomes, it is possibly a little more challenging to see the connection between markets and power. One of the potential benefits of market-based programming is that it transfers power to crisis-affected people, who are able to meet their needs with a degree of choice through market systems that are already familiar to them. At a deeper level, market analysis allows us to understand who holds power at different points in a market system as well as the different cultural and political factors that keep power structures in place. With this knowledge, we can design programs that help to shift power to traditionally disenfranchised groups. When we focus on increasing the power of women within market systems, we also move towards closing the gender gap.

Relevant approaches to market-based programming

There are a variety of ways to engage with markets before, during and after emergencies, for recovery programming or longer-term development. Generally, these programming approaches fall into one or more of three categories, **market-integrated relief**, **indirect support through markets** and **market strengthening and development**.^{viii} The type of programming we decide to pursue will once again depend on factors of timing, objectives and context; however, the different activities are not always limited to a particular phase of a crisis. The vast majority of the IRC's ERD programming, and some of the IRC's programs within other sectors, use activities from these categories.

MARKET-INTEGRATED RELIEF

Market-integrated relief is the practice of working through markets to provide goods and services, through cash^{ix}, voucher or in-kind delivery mechanisms. Cash and vouchers enable affected populations to access the goods or services they need most. This approach both empowers affected individuals to define and meet their priority needs and supports local businesses. In such programs, the IRC essentially delegates the responsibility for procurement and distribution to market actors and the affected population. In addition to cash and voucher programs, local procurement may be considered a form of market-integrated relief when goods are purchased from local markets based on an analysis of the capacity of that market system to meet the demand. Goods and services should be sourced as



Adapted from [Executive Brief: Engaging with markets in humanitarian responses](#). Oxfam and WFP, July 2013.

close as possible to affected populations and should favor small and medium vendors rather than larger wholesalers where feasible.

Cash programs that do not dictate how or where the cash is spent are generally thought to have the most widespread benefits for local economies, whereas local procurement and voucher programs (to a lesser extent) generally involve a smaller number of market actors. Unconditional cash grants are usually the preferred delivery modality for emergency assistance, unless there is a strong justification for another modality.

Most people are familiar with market-integrated relief in emergency contexts; however, it is equally relevant to recovery and development contexts. For example, vouchers could be distributed for agricultural inputs in a value chain development program, or unconditional cash grants could be given to enterprise training graduates as business start-up funds.

INDIRECT SUPPORT THROUGH MARKETS

Indirect support through markets refers to short-term activities that resolve an identified bottleneck in a market system to restore market functionality. Normally the immediate beneficiaries of this type of assistance are market actors such as vendors or service providers rather than vulnerable or crisis-affected populations (although cash for work/public works programs could be used to both support crisis-affected populations and market actors), and as such it is known as **indirect** support. It is often, though not always, utilized in conjunction with market-integrated relief and in post-emergency contexts. For example, following the earthquake in Haiti in 2010, many food vendors could not re-stock because warehouses had collapsed and they lacked safe, dry storage for foodstuffs. Cash grants to these vendors enabled them to rebuild their shops or find temporary warehouses and to reopen their stores so they could begin supplying their clientele once again. Food aid was subsequently phased out, replaced by cash grants to earthquake-affected people. During the rainy season in South Sudan in 2014, the IRC offered a decommissioned ambulance boat to staple food traders so they could transport

large quantities of sorghum to food insecure communities whose access to markets had been cut off by the floods. These forms of support enable market actors to resume or scale-up activity so that markets might function again.

MARKET STRENGTHENING

Market strengthening is a combination of actions, exerted over a period of time and at different points in a market system, that are intended to improve or expand livelihoods opportunities and/or help to build the capacity, function and resilience of the market system. It can be used in emergency preparedness, recovery, protracted crisis or development contexts. The IRC's market strengthening work largely aligns with the [Making Markets Work for the Poor \(M4P\) approach](#)^x, in which agencies help to facilitate interactions among market actors with the goal of helping poor people interact more profitably with market systems by addressing the specific constraints that they face.

