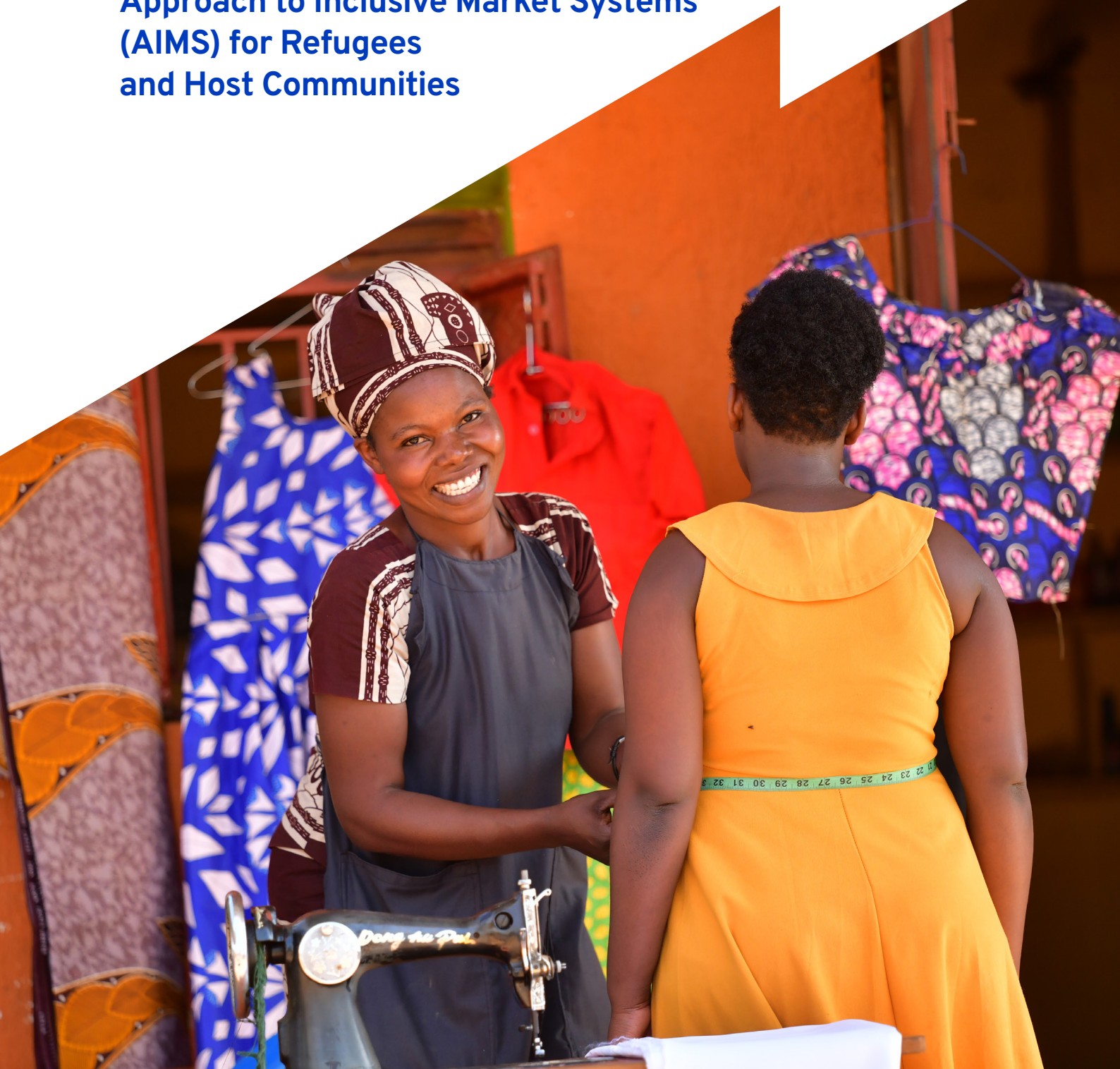




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► Designing and Implementing Market-led Interventions in Forced Displacement Settings

A brief guide on how to use the ILO's
Approach to Inclusive Market Systems
(AIMS) for Refugees
and Host Communities



Designing and Implementing Market-led Interventions in Forced Displacement Settings

Adriana Sierra Leal & Nicholas Hudson

January 2024

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Contents

Why Market-Led Interventions?	5
Step 1 – Market Vision11
Step 2 – The Right Partners13
Step 3 - Facilitating sustainable business models16
Conclusion18

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Who this guide is for?

This guide is intended for practitioners and project teams involved in market-led development projects in contexts of forced displacement, and specifically those that seek to apply the ILO's [Approach to Inclusive Market Systems \(AIMS\)](#). AIMS applies the market systems development approach to the context of forced displacement and therefore calls for the design and implementation of tailor-made strategies based on a thorough market systems analysis. Yet, forced displacement contexts are often characterized by fragile or thin markets and can be associated with a host of additional unique challenges that make the design and implementation of sustainable market-led approaches particularly difficult.

The move from analysis to action is a critical juncture for any project that can determine if the time and resources dedicated to the market systems assessment are adequately transformed into interventions that lead to sustainable and systemic changes. This brief aims to support teams at this important stage of a market systems project, by providing step-by-step guidance on how to design and implement tailor-made AIMS strategies based on results of a market systems analysis. In doing so, it complements and builds on guidance provided in the [2017 ILO-UNHCR 'Guide to market-based livelihood interventions for refugees and host communities'](#) that primarily presents guidance on how to conduct market systems analyses in the context of forced displacement.

► Why Market-Led Interventions?

The total number of forcibly displaced persons today is now estimated to have reached 114 million globally. Often, people who have been forcibly displaced have limited livelihood options available to them, as despite some signs of progress, the speed and scale of forced displacement is outpacing that of solutions available for refugees, internally displaced populations, and hosting communities. Furthermore, in 2022, an estimated 67% of the global refugee population was in a protracted situation, meaning that they have been in exile in a low- or middle- income country for at least five consecutive years. At the same time, many of the host communities residing in forced displacement settings face similar issues when it comes to access to key services and employment opportunities.

