MARKET SYSTEMS DEVELOPMENT IN ETHIOPIA

Mercy Corps applies market systems development approaches across multiple sectors and geographies in Ethiopia to transform the lives of vulnerable populations and achieve lasting change at scale.

We recognize that even the most vulnerable and marginalized individuals in Ethiopia operate in complex market systems, but many face obstacles to participation. Since 2004 Mercy Corps has worked to address the root causes of this exclusion and underperformance by applying our market systems development expertise throughout our portfolio of programs, in contexts that range from humanitarian crises to long-term development. We partner with public and private sector actors to strengthen market systems so that vulnerable populations are empowered to access new opportunities and improve their lives.

In the past five years Mercy Corps has partnered with more than 2,400 private sector businesses in Oromia, Somali, SNNP, Afar and Amhara regions, ranging from large agri-processing factories to microenterprises serving poor communities at the village level. Through these partnerships we have leveraged more than $16 million in private sector investment, and improved the lives of 5.2 million people.
Expanding Financial Inclusion

In Ethiopia, just 22 percent of the adult population has access to formal financial services. Mercy Corps works to improve financial inclusion for marginalized populations, recognizing this plays a pivotal role in improving households’ ability to accumulate savings and invest in livelihoods and businesses. We partner with banks, MFIs, technology providers, insurance companies and government agencies, supporting them to improve the provision of financial products and services for poor populations. Since 2011, these partnerships have expanded financial access to 344,000 previously excluded households.

In Somali Region, Mercy Corps helped to establish the Somali Microfinance Institution in 2011. Since then, we have supported it to become the first Islamic Finance institution in the country, introduce digital financial services through a partnership with Belcash, and expand its network of rural branches into remote areas of the region. Today it serves nearly a quarter of a million customers — 70 percent of whom are women — with a network of more than 1,000 active mobile banking agents.

Mercy Corps is now a pioneer leader in expanding Islamic Finance in Ethiopia. We supported the establishment of the second Islamic Finance institution in Ethiopia (Afar MFI) and the first purely private sector Islamic Finance institution (RAYS MFI). We are currently partnering with Amhara Credit and Saving Institution (ACSI), the largest MFI in Ethiopia, to develop an Islamic Finance window and provide sharia-compliant products for more than 3 million Muslims in the region. To facilitate these changes, we have worked closely with the National Bank of Ethiopia to strengthen its regulatory system for Islamic Finance.

Mercy Corps recognizes that village saving and loan groups are a powerful tool for improving financial literacy and savings for remote communities, and can provide a stepping stone on the path to accessing formal financial services, in particular for women. Since 2012 Mercy Corps has supported the establishment of 844 groups benefiting 15,000 members (61 percent women), using a private service provider model to enhance sustainability and achieve scale.

Building Dynamic and Inclusive Livestock Systems

Mercy Corps applies our markets systems development approach to help lowland livestock producers shift to more resilient livelihoods. As more frequent and fierce climate shocks occur, this approach is particularly critical so people can escape the cycles of animal loss during droughts, acute malnutrition crises, and a need for humanitarian support. Across pastoralist lowland areas of Ethiopia, where livestock producers are most vulnerable to shocks, Mercy Corps has built dynamic and inclusive livestock systems which have improved the health and productivity of animals, and the income and resilience of households (see our 2017 study ‘Enhancing Resilience to Severe Drought: What Works?’).

A major challenge in remote lowland areas is weak linkages with higher value buyers. Through Mercy Corps’ Innovation Investment Fund, we leveraged more than $5 million in private investment to support the Jijiga Export Slaughterhouse (JESH) in becoming the first commercial abattoir in Somali Region. On average, JESH processes 5,000 sheep and goats each month and through building linkages with traders and producers, now provides a consistent source of demand for more than 25,000 smallholder producers.

Mercy Corps has similarly supported the expansion of the milk market system in Somali Region. We invested $370,000 to support the establishment of the Berwako Milk Processing Factory in Jigjiga, which processes and bottles camel milk for sale in regional and international markets. With Mercy Corps support, Berwako has established extensive networks of women-owned milk production micro-enterprises, from which it collects milk using a mobile collection unit. This intervention has enabled 28,000 women to sell their milk to easily accessible markets, resulting in increased production and incomes.

Availability of animal health services is critical for livestock producers to withstand shocks such as drought and disease outbreaks. Mercy Corps is helping to address the huge gaps in animal health services throughout the lowlands, by supporting the expansion of market-driven private sector services. Our partnerships with private veterinary pharmacies resulted in expanding sustainable services to 305,000 households previously without access.
Future Priorities: Achieving Greater Impact and Scale

Supporting national-level Islamic finance systems and uptake among the country’s MFIs and banks.

Expanding our work in labour markets to address youth unemployment, focusing on demand-side job creation.

Expanding our innovative work to apply market systems approaches for refugees and host communities, supporting sustainable livelihoods and the government’s policy shift towards integration for refugees.

Harnessing the power of digital technology, drawing on our successes in neighboring countries (see Mercy Corps’ AgriFin program).

Harnessing the Power of Markets in Humanitarian Contexts

During emergencies, Mercy Corps leverages our long-term relationships with private sector actors to deliver innovative and effective humanitarian support that moves people beyond crisis to a stronger future.

During droughts, livestock producers are unable or unwilling to sell their weak and dying animals, as prices plummet and traders are reluctant to purchase. Mercy Corps has developed an innovative and cost-effective commercial de-stocking approach, by partnering with traders to subsidise their purchase of livestock from drought-affected households. In Siti Zone of Somali Region we partnered with nine traders during the 2015 El Niño droughts, who purchased 14,000 sheep and goats from 7,000 households, providing life-saving income for the household while strengthening, not undermining, markets.

Mercy Corps has also been a leader in developing digital cash transfers in emergencies in Ethiopia. In 2016 we partnered with Somali MFI and Belcash to facilitate the first digital cash transfers using the Hello Cash platform, supporting 30,000 drought-affected households in Somali Region. Today, more than 100,000 households throughout Ethiopia are receiving PSNP safety net payments using Hello Cash. Our approach also leverages cash transfers in emergencies to stimulate sustainable access to financial services (see 2017 case study). We support financial institutions to expand their branch and agent networks to deliver cash transfers, and integrate embedded financial literacy training for cash transfer beneficiaries.

Our market development work is closely aligned with our peace-building work and our agency priority to build resilient and secure communities. We use market systems approaches to address the drivers of conflict, such as disputes over natural resources and youth unemployment. And we help to build social cohesion by stimulating economic interactions across ethnic and clan divisions.

Mercy Corps has also begun using market approaches to find innovative, durable solutions for the protracted refugee crisis in the country. For example, we’re partnering with traders and private veterinary pharmacies to link refugees in Dollo Ado with livestock markets and income-earning opportunities.

Studies and research

- Experiences from Ethiopia and the Mercy Corps PRIME program

SINCE 2013, MERCY CORPS HAS:

Partnered with 2,400 businesses, leveraging $16 million in private sector investment and impacting 5.2 million individuals.
About Mercy Corps
Mercy Corps is a leading global organization powered by the belief that a better world is possible. In disaster, in hardship, in more than 40 countries around the world, we partner to put bold solutions into action — helping people triumph over adversity and build stronger communities from within. Now, and for the future.