



Market Systems Development Principles & Terminology



The Refugee Self-Reliance Initiative and its Community of Practice bridge the humanitarian and development spheres with a diverse membership that brings together stakeholders ranging from refugee-led organizations (RLOs), international NGOs and national civil society, United Nations' Agencies, donors, and the private sector. Through that membership, in particular the engagement of front-line responders and RLOs, RSRI has the capacity to convene unexpected discussions and to bring a fresh lens to humanitarian and development work, including encouraging market systems practitioners to stretch approaches to include displacement-affected communities and to consider their unique contexts and perspectives. This document is intended to outline the core principles that govern market systems approaches for displacement-affected communities and to clarify key terminology to inform future discussions.

Introduction

The Refugee Self-Reliance Initiative (RSRI) seeks to build collective action to transform and shift the refugee response paradigm away from a 'care and maintenance' model towards a model built on self-reliance that responds to the urgency and scale of forced displacement today. We define self-reliance as "the social and economic ability of an individual, a household or a community to meet their essential needs in a sustainable manner."¹ Achieving this requires "actively designing equitable policies and programs that empower refugees to make voluntary and informed choices that enable them to rebuild their lives, support themselves and their families, and contribute to their communities."¹

RSRI recognizes that refugees and other forcibly displaced populations, like everyone else, live and work within economic, social, and government systems.² To help displaced populations³ increase their self reliance, we have to make those systems more inclusive and supportive of marginalized groups. However, as displaced populations are often the most marginalized, it is necessary to ensure that the displaced are the primary recipients of interventions and that the systems' improvements actually benefit them. We also recognize that displaced populations are not homogeneous and there are many subgroups with differing needs and capabilities within these larger populations. Direct activities targeting specific groups may be required to ensure that the more marginalized displaced groups can participate.



RSRI Principles for Engagement to Reach Refugee Self-Reliance

Inclusiveness

Interventions aim to address the specific barriers keeping all displacement-affected individuals from participating in key systems, recognizing the diversity of needs and capacities within these displaced and host communities. This includes focusing on supporting factors that particularly impact displaced populations, such as legal restrictions, discriminatory norms, and lack of social cohesion. Interventions also consider the quality, depth, and power balance of relationships between different population groups of people, market actors, and the institutions that govern them.

Sustainability

Interventions strive to create long-lasting behaviour change that continues beyond donor funding and include a clear exit strategy for humanitarian actors. This requires considering and addressing the incentives within systems to include and support the displaced.

Scalability

Activities strive to reach the largest numbers of relevant people, ideally through mechanisms that allow other actors to support and expand the impact.

Accountability

Accountability to displaced people is a commitment to use power responsibly: to take account of, give account to, and be held to account by the people we seek to assist. This includes enabling displaced populations to meet their different needs, address their vulnerabilities, build on pre-existing capacities and drive programme adaptation. It requires considering what already exists and promoting needs and capabilities in existing systems. It seeks outcomes that benefit all displacement-affected individuals, including host communities, and avoids doing unintended harm. Accountability is predicated on the meaningful, intentional, and systematic inclusion of the expressed needs, concerns, capabilities and views of displaced populations and host communities – in their diversity – in the development and implementation of interventions.



Paula Bronstein/Getty Images/Images of Empowerment

Terminology⁴

Market

Any formal or informal structure (not necessarily a physical space) in which people who need something (buyers) and people who can provide it (sellers) exchange goods (e.g. tomatoes, bottled water, wood) or services (e.g. medical treatment, legal support, piped water) for cash or for other goods and services.

Market Actor

Any organisation or individual in the private or public sector, civil society/community groups, social enterprises, representative organisations, academic bodies etc. who form part of the system (not including temporary actors funded by donors).

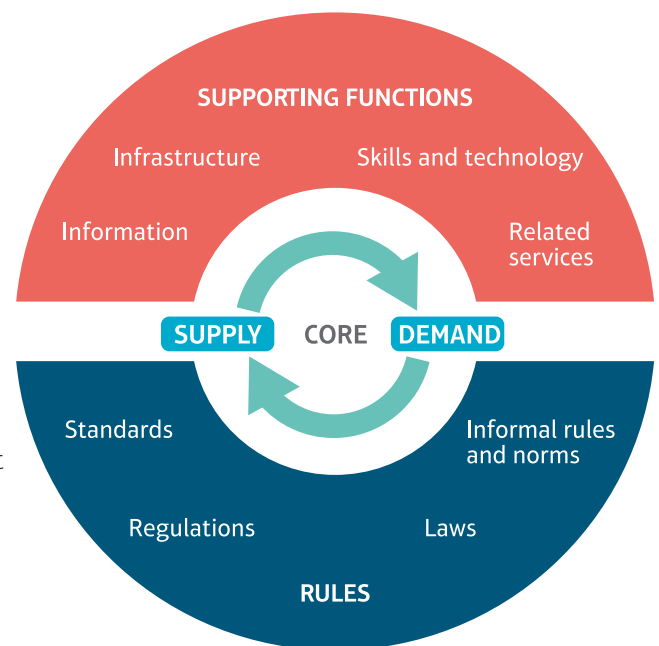
Marginalised Actors

Actors who form part of the system - play roles in it and derive an income from it - but who face disadvantages within, or are excluded from, the market system, for example: due to their lack of bargaining power, knowledge, political influence, social status, income, etc.

