

## The power of markets: lessons from Uganda

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### Market-based approaches in northern Uganda demonstrate the benefits of supporting local markets instead of distributing in-kind aid.

Markets help crisis-affected populations access goods, services and economic opportunities that are critical to meeting their basic needs and supporting their livelihoods. Nevertheless, many aid organisations continue to provide in-kind assistance in areas where markets are functional. This may help in the short term but it sidesteps, and often undermines, markets' short- and long-term roles in coping and recovery. This is particularly relevant in protracted refugee crises.

Northern Uganda is one such context, where nearly one million refugees who have fled South Sudan's conflict currently live. Refugee settlements have developed in this area previously, and the most recently arrived refugees are expected to remain in the West Nile region for many years. Recognising this, the Government of Uganda and the UN Refugee Agency, UNHCR, have called for aid actors to promote sustainable livelihoods for the refugees.

The vast majority of host communities in West Nile have historically been reliant on subsistence agriculture and, as a result, the supporting markets necessary to produce and expand commercial agriculture (such as of supplies of seed and fertiliser, technical advice and sales channels) have remained underdeveloped. Yet spending and investment by South Sudanese refugees is helping to fuel new growth in this underdeveloped economy. Refugee investment is also likely to continue as refugees begin to establish themselves in the settlements. There is thus real potential for continued economic growth in ways that provide longer-term livelihoods opportunities for both refugees and host communities.

However, while aid organisations and donors have made commitments to transition to an increasingly cash-based response, nearly all households in West Nile's Bidi Bidi and Palorinya settlements still receive

in-kind food assistance (such as cereals, beans and cooking oil). Households sell the excess to buy goods they need more in local marketplaces, undermining the market's ability to provide food to local populations and reducing farmers' incentive to grow crops for sale. One trader in Yumbe (the nearest town to Bidi Bidi settlement) notes that, prior to the refugee response, 10 large traders used to bring in cereals to the local market. Since aid distributions have started only one of them remains, while the others have shifted to other types of businesses.

By providing seeds and tools, aid organisations also undercut the availability of agriculture inputs in local markets. To date very few input sellers exist in the West Nile settlements; agro-dealers in nearby towns say that free distribution of in-kind inputs prevents them from expanding their sales in the refugee settlements.

### Promoting market-driven activities

Cash programming fuels spending and investment in West Nile without undercutting critical markets but more cash transfers alone cannot be a long-term strategy for refugee support. Aid organisations need to support market-driven activities that help households earn an income in the longer term. Mercy Corps, Palladium and DanChurchAid are working together in West Nile to strengthen agricultural markets and improve refugees' participation in them.<sup>1</sup>

Their ReHope project<sup>2</sup> comprises several components. The first involves partnering with agro-dealers to help them access improved seeds and expand their sales networks into settlements, and providing marketing support to agro-dealers for the first growing season; rather than handing out free agricultural inputs to farmers directly, the project funded a coupon-based promotion for purchase of agro-dealers' inputs. The second

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component involves working directly with refugee populations to provide advice on production and to support land sharing with host communities. Finally, the project works to attract output buyers and strengthen their networks, with the goal of helping refugees to increase incomes from the crops they harvest.

Donors and implementing partners can draw several lessons from the early, encouraging results of the ReHope project, including the need to:

- reduce in-kind food distributions in favour of cash transfers where possible, scaling up cash transfers gradually, accompanied by transparent investments in market analysis and learning
- reduce in-kind distribution of agriculture inputs in favour of gradually reduced subsidies
- move to joint funding across humanitarian and development portfolios and increase project timeframes, in order to enable aid organisations to more effectively strengthen market opportunities for refugees facing multi-year displacement

- encourage investments that strengthen the capacity of local market actors on whom refugees and host communities rely for their livelihoods
- capture learning about market systems for current and future refugee responses in West Nile and provide feedback on the successes and challenges of market-driven approaches and the inter-related impacts on refugees and host communities.

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1. See Mercy Corps (2017) *Refugee Markets Brief: The power of markets to support refugee economic opportunities in West Nile, Uganda* <http://bit.ly/MercyCorps-RefugeeMarkets2017>

2. Funded by the UK government.