Market strengthening can involve a wide range of activities. In Uganda, for example, the IRC has helped to establish collective marketing committees so that farmers can benefit from economies of scale and access markets with more favorable prices. In Zimbabwe and Myanmar, the IRC has provided technical and strategic training to government agricultural extension agents so that they can better support farmers even after the program officially ends. The IRC's highly successful micro-franchising work pairs unemployed youth (and other vulnerable populations) with existing successful business models. Supporting the franchisee (the youth) and the franchisor (the existing business) with the training, capital and ongoing technical support needed to start new franchise businesses and expand operations. Through the micro-franchise program, the IRC has helped thousands of youth to establish small businesses that sell cosmetics, ice, sim cards, beauty products and fast food – generating income for the franchisee and expanding the reach of the franchisor.

Finally, another type of market strengthening work is **value chain programming**, which is based on the concept of the market, rather than the target population, as the central driver of the program and is designed around opportunities identified in a thorough assessment of the market chain (also known as the value chain) for a specific good or service. Value chain programming aims to help the target population – whether producers, processors, or retailers, to derive more income from a livelihood activity, for example by supporting them to add value to a product, or by helping them to access markets where there is greater demand for their product, improving quality and productivity along the value chain in the process. For this type of programming, it is important to focus on market systems with potential for growth. Much of the IRC's value chain work to date involves smallholder farmers. For instance, in Zimbabwe, the IRC has provided technical support to farmers to engage in chili production for export markets as well as products which are in high demand locally such as honey and horticultural produce.

Is in-kind assistance ever okay?

After an appropriate effort is made at market analysis, it may be determined that some or all aspects of the humanitarian assistance needed cannot be satisfactorily delivered via markets and thus it should be delivered in kind. There are some cases when in-kind assistance may make the most sense, and there is some research suggesting that a combination of in-kind and market-based approaches may be more effective at achieving specific program objectives than a single type of transfer. However, in-kind assistance should only be pursued on the basis of a market assessment and after market-based options have been adequately explored.

Such responses may be justifiable for security reasons (e.g., a proper market assessment is not possible) or ethical ones (businesses that stand to benefit from a market-based intervention are dominated by leaders of a conflict), or because markets are too devastated by a crisis to be able to supply needed goods and services quickly and efficiently, even with humanitarian support. This latter instance is most common in the earliest days following a rapid onset crisis. Where feasible, in-kind assistance can still be procured within the affected country or ideally the affected region to ensure some benefit to local market systems, in which case it can be considered a form of market-integrated relief.

Market systems analysis

In order to effectively design and implement market-based programming, the IRC must treat market analysis as a routine part of needs and context analysis and integrate market-related indicators into program monitoring systems. The IRC has experience with a number of tools and approaches that can be applied at these different phases of the program cycle and continues to identify and address gaps in market assessment tools and practices within the humanitarian community.

Market analysis allows us to understand targeted market systems within the specific context where we are working, with an eye on capacity, limitations, opportunities and inequities. This allows us to better understand how and to what extent we can deliver humanitarian goods and services through markets, to identify gaps and weaknesses in markets that could potentially be addressed through programming. It is especially important to conduct some type of market analysis prior to launching an emergency response, despite the pressure to act quickly. Fortunately, there is a wide range of tools and approaches to choose from; the approach you should use depends on several factors, including the timing, the purpose of the assessment and the level of information that you need.

A number of slightly different tools have been designed for the post-emergency context, all with the aim of enabling non-specialists to determine how and to what extent local and national-level market systems can play a role in the emergency response, as well as what support might be needed to help those markets recover. In the days immediately after a sudden emergency, approaches like the [48-hour Tool](#)^{xi} and the [Rapid Assessment of Markets \(RAM\)](#)^{xii} can gather enough information to help decide, for example, if initial food assistance can be delivered through local markets via a cash transfer program. Once markets have stabilized somewhat following an emergency (usually after about one month), more comprehensive tools such as the [Emergency Market Mapping and Analysis \(EMMA\)](#)^{xiii} and the [Market Assessment Guidance](#)^{xiv} can help to inform longer-term emergency and early recovery program design, looking not only at market capacity but also at ways to restore and improve market function. In contexts with recurring crises or where a specific shock is anticipated, a [Pre-Crisis Market Analysis \(PCMA\)](#) assessment can inform preparedness and disaster risk reduction efforts and can speed up emergency response when the crisis eventually unfolds. These different tools are flexible and adaptable and should be treated as useful starting points rather than rigid frameworks; it is perfectly valid to mix and match elements of the various approaches to fit the circumstances.