Market System

The complex web of people, trading structures, and rules that determines how a particular good or service is produced, accessed, and exchanged. It can be thought of as a network of market actors, supported by various forms of infrastructure and services, interacting within the context of rules and norms that shape their business environment.

The market system is often illustrated by the “market system donut,”⁵ as seen in the picture to the right. At the center is a simple exchange of goods or services, such as laborers earning wages, or farmers selling crops. The top half of the donut shows the other functions and exchanges that are necessary for that market exchange to happen. The bottom half of the donut shows the institutional context or business environment – laws, regulations, standards, social rules and behaviors that influence when, where and how exchanges take place.



Source: M4P Operational Guide (2015)

Inclusive Market Systems

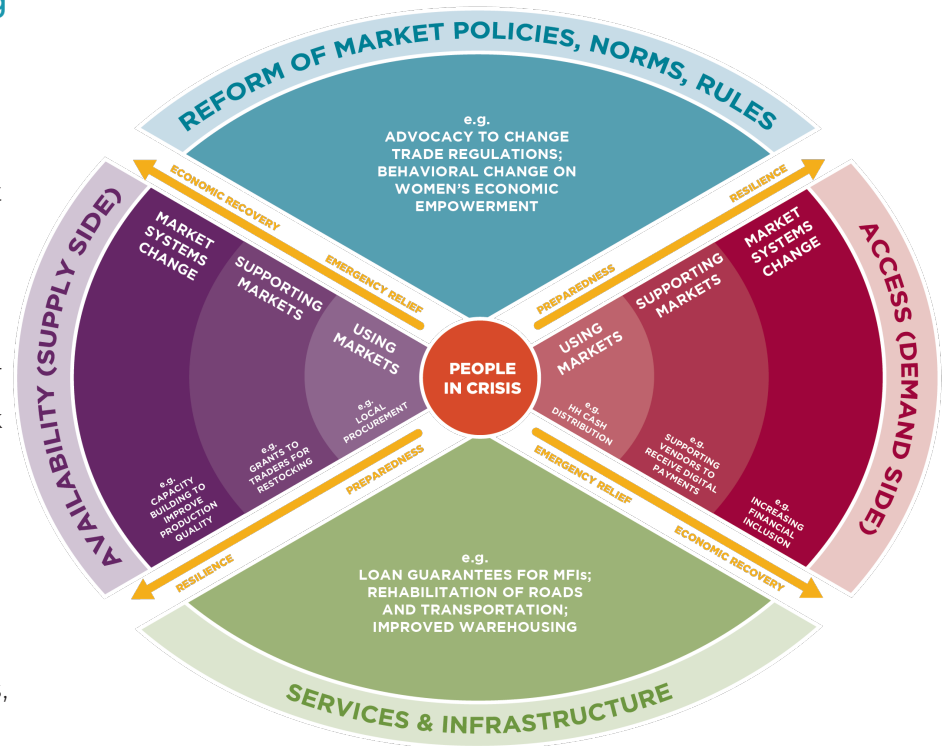
Market systems that engage and benefit a range of actors including the poor, women, youth, forcibly displaced, and/or other marginalized groups who are often excluded — or even exploited — by traditional market systems.

Thin Markets

Markets with limited trading activity or low liquidity, characterized by relatively few buyers and sellers and a lack of substantial trading volume. In thin markets, it can be challenging to buy or sell assets or securities quickly without significantly affecting their prices. This contrasts with deep markets, which have a high level of activity, numerous participants, and substantial trading volumes.

Market-based Programming (MBP)

Projects that work through or support local markets. It covers all types of engagement with market systems, ranging from actions to deliver a relief intervention to proactively strengthening and catalyzing local market systems or market hubs. The MBP framework is illustrated in the picture to the right with the following types of interventions.⁶



Using Markets

Working through existing markets, where they are still functioning, to provide emergency support with the aim of maintaining or improving the effectiveness of aid, while avoiding doing harm to local economic systems. Sample activities: procurement of food or shelter items through local markets; contracting the local production of sanitary products.