In light of the magnitude and protracted character of displacement situations, development and humanitarian actors are increasingly recognizing the need to secure more sustainable solutions for forcibly displaced persons and their host communities. Interventions that are based on the existing demand for labor, products, and services, and that consider the market systems in which forcibly displaced persons and host communities engage in can lead to more sustainable solutions. This is confirmed by a study on refugee economies, which concludes that: “Interventions that aim to promote refugees’ sustainable livelihoods must be

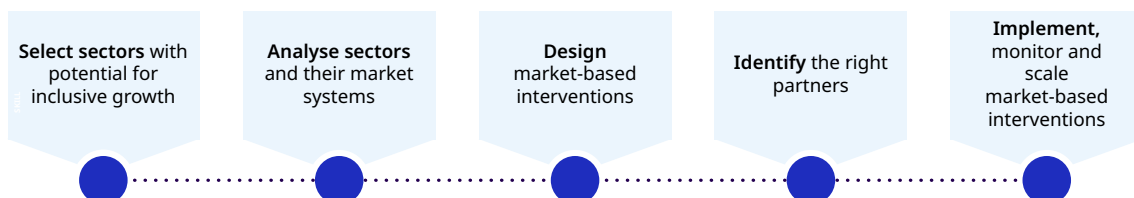
based on a sound and comprehensive understanding of existing markets and the private business sectors within which refugees are making a living” (Betts et al., 2014).

In 2013, the ILO’s Small and Medium Enterprises (SME) Unit and UNHCR’s Livelihoods Unit joined forces to promote and implement livelihood interventions that take a market-led, sustainable, and systemic approach in contexts of forced displacement. The outcome of this partnership is the “Approach to Inclusive Market Systems for Refugees and Host Communities” (AIMS). AIMS applies the Making Markets Work for the Poor (M4P) approach to forced displacement settings, with the ultimate objective of contributing to decent job creation for refugees and host communities.

The main premise behind AIMS is that, in order for anyone to have a sustainable livelihood, two conditions must be met:

1. There need to be opportunities in the market, either for self-employment if a certain good or service is demanded, or for salaried employment if employers are looking for employees.
2. People need the necessary skills and competencies to access existing market opportunities.

► **Figure 1. Steps in the AIMS approach**

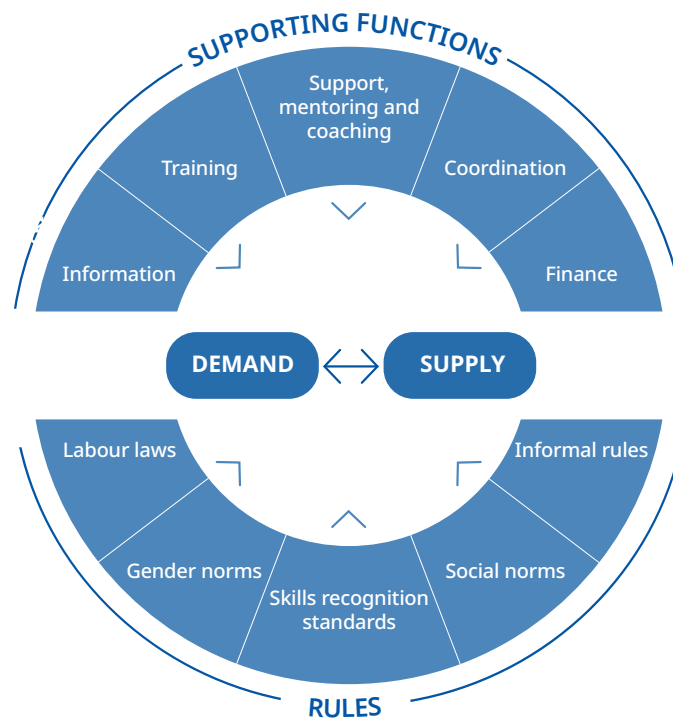


► **Box 1. What is a market system?**

A market system consists of the market core function as well as supporting functions and rules and regulations, as illustrated in Figure 2. The core function, that is, the market itself, is an arrangement through which buyers and sellers exchange goods and/or services. Supporting functions are all the elements people need to be part of that market. These can include information about markets, training, coaching, finance and any other forms of support. Rules and regulations influence the way markets work and include both formal and informal rules and prevailing social and cultural norms.

A market systems analysis seeks to map out the actors fulfilling the different functions of the market system, and to understand *how* and *why* a market system is working or not.

► **Figure 2. Market Systems "Donut"**

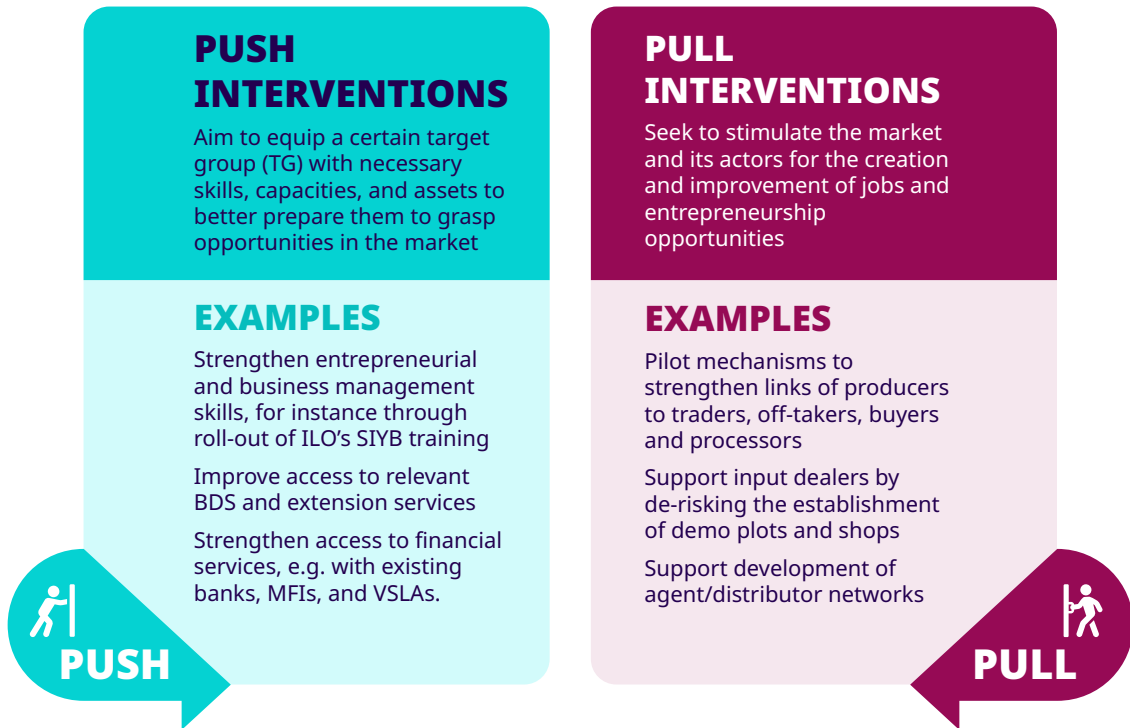


In this sense, AIMS interventions work on both the supply and demand side of labour markets to address root causes of constraints and take advantage of existing opportunities. AIMS interventions take a market-systems approach to the development of relevant sectors and value chains that is centred on inclusivity and aims to improve the quantity and quality of jobs available to both forcibly displaced persons, and their host communities. The approach starts with the selection of sectors with potential for inclusive growth and job creation for refugees and host communities, and the subsequent analysis of that sector and its market system. Based on this analysis,

practitioners then design, implement and scale Market-led interventions.