In protracted crisis and recovery contexts, market assessments can be used to help inform longer-term programming and thus tend to be more complex and time intensive than those focused on emergencies. These assessments help to ensure that programs are aligned with actual market needs and realities and therefore are more likely to have a lasting positive impact. At their most basic level, **value chain studies** involve the analysis of all of the steps along the value chain for a specific

Markets, safety and power

Different members of the population engage with market systems in different ways for a number of reasons. For example, in Jordan migrants and refugees dominate the labor force in the agriculture and service sectors, while these same groups are officially excluded from many other sectors. Following the start of the most recent conflict in South Sudan in late 2013, political tensions made it difficult for individuals from certain ethnic groups to access money transfers, limiting their ability to purchase goods or maintain businesses.

In many countries, women tend to have limited access to and power within market systems. Their significant responsibilities for household work and child care, and limited access to resources, transportation and land, as well as social norms, all dictate the roles that they can play in market systems. Meanwhile, youth face high unemployment rates in many low income countries because of limited opportunities and their relative inexperience.

Market assessments should consider how gender, age, disability, ethnicity, and other factors influence people's ability to participate in market systems and to access goods, services and income from them.

good or service, from production to consumption and even disposal. Such studies focus on where and how value is added to a product, with the objective of identifying opportunities to increase the benefits to particular target populations. For the agricultural sector, a range of tools, such as [Participatory market chain analysis for smallholder producers](#), are available to help analyze and support smallholders' participation in value chains in development settings^{xv}. As their name implies, **labor market assessments** (LMAs) examine labor market systems, with a focus on understanding constraints of the system, capabilities of the workforce and the potential to expand or improve relevant labor opportunities. LMAs can help to guide programs involving enterprise development and employment projects. Large international economic development institutions such as the World Bank and the ILO have produced an array of tools to support LMAs; however, many of these are primarily intended for development, rather than humanitarian, settings. As such, the IRC has been helping to compile and develop robust LMA tools for humanitarian contexts; the most pertinent of these have recently been catalogued and explained in a [guidance document](#) produced by the IRC, Mercy Corps and Save the Children^{xvi}.

Addressing gaps in knowledge and practice

At the micro and the macro levels, we – the IRC's Economic Development Unit, the IRC as a whole, the broader humanitarian community and our international development counterparts – need to begin thinking about markets as essential systems whose long-term health is necessary for the economic wellbeing of the populations we aim to serve. A great deal of work remains to be done to ensure market support and strengthening approaches are consistently applied in humanitarian programming contexts. Though there is considerable experience with and knowledge of market assessments and programming within the IRC and many organizations, a number of priorities for improved practice still remain:

- Ensuring that needs assessments, project designs and implementation of programs across all relevant sectors are sensitive to market realities and structured to strengthen (not weaken) market systems;
- Organizational policies and procedures must evolve to reflect emphasis on local economic development and market strengthening, for example by incorporating minimum standards for market assessments into procurement procedures, and requiring justification for the use of in-kind assistance;
- Fostering linkages between humanitarian, early recovery and development actors in the way we understand and approach markets to ensure coherence in our approaches and transition from relief to development phases.

In addition these gaps in the implementation of market assessments and market-based programming, there remain some significant knowledge gaps. While additional literature review and evidence mapping are needed to identify which of these should be prioritized for investment, a few broad gap areas are evident:

- The first involves developing an evidence base around the benefits to the local economy (or lack thereof) of humanitarian assistance that is delivered through markets as compared to the distribution of goods that are sourced from national or international-level markets. For example, there is a tacit assumption among many humanitarian actors that market-based emergency programs lead to faster recovery at both the market and the household levels, and that they have broad benefits for a wide range of market actors. NGOs should make a more deliberate effort to capture indicators of overall market health so that they can assess the broader and

longer-term impacts of different types of market-based interventions on both market systems and target populations.