Supporting Markets

Providing direct assistance to market actors or other entities with the aim of providing emergency goods and services and also helping key actors recover, restock, or build capacity faster. Sample activities: grants to traders for restocking; transportation subsidies; participatory market assessments that help market actors better understand barriers.

Market System Change

Longer term approaches helping vulnerable communities move beyond dependency on humanitarian aid. Interventions aim to facilitate early economic recovery and greater resilience by identifying and addressing systemic opportunities or constraints on producers, businesses, and

employers. Sample activities: advocacy or facilitation of transport permits; improving agro-dealer access to veterinary medicines or seeds; streamlining work permits for refugees wishing to enter the labor market.

Market Systems Development

The principles, frameworks, and good practices that guide both analyses of market systems and developmental interventions which bring about pro-poor change within them.⁷ The approach aims to support lasting change by addressing the root causes of market exclusion and weak performance in the economic systems upon which poor people rely.

Adaptive Management

Within the context of forced displacement, a systematic and flexible approach that allows organizations and stakeholders to respond to the evolving needs, challenges, and opportunities faced by displaced and host communities. It involves continuous learning, data-driven decision-making, and timely adjustments to programs and interventions based on real-time information and feedback.

Durable Solutions

Durable solutions are achieved when displaced persons no longer have any specific assistance and protection needs that are linked to their displacement and can enjoy their human rights without discrimination on account of their displacement. It can be achieved through integration: sustainable reintegration at the place of origin (voluntary 'return' for IDPs or 'repatriation' for refugees); sustainable local integration in the place where IDPs or refugees take refuge ('local integration' in country of asylum or area of displacement); or sustainable integration in a third place ('resettlement' to a third country for refugees or 'relocation' to another part of the country for IDPs).

The link between self-reliance and durable solutions is two-fold: (1) prompted by the difficulty to achieve durable solutions rapidly, self-reliance programming has emerged as a more sustainable alternative to traditional humanitarian programming for refugees focused on care & maintenance interventions; and (2) self-reliance programming is proactively designed both as a preparatory step to each of the three settlement options for durable solutions to displacement, as well as one which significantly aligns with the criteria for achieving a durable solution. In fact, there has been a longstanding request from displacement-affected populations themselves to be supported to become more self-reliant and have the opportunity to provide for themselves and their families while they await durable solutions.

Economic Inclusion

Access to labor markets, assets, finance, entrepreneurship, and economic opportunities for all, including non-citizens in addition to vulnerable and under-served groups. Economic inclusion contributes to the self-reliance and resilience of refugees, empowering them to meet their

needs in a safe, sustainable, and dignified manner; avoids aid-dependency and negative coping mechanisms; contributes to their host economies; and prepares refugees for their future whether they return home, integrate in their country of asylum, or resettle in a third country.

Enabling Environment

The norms and customs, laws, regulations, policies, and infrastructure that either facilitate or hinder economic activity. These include formal elements, such as public policies, governance structures, regulatory frameworks, and investment programs, and informal elements, such as the social, cultural, and economic norms, rules, and practices that influence how actors, networks, and systems function.

Facilitation

The attempt by development actors to catalyse change in the market system while not assuming any long-term market function themselves. Their intervention role is temporary and catalytic.

Rather than providing services directly, facilitators orchestrate interventions that build local capacity for providing sustainable services and/or solutions, preferably through existing providers. Services and/or solutions can include access to markets, product development, technology access, training, consulting services, links to financial services, improved inputs, and/or advocacy services.

Self-Reliance

The social and economic ability of an individual, a household or a community to meet their essential needs in a sustainable manner.

Sustainability

The capability of market systems to offer equal access to displaced people and provide a means by which they can continue to derive social and economic benefits without humanitarian assistance, beyond the period of intervention.

Systemic Change

Transformations in the structure or dynamics of a system that leads to impacts on the material conditions or behaviors of large numbers of displaced people.



Footnotes

¹ Better Lives Now: Self-Reliance Innovation Lab Learning Briefer

² The RSRI considers self reliance as the ability to meet one's core needs without humanitarian aid, through local systems, rather than the ability to survive completely independently of others.

³ Throughout this document, the term displaced people is used to refer to refugees and other forcibly displaced populations.

⁴ Definitions are adapted from [BEAM Exchange; Minimum Economic Recovery Standards; Operational Guide for the Making Markets Work for the Poor \(M4P\) Approach](#), the Springfield Centre. 2015; and the [Inter-Agency Standing Committee](#).

⁵ Graphic from the [Beam Exchange](#).

⁶ Graphic from the [Market Based Programming Framework](#) from the Markets in Crises Community of Practice.

⁷ [The Operational Guide for the Making Markets Work for the Poor \(M4P\) Approach](#). The Springfield Centre. 2015.

Acknowledgements

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