While market-led approaches have the potential to redress systemic challenges and create lasting solutions, their implementation requires a shift from "development as usual." This new way of working means that it can be challenging to design, implement and monitor market-led interventions. **This brief outlines some of the broad steps and principles to consider when designing and implementing interventions in forced displacement settings.** The introductory section provides an overview of the type of interventions promoted by the AIMS approach and the difference between

► Figure 3. Push and Pull Interventions



direct delivery and market facilitation. The design and implementation phase is then introduced with Step 1 providing guidance on how to design a market vision. Step 2 then discusses how to identify and engage with partners – i.e., local market actors – to co-design and implement interventions. Step 3 presents guidance on how to facilitate sustainable business models, or 'win-win' situations.

Market-led Intervention Types

Given the main premise behind AIMS, the approach envisions two types of complimentary interventions: **Push and pull interventions**.

Push interventions are those that equip forcibly displaced persons and host community members with necessary skills, capacities, and assets, while **pull interventions** aim to connect these groups to markets and increase the quantity and quality of the market opportunities available.

To increase the employability and skill sets of the target groups, **push interventions** can take a variety of forms. These range from capacity building for technical, business management and

interpersonal skills, to sharing market information to facilitating greater access to assets or savings mechanisms. Many of the ILO's own training tools, such as Start and Improve Your Business (SIYB), Gender and Entrepreneurship Together (GET Ahead), Financial Education, and My.Coop can be highly relevant when adapted to forced displacement settings, as common push interventions may include capacity building on financial literacy, business coaching, and sector-specific technical skills. The type of push interventions implemented are dependent on the needs of the target group in relation to how they can access opportunities for employment or self-employment.

In contrast to push interventions, which are largely focused on the competencies of the target groups, **pull interventions** aim to develop sectors to create employment opportunities by generating a greater demand for products and services. Often, pull interventions will entail working with market actors to increase their productivity, strengthening and consolidating linkages with other key actors (e.g., producers to aggregators), and establishing more inclusive business models so that forcibly displaced persons and host communities can benefit from income-generating

opportunities, whether it be through self-employment or waged-employment. Although each intervention type works from different angles and often with different public and private sector actors, they should nevertheless be linked and complementary to one another. This creates the holistic approach upon which AIMS is based, where focus is placed not only on the needs and protection challenges of the target groups, but also on the local market realities and trends. **It is usually good practice to define pull interventions first based on concrete opportunities on the market (i.e., what needs to be done to create more and better job opportunities in sectors with potential?), and then determine the needed push interventions for the target group (i.e., what capacities, assets and skills are lacking for the target group to benefit from created opportunities?).**

Push and pull interventions are implemented through **market facilitation**, meaning that the implementing organisation takes on the role of a **market facilitator**, and does not deliver goods and services directly. Traditional approaches to refugee livelihoods often deliver a variety of goods and services to people in need directly. For example, if refugee farmers' productivity is low because they struggle to access quality seeds, a direct delivery approach would involve providing seeds and inputs directly to farmers for free. However, such interventions carry risks. Such methods can distort the local market, for instance by disincentivizing new actors from entering the seed market or hurting input suppliers who currently exist and

must compete with the free or subsidized inputs provided by the project. The sustainability of such approaches may be another challenge, as when the project ends so too will the farmers' access to quality seeds.

In contrast, the AIMS approach avoids such direct interventions whenever possible. Instead, AIMS projects would inquire why refugees have limited access to quality seeds, and then design tailored interventions with market actors to address this root cause. For example, it may be that refugees have limited access to quality seeds because input providers do not sell seeds in refugee-hosting regions as they do not see a business interest in doing so. The implementing organisation would then work with input providers to establish and pilot models for effective last-mile delivery to refugee-hosting areas. If, on the other hand, refugees are not purchasing high-yield seeds because they are unaware of where to obtain the seeds and of their benefits, the implementing organisation would work with local actors to enhance access to key information. This could include, for example, working with local agricultural actors to run sensitization campaigns or establishing demo plots showcasing the productivity gains from using high-yield varieties. In both cases, the implementing organisation has played the role of market facilitator to address a root constraint on the production side of the market system.

What is the core difference between these two approaches? In the first scenario with direct

► Box 2. Push and pull interventions to develop the sesame value chain in West Nile, Uganda

Following an AIMS assessment of the cassava and sesame value chains in Arua, Terego, and Madi-Okollo districts in West Nile region, Uganda, the following push and pull interventions were devised to support refugee and host communities.

Pull Interventions

Facilitating market linkages and access to inputs: The project strengthened linkages between refugee, host community farmers, and off-takers. These linkages provided farmers with the required inputs as well as training and advice in return for guaranteed quantities of produced crops, ultimately helping farmers receive a better crop value and gain access to stable markets.

Push Interventions

Strengthening business management skills: the ILO strengthened the capacity of local business development service providers to offer its Start and Improve Your Business (SIYB) entrepreneurship training program and the Gender and Entrepreneurship Together (GET Ahead) training program to strengthen business management and entrepreneurial skills of refugees and host communities sustainably. Additionally, the ILO Financial Education training package was offered to the target group to enable them to become informed consumers of financial products and services.

For more information on these interventions and the wider programme in which they were implemented, see PROSPECTS, ILO Uganda as well as a video on results of the AIMS initiative under PROSPECTS Uganda.



