



October 2022, Bidi Bidi, Uganda. Photo Credit: © Jjumba Martin for Mercy Corps

HOW CAN A GRADUATION PROGRAM INTEGRATE MARKET SYSTEMS DEVELOPMENT TO ENHANCE THE LIVELIHOODS OF REFUGEES AND HOST COMMUNITIES?

Lessons from the DREAMS program in Uganda

NOVEMBER 2024



I. Overview

Delivering Resilient Enterprises and Market Systems (DREAMS) program supports refugee self-reliance and durable solutions in areas of ongoing displacement and humanitarian need. Operating in Uganda, Ethiopia, and Tanzania—home to nearly 10% of the world’s refugees - DREAMS aims to promote economic inclusion for 150,000 refugees, fostering resilience, dignity, and confidence in their futures. Since 2021, the program has combined two evidence-based approaches - poverty graduation and market systems development (MSD) - to maximize its reach and impact.

DREAMS combines market systems development with poverty graduation to enhance scalability and self-reliance in refugee settings, where markets can be under-developed or ‘thin’. Graduation activities provide refugees with the capital and skills needed to start new businesses, while MSD fosters relationships with private sector actors, encouraging them to strengthen their connections with communities where they can offer technical support, resources, and sales opportunities to economically marginalized groups over the long term. Both components are designed to play crucial and complementary roles: poverty graduation enables DREAMS to target and work with the most marginalized, who private sector actors may not otherwise see as viable customers or producers, whilst MSD supports longer-term resilience through strengthening market linkages and providing an enabling environment for sustainable investments. The program is delivered by **Mercy Corps** and **Village Enterprise**.

This learning brief outlines the DREAMS approach and examines stakeholders’ feedback to explore **how DREAMS has impacted the market system in and around the refugee camps from the perspectives of both community members and the private sector actors (PSAs) working there**. The program aims to explore changes to the livelihoods of DREAMS graduates and non-DREAMS participants and seeks to understand how the operations of PSAs and other key market actors have changed as a result of DREAMS activities.