- A second area for further investment is measuring the value add of pre-crisis market assessments and resulting programming for emergency response and market resilience. Humanitarian actors have recently begun conducting market assessments before crises occur, on the grounds that such assessments can lead to more efficient, faster programming implementation in the event that an anticipated crisis actually unfolds and that they can support the design of market strengthening programming that can help make both markets and households better able to cope when shocks occur, even without external assistance. While these assumptions make logical sense, they should be evaluated based on actual experience.
- Finally, there is a need investigate the optimal timing for introducing market recovery, employment and enterprise development programming in humanitarian contexts, especially in protracted crisis settings.

Additional resources

E-Learning

- Introduction to Market Assessment Course in [English](#), [Spanish](#), [Arabic](#) and [French](#)
- Rapid Assessment of Markets (RAM) Course in [English](#)
- Microlinks Market Analysis and Value Chain Project Design in [English](#)
- Microlinks Learning Value Chain Basics Courses in [English](#)

Market Assessment Tools & Guidance

- [Comparative Table of Market Analysis Tools](#)
- Oxfam's [Market Analysis Compass](#) (Prezi presentation)
- Emergency Market Mapping Analysis (EMMA) Toolkit in [English](#) and [French](#)
- Pre-Crisis Market Analysis (PCMA) Guidance Document in [English](#)
- Mercy Corps Labor and Market Assessment Guidance and Tip Sheets in [English](#)
- Rapid Assessment of Markets (RAM) in [English](#)
- Market Analysis Guidance (MAG) in [English](#)
- [Labour Market Analysis guidance](#)

Resources on Market Strengthening Programming

- [Donor Committee for Enterprise Development \(DCED\): Making Markets Work for the Poor \(M4P\)](#)
 - [Value Chains: Inter-Agency Database of the DCED](#)
- A Synthesis of the Making Markets Work for the Poor (M4P) Approach in [English](#)
- Identifying Market Opportunities for Rural Smallholder Producers http://pdf.usaid.gov/pdf_docs/Pnadv098.pdf
- Strengthening Agriculture Marketing with ICT http://www.e-agriculture.org/sites/default/files/uploads/media/eAg_Sourcebook_1_Dec2011.pdf
- Seep Network Resources: <http://www.seepnetwork.org/seep-resources-pages-4.php>
- Microlinks Vulnerable Populations Resources: <https://www.microlinks.org/topics/vulnerable-populations>

ⁱ http://www.seepnetwork.org/filebin/Minimum_Econ_Recovery_Standards2_web.pdf

ⁱⁱ <http://www.spherehandbook.org/en/how-to-use-this-chapter-3/>

ⁱⁱⁱ <http://www.livestock-emergency.net/wp-content/uploads/2012/01/LEGS-Handbook-2nd-edition-web-version1.pdf>

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- iv <https://www.wfp.org/purchase-progress>
- v http://www.fas.usda.gov/sites/default/files/lrp_report_12-03-12_to_print.pdf
- vi http://www.seepnetwork.org/filebin/Minimum_Econ_Recovery_Standards2_web.pdf
- vii Rapid Assessment of Markets (RAM), IFRC, ICRC and BRC
- viii Definitions adapted from Oxfam and WFP's [Executive Brief: Engaging with markets in humanitarian response](#). 10 July 2013
- ix Including unconditional and conditional cash grants, cash for work and commodity and value vouchers
- x <http://www.value-chains.org/dyn/bds/docs/detail/681/6>
- xi Developed by Oxfam GB in 2012.
- xii Developed by the IFRC in 2014.
- xiii Co-developed by the IRC and Oxfam in 2010, and probably the most widely-used emergency market assessment tool to date.
- xiv Developed by the IFRC, 2014.
- xv CIAT (Lundy, M., M. V. Gottret, C. Ostertag, R. Best, and S. Ferris). 2007. Participatory market chain analysis for smallholder producers. CIAT. http://webapp.ciat.cgiar.org/agroempresas/ingles/good_practice_guide_4.html
- xvi The LMA guidance document features tools that have been used as part of the Syria response but may be useful in a variety of contexts.