► **Figure 4. Direct delivery vs Market-led interventions**

Direct delivery interventions	Market-led interventions
<ul style="list-style-type: none"> ► What is the problem with the system and how can the project solve it? 	<ul style="list-style-type: none"> ► Ask why the market environment hasn't already solved the problem? What temporary and catalytic role can the project play to motivate market actors to solve the problems in their sector while creating benefits for our target group?
<ul style="list-style-type: none"> ► How can the project support the target group of the project directly? 	<ul style="list-style-type: none"> ► Ask who are the actors already in the system who have the capabilities and incentives to make the system work better for everyone?
<ul style="list-style-type: none"> ► The project provides a service, instead or working with existing organisations or actors (e.g. the project trains beneficiaries directly). 	<ul style="list-style-type: none"> ► The interventions and business models are build around and with market actors, and their implementation is led by local actors (the project remains an external actor to the system)
<ul style="list-style-type: none"> ► The project decides everything on the interventions and can potentially implement them alone and directly 	<ul style="list-style-type: none"> ► The project facilitates market-oriented interventions that align with the business (or mandate) incentives of the actors.
<ul style="list-style-type: none"> ► The interventions are fully subsidized by the project 	<ul style="list-style-type: none"> ► Successful interventions are integrated into the business models/behaviors of market actors and continue after the end of the project
<ul style="list-style-type: none"> ► The interventions have an impact only on the target group and the support stops with the end of the project (or the budget) 	

delivery interventions, the implementing organisation has solved the issue of limited access to quality seeds for a finite number of farmers within the timeframe of a specific project or intervention. In other words, only the farmers who were given free seeds are able to increase their productivity for a set number of growing cycles. Farmers who are not part of the selected beneficiaries would not have access to quality seeds that would enable them to increase their productivity, and, once the project ends, even farmers who benefitted from subsidies or free seeds would likely stop having access to quality seeds. Moreover, such an approach may also have inadvertent negative effects for private sector actors in the market system as it risks displacing businesses that offer these goods and services on a commercial basis.

In the second scenario with market-led interventions, a specific systemic issue would be addressed in collaboration with local market actors. Even once the project is finalized, the newly established business models – whether for last-mile seed delivery or dissemination of information – would help ensure that a large range of farmers continue to have the access and knowledge to use high-yield varieties. Furthermore, business models that work well can be replicated and scaled by market actors, catalysing wider change across the market system and benefiting a greater number of people, for instance through additional job creation along the supply chain. In this way, market-led approaches create opportunities for market actors within the system to develop their own business-oriented solutions, allowing for systemic change that can outlast the project's duration.

► Box 3. Direct delivery or market facilitation in contexts of forced displacement?

In contexts of forced displacement, direct delivery of food, shelter, medicine, and other basic necessities saves and sustains lives. When applying market-based approaches in these contexts, it is crucial to consider four interlinked realities:

1. **Many people's basic needs have not been met.** In many contexts of forced displacement, the need for durable solutions is coupled with ongoing needs for emergency aid and humanitarian interventions. In cases where refugees, IDPs and/or host communities are in situations of extreme poverty or fragility, it may be necessary to prioritize the interventions carried out by humanitarian actors, or to focus first on the push side to help the target group achieve a certain level of market readiness before reinforcing the sector with pull-side interventions. In such cases, direct delivery may be difficult to avoid.
2. **Direct delivery is the prevalent way of working.** Contexts of forced displacement often see the influx of emergency aid, even when the situation has become protracted and relatively stable. While these types of interventions are necessary to meet immediate needs, development aid can often cause market distortions as private sector actors are crowded out, and create dependence on further humanitarian aid. For example, the target group may be unwilling to pay for certain goods or services such as seeds if they have been already receiving them for free from aid agencies or programs. For projects that seek to encourage win-win situations with commercial suppliers of these goods or services, this poses a particular challenge.
3. **It may be difficult to identify partners with the right incentives and capacity.** Market-based interventions rely on working with and through local market actors, which could make it particularly challenging to facilitate interventions in forced displacement settings. In some contexts, market-actors may not have the right incentives to move from direct delivery towards systemic approaches. In addition, thin markets characterize many forced displacement contexts – particularly those where refugees' and IDPs' mobility is restricted. This reduces the number of market actors that implementing organizations can work with. For example, in some cases, there may be only one or two large processors or input suppliers in a certain region, with varying levels of will and capacity to pilot sustainable business models. This may mean that the implementing organization has to undertake substantial work to build the capacity of partners and to generate the right incentives.
4. **Fluctuating challenges and priorities.** Many forced displacement settings are characterized by fragility. This constant state of change can mean that what are considered salient challenges and priorities when it comes to humanitarian and development interventions can often shift. For example, renewed conflict, drought, flooding, disease outbreaks, and evolving displacement patterns may generate new emerging needs and changes in the market system, which may lead to reduced or changing focus of market-based interventions or require substantial changes in market-based programming so that these can remain relevant and useful in a changing context.

► Step 1 – Market Vision

A first step in designing market-led interventions is establishing a **market vision**, or a model of *how the market could and should function* to address a certain root problem. A market vision is a useful tool in identifying which market actors could perform a certain function (i.e., any type of product, service, or support provided by an actor in the market) and how that function would be sustained. While the market vision is designed primarily by the implementing organisation and often co-designed with market actors, the implementing organisation should not be part of the market vision, as its role is to *facilitate* the changes needed to achieve that vision.

Throughout the market systems analysis process, there are two key questions that can serve as a starting point to help identify what is not working within the system and why this is the case. The root problems identified through this exercise are then the underlying constraints, as the answers to these questions would help indicate which market functions need to be improved.

1. What are the underlying causes of the market system's failure or underperformance? In other

words, why is the market not currently working for our target group?

2. What are the primary obstacles and opportunities that are currently preventing our target group from accessing new and better opportunities?

As sustainability lies at the core of systemic, market-led approaches, the next step identifies which market actors ideally should and could perform and pay for these functions. An additional two questions can help identify the market actors who could be involved in the market vision:

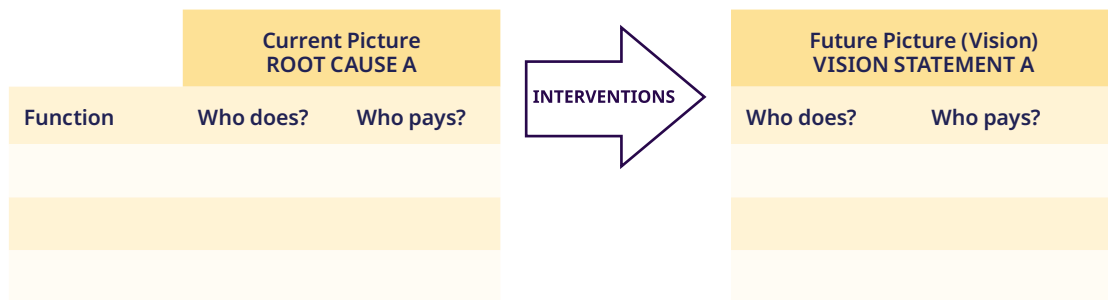
3. Which actors are performing which functions or setting which rules currently, and which actors could ideally perform these in the future? (i.e., doing – Who is doing what?)
4. Which actors are financing which functions or rules currently, and which actors could ideally finance these in the future? (i.e., paying – Who is paying what?)



From these questions emerges the **Who Does, Who Pays Framework** (see Figure 5). This framework helps contrast the current market situation and its related constraints, with a market vision where these constraints would be addressed. Establishing a market vision within the Who Does, Who Pays Framework helps

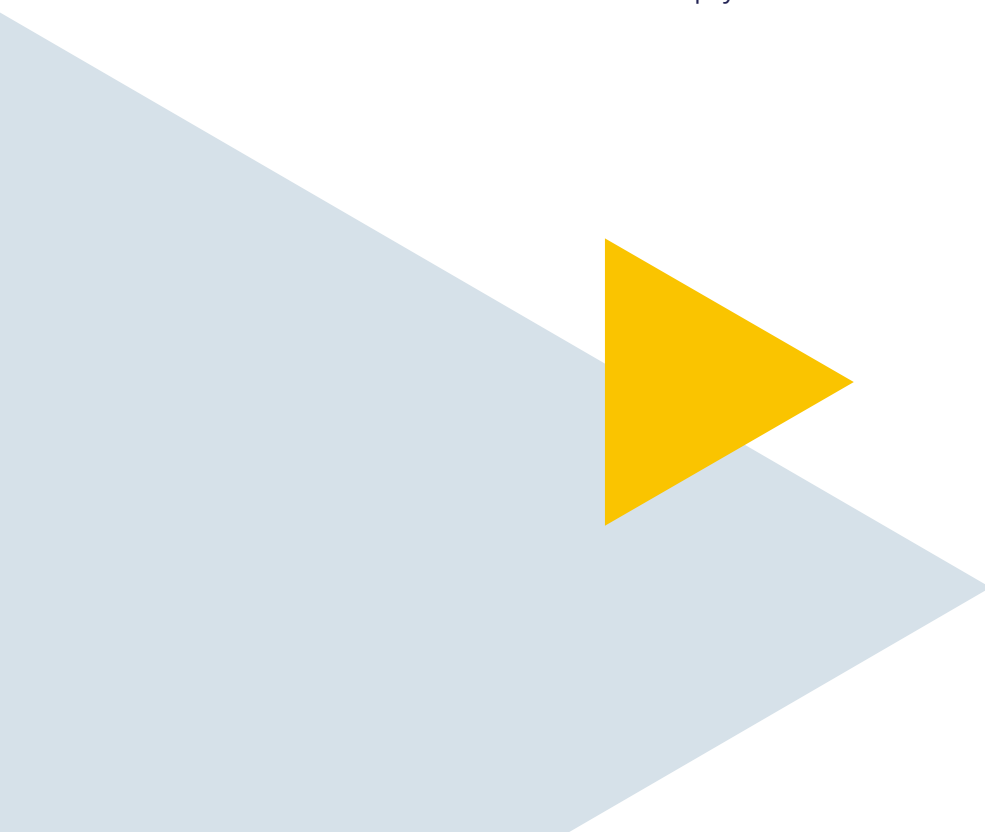
implementing organisations and partners understand what they want to achieve with their interventions and clarifies the roles and responsibilities of market actors. A Who Does, Who Pays Framework can be developed for every root constraint that will be addressed and includes the following elements:

► **Figure 5: Who Does, Who Pays Framework**



On the left hand-side, the current picture of the market is described with a focus on one root constraint and market function. This side lists the market actors that are undertaking a specific function, for example selling seeds or offering veterinary extension services, as well as the market actors that are paying for this function to take place. The right-hand side describes the future market vision, specifying the market actors who should and could fulfil the market function, and the market actors who should and could pay for

that market function to take place. The right-hand side reflects the desired outcome of the project's interventions. In the middle of these two components are the interventions – or what activities need to take place to incentivize and enable market actors to realize the market vision on the right-hand side. **This central area is where the implementing organization has a role to play, and where market-facilitation approaches are applied.**





► **Box 4. The market vision for the vegetable value chain in Nepal**

An AIMS assessment on the vegetable value chain in Nepal found that refugee and host community farmers' incomes were reduced by a combination of constraints, including a reliance on low quality seeds and poor access to knowledge of good production practices. Through research, the project realized that farmers were not aware or not convinced of the relative benefits of high-quality seeds. Digging deeper and asking why this was the case, the project unveiled the underlying root cause of the issue: farmers did not receive any advice or guidance that would help them understand the benefits of higher quality seeds. In other words, the market function 'provision of advice on inputs' was lacking (see left-hand side).

The market vision imagined a system that enabled refugees and host community farmers to access advice and information on benefits of high-quality seeds and inputs and good production practices. The project thought through who could provide the market function, i.e. the needed advice and information and who would pay for this service. In the vision imagined by the project, input suppliers would provide farmers with the needed information and advice, for instance through awareness raising campaigns. This would be organized and financed by the input suppliers as part of a marketing campaign that would ultimately help them to sell quality seeds to farmers (see right-hand side).

Function	Current Picture ROOT CAUSE A		INTERVENTIONS	Future Picture (Vision) VISION STATEMENT A	
	Who does?	Who pays?		Who does?	Who pays?
Provision of information and advice on quality seeds to farmers	Nobody		→	Input suppliers	Input supplier (as part of marketing campaign that enables them to sell quality seeds)



► Step 2 – The Right Partners

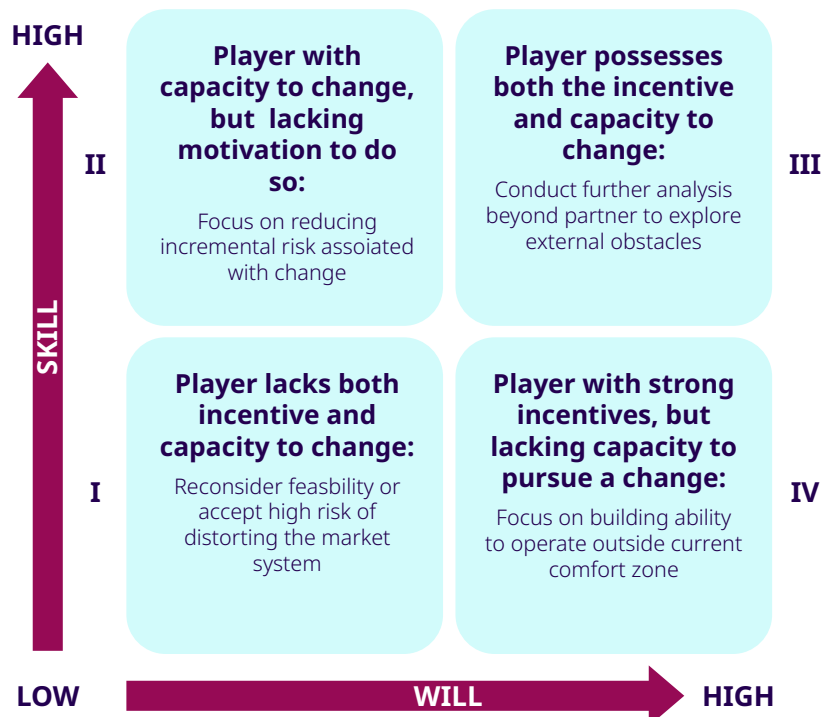
Partners are a fundamental part of both push and pull interventions, as the role of the market facilitator is to support and influence the behaviour of existing market actors to address systemic constraints. Generally, the identification of partners can be guided by determining the **capacities (skills) and incentives (will)** of the market players. The “Will-Skill” framework can be used to assist in this process. By placing potential partners within this framework, the market facilitator can judge the feasibility of working with the actor as well as potential strategies that can be adopted to increase the effectiveness of the partnership.

Incentives (will) of market actors may be difficult to distinguish. For private sector actors, increasing revenues and profits are typically the first and most obvious incentive. For public institutions incentives may derive from their mandate, although in reality things are often more complex. Other less obvious incentives may only emerge after consultations with the actors and other

players in the market system. It is important to note that “incentive” does not imply “interest to do something against payment.” For instance, a company may also have a social incentive to support refugee-hosting areas, or may be interested in establishing partnerships with the facilitating organization, or NGOs that have experience in delivering aid to refugees may be interested in working with the project to deliver goods and services if a project pays them to do so, but this does not mean they would have a natural incentive to do so.

Capacity (skill) to adopt new innovations and business models can be based on a range of factors. These include not only the human and financial resources of the actor, but also the networks they can draw on and the dynamism of their management. Additional factors, such as market power stemming from market position or size, can also be key in understanding the potential partner’s capacity to change as well as the prospects for scaling the pilot to a wider scope.

► Figure 6: The Will-Skill Framework



The Will-Skill Framework

Potential partners are plotted in the Will-Skill framework based on the assessment of their incentives and capacity.

Quadrant I represents market actors with **neither the skill nor the will** to make a change or fulfil a certain function. Ideally, the facilitator should avoid working with these market actors. However, in certain cases, there may be no other options. When engaging with partners that fall under quadrant I, the facilitator should realistically consider the extent to which change is possible and the risks that could arise in terms of market distortion and sustainability of interventions. For example, there may be a single agrodealer in a certain location – **Agrodealer-I**. Perhaps Agrodealer-I has no incentives to change, as they may be receiving unearmarked funding from certain donors, and no capacity to change as they have neither the staff, know-how, nor infrastructure to operate in the context. The facilitator may find that motivating Agrodealer-I to change their way of working and to gain the competencies needed for this could require substantial investments in terms of human and financial resources, with limited guarantees of success.

Quadrant II represents market actors **with the skill, but not the will** to make a change or fulfil a certain function. For example, perhaps another agrodealer – **Agrodealer-II** - has the capacity to engage in last-mile seed delivery, but does not think that farmers will generate enough consistent demand for this to be a profitable initiative or that refugee farmers will be able or willing to pay for the seeds. The facilitator's role when working with actors in Quadrant II is to create the right incentives, which, in this case, is to prove that there is a demand and a capacity to pay from farmers. The facilitator may choose to conduct a rapid study of the demand for quality seeds in rural refugee-hosting areas and the potential profit margins that last-mile seed delivery could generate, and share this information to incentivise Agrodealer-II. In parallel, the facilitator may facilitate a negotiation process with organised farmer groups to establish an arrangement by which Agrodealer-II agrees to sell and transport seeds at a certain price, and the farmer groups agree to purchase a minimum volume of seeds at the agreed upon price. The first intervention incentivises Agrodealer-II to engage in last-mile delivery, while the second intervention de-risks the new initiative. The result would be a

win-win situation that enables refugee farmers to have consistent access to good quality seeds at an affordable and predictable price, while Agrodealer II can make a profit and may even create jobs in the process.

Quadrant III represents market actors that **have both the will and skill** to change, meaning that these actors have the capacity and incentives to provide a certain function. For example, if we take the example of quality seed provision, we might find a certain agrodealers – **Agrodealer-III** - that has the networks, access to markets, and logistics to engage in last-mile seed delivery to rural farmers, and that understands that there is demand, and therefore a market opportunity, to sell seeds in more rural regions. While the actors in quadrant IV may be ideal partners for piloting business models and driving change, it is also important to ask: "If they have the will and skill, why are they not doing it already?"

Quadrant IV represents market actors **with the will, but not the skill** to make a change or fulfil a certain function. When working with partners that fall under quadrant III, the facilitator should seek to build the ability and capacity of the actor to make a change or fulfil a function. For example, perhaps another agrodealer – **Agrodealer-IV** - has an interest in expanding their distribution area of quality seeds, however, they lack the financial capacity to do so and do not have established networks in rural areas through which they could market their products or reach farmers. The facilitator may engage with the partner to support them in developing a viable business plan to expand their operations, connect them with networks and farmers, and/or co-fund some of the logistical needs of fulfilling last-mile delivery, such as transportation or storage facilities.

Once partners' capacities and incentives have been assessed, engagement can proceed. However, it is essential to do so by continuously maintaining the role of market facilitator. This can involve the use of hard tactics, like cost-sharing and technical advice, or soft tactics, such as relationship brokering. **By following the principles of facilitation with the project partners, interventions have a greater chance of stimulating lasting change within the market system.**

► **Box 5. Identifying and working with a groundnut off-taker in Sudan**

In Sudan, the ILO was working to increase incomes and livelihoods of refugee groundnut producers in East Darfur and West Kordofan by connecting them to new market opportunities. East Darfur and West Kordofan states are hosting over 250,000 refugees in remote areas that are primarily engaged in agricultural and livestock-related income-generating activities.

During the analysis phase, the research team mapped a range of private sector actors involved in the groundnut value chain. Among them were a small number of companies engaged in selling groundnuts in larger national and international markets. After assessing the capacities of the companies and their possible incentives for engaging with refugees in the target regions based on the Will-Skill framework, the project narrowed in on a large groundnut off-taker with an interest in exporting groundnut to the European market. The company was looking for more groundnuts to buy for export but made it clear that these would need to be of a specific variety and size and fulfil certain standards.

The groundnuts produced by refugees, however, did not initially meet these standards. The off-taker therefore felt that working with refugees would require a heavy investment in terms of time and resources to reach the quality they required. This meant that while the company had the capacity to provide refugees with the required training and advice, their incentive to do so was not strong enough. **They had the skill, but lacked the will.**

The project therefore decided to ‘co-invest’ with the private sector off-taker and offer support for the initial training and advice on production practices and standards for refugee producer groups to ensure they could produce the required varieties and qualities. The project also helped to aggregate the required quantities of peanuts, thereby making it less risky and costly for the groundnut exporter to enter into an agreement with refugee producer groups.

By creating linkages between refugee producers and large off-takers, the project facilitated a win-win situation. On the one hand, the off-taker company receive the needed groundnuts at a guaranteed price. On the other hand, refugee producers were enabled to produce larger and higher quality groundnuts that could be sold at a premium price, while also having access to a stable off-taker market and the required inputs and extension services.

For more information on this intervention and the wider programme in which it was implemented, see [PROSPECTS, ILO Sudan](#)

► Step 3 - Facilitating sustainable business models

The first exercise of developing a clear market vision of how the market system should work helps the project to narrow its focus to priority areas that by addressing could have an important impact on the target group. The subsequent analysis of the will and skill of market actors brings the vision one step closer to realization by understanding not only which actor to work with, but also how. Once the project knows its vision and a general idea of how it can work with its selected partner(s) (e.g., by de-risking to improve incentives or helping to strengthen capacities), it can then begin to layout out the steps to get from the current market to the market vision. In other words, this should determine the project interventions.

To achieve this, **this third step is all about determining what exactly needs to be done to help the chosen partners pilot a new business model and facilitate action to carrying it out while**

ensuring the project remains, as much as possible, in an outside facilitator's role. Especially in contexts of forced displacement, this requires flexibility, creativity and constant engagement with the project partners. Every context is unique and therefore requires a tailor-made solution. Nevertheless, there are general ideas that projects can adapt based on the findings of will-skill analyses and proposed market visions. These can include co-financing schemes, demonstrating proof of concept with demo plots for agriculture value chains or small pilots of business ideas, gathering market information and sharing with key actors, and so on.

For example, the project may decide to partner with Agrodealer-II who was categorized as high skill – low will. Agrodealer-II already has a great distribution network and works with community agrodealers that sell seeds to rural farmers



and provide them with advice along the way. But Agrodealer-II believes that refugee farmers, who are based in a remote settlement and receive humanitarian aid, will not be able or are unwilling to pay for the seeds. The supplier believes that establishing a distribution network around refugee settlement will not be profitable in the end.

The facilitator could then enter into negotiations with Agrodealer-II to understand better what exactly is needed to convince them to try and extend their distribution network to refugee settlements. Depending on the outcome of the

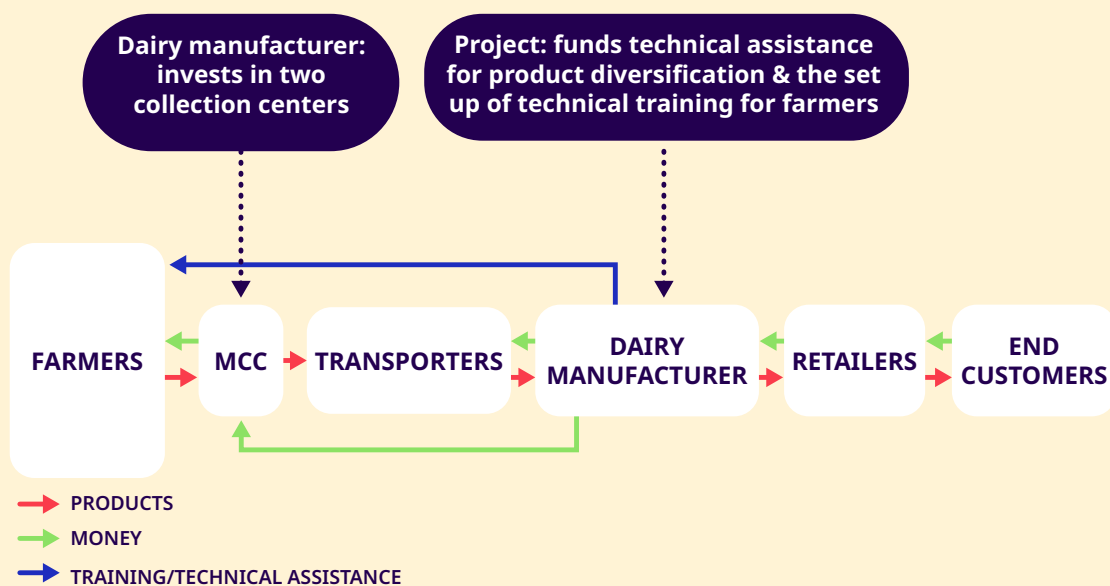
negotiation process, this may involve providing them with more information on the market and potential profit margins associated with selling seeds in refugee settlements. In this case, the project could offer to conduct a rapid study of the demand for quality seeds in rural refugee-hosting areas and demonstrate the potential profit margins that last-mile seed delivery could generate.

In a different scenario, the project may focus on negotiations with Agrodealer-IV who was categorized as a low skill - high will actor. Agrodealer-IV is interested in expanding their

► Box 6. A financially sustainable business model in the dairy sector in Afghanistan

As part of the Road to Jobs project in Afghanistan, the ILO supported the local dairy sector. Initial scoping of the value chain uncovered surface-level constraints largely with the productivity levels of dairy farmers, with cows only producing low quantities of milk. Even when there was surplus, the farmers struggled to find a market to sell it before the milk would spoil. Upon deeper analysis, the project identified a dairy processor that struggled to find a consistent supply of good quality milk for its products.

The project therefore aimed to address these constraints by connecting farmers to the dairy processing factory, enabling them to sell their milk to factories for an increased and more stable income. To do so, the project facilitated the linkages between value chain actors and piloted a business model which foresaw dairy processors investing in the development of milk collection centres (MCC) that would aggregate the milk of farmers to be bought by the dairy processors. The factories also trained farmers in the best dairy production methods to ensure a high-quality supply of milk. The business model looked as follows:



The project helped bring this vision to life by facilitating linkages between these actors. Notably, the project 'de-risked' investments of dairy processors by actively supporting and financing initial training for farmer groups. The project team also provided technical assistance on product development and required certifications to enhance access to consumer markets for the dairy processor that would ultimately increase demand for dairy products and the milk farmers produce.

More information on the project is available at [Road to Jobs \(R2J\) Afghanistan \(ilo.org\)](https://ilo.org/Road-to-Jobs-R2J-Afghanistan)

distribution area of quality seeds and sees a potential business case of selling around refugee settlements. However, Agrodealer-IV currently does not have an established network in rural areas through and lacks the financial resources to invest in establishing one. In this case, the facilitator may engage with the partner to support them in developing a viable business plan to expand their operations, connect them with networks and farmers, and/or co-fund some of the logistical needs of fulfilling last-mile delivery, such as transportation or storage facilities.

What exactly is needed to move from the status quo to the established vision will differ from case to case and depend on the capacity and incentives of the various local actors in the area. It is in all cases important to enter a negotiation with local partners based on analysis of their will and skill in order to determine what exactly is needed for the project to facilitate the required change. Project support should be temporary in a way that enables the project partner to start performing the market function that is currently lacking or inadequate. Depending on the specific context, this may involve some form of de-risking or cost-sharing by the project and can also often involve support for research, technical assistance and/or facilitation of linkages and trust relationship between actors.

Negotiation and designing the planned scheme with the project partner will ultimately result in a first pilot of the new developed 'business model'. During the design and implementation of the pilot, it is useful to revert back to your initially developed

vision and refine it, keeping in mind that the resulting business model should result in a win-win situation for all actors involved. A solid business model should create a situation whereby every actor involved should stand to gain from the transaction – which will ultimately ensure that the model will continue to function beyond the project duration.

In order to be sustainable and scalable such a successfully forged business model should also be in itself financially sustainable. To ensure that the ultimate vision or 'business model' is self-sustaining, it can be useful to visualize the business model in a way that illustrates the different actors involved, the services or goods they deliver as well as the financial transactions that are required to pay for these services or goods, i.e., the question of who is paying for what good or services.

Ultimately, the process of piloting a new business model that brings together different actors to forge a win-win situation for all is often a process of continuous negotiation with all actors as well as a one that likely requires adjustments and fine-tuning along the way to make things work. This often requires some creative thinking and problem solving, as well as a continuous monitoring of the market and behaviour change of various actors involved. Preparing and continuously adapting a blueprint in the form of a visualized business model can be helpful not to lose track of the ultimate vision that the project is trying to achieve for the benefit of refugees and host communities.



► Conclusion

Understanding the protracted nature of these circumstances, market-led approaches have the potential to redress systemic challenges and create lasting solutions. With a clear market vision, the right partners, feasible business models, and a realistic and adaptive approach, AIMS interventions can work towards the ultimate goal of supporting refugee and host community households in building a better future and achieving positive economic development in the host communities.

However, **implementation of AIMS and other systemic approaches requires a shift from 'development as usual'**, and this new way of working may pose new challenges to the design, implementation, and monitoring of market-led interventions. There is no 'one-size fits all approach' to market-led livelihoods of refugees and host communities and the specific intervention strategies of any AIMS project will need to be adapted to the context, the profile of the target group, the specific constraints and opportunities identified on the local market, and the capacities and incentives of local relevant private sector actors. Making sense of all these factors to design scalable and

sustainable intervention strategies can be challenging and this brief hopes to provide some guidance for project teams that struggle to do so.

- **Step 1 - Market Vision:** saw the development of a market vision that identified the groups of market actors and their hypothetical role. It answers the questions 'which type of market actor will, in the future, carry out important functions that are currently missing or inadequately performed, and which market actor will pay for them.'

For example, a project may have found that refugees do not have access to seeds and inputs required for high-productivity agricultural production because of high costs and lack of information. The market 'vision' would foresee commercial seed suppliers selling high quality seeds and required inputs at an affordable price to refugees, while at the same time ideally providing them with information and advice on how to use these inputs so that refugees are willing and able to pay for them.



- ▶ **In Step 2 – Will-Skill Analysis:** saw the analyses of the capacity and incentive of various market actors (not strictly limited to the private sector) in order to identify partners for piloting interventions and that can take a lead on adopting and ideally spreading a new business idea or behaviour.

In the case of our example above, the project would have identified a number of commercial input suppliers and agrodealers who could perform the market function of selling quality seeds and providing advice. The Will-Skill Matrix was used to classify the different suppliers based on their capacities (finances, human resources, etc.) and incentives (market potential of working with the target group, opportunities from new products, etc.) to perform this function in the future. Based on results of this classification, the project can then determine who they should best partner with and what would need to be done to help that partner perform this market function in the future. The goal here is a win-win situation, where the partner sees their business grow or perform better, and the target group benefit from this market function that earlier was not working for them.

- ▶ With the vision and partner in mind, **Step 3 – Facilitating Sustainable Business Models:** looks to bring this into reality. This is done by working to determine what exactly needs to be done to help the chosen partners pilot a new business model and facilitate action to that end. Such models look at the wider market

system and takes into consideration the various interactions between each actors. For example: who is providing a certain product or service to the target group and what exactly are they getting in return? Remember, the project itself will not be a part of this model. Designing interventions where the implementing organization takes on a facilitation role requires flexibility, creativity and engagement with the project partners.

This brief compliments and builds on the 2017 ILO-UNHCR '[Guide to market-based livelihood interventions for refugees and host communities](#)' that describes the overall approach to AIMS and provides detailed guidance on how to conduct AIMS assessment. This brief is meant to provide guidance for project teams to translate findings of their AIMS assessment into actionable and sustainable AIMS project strategies and interventions by taking practitioners through the different steps of developing a vision, identifying the right partner and facilitating sustainable business models for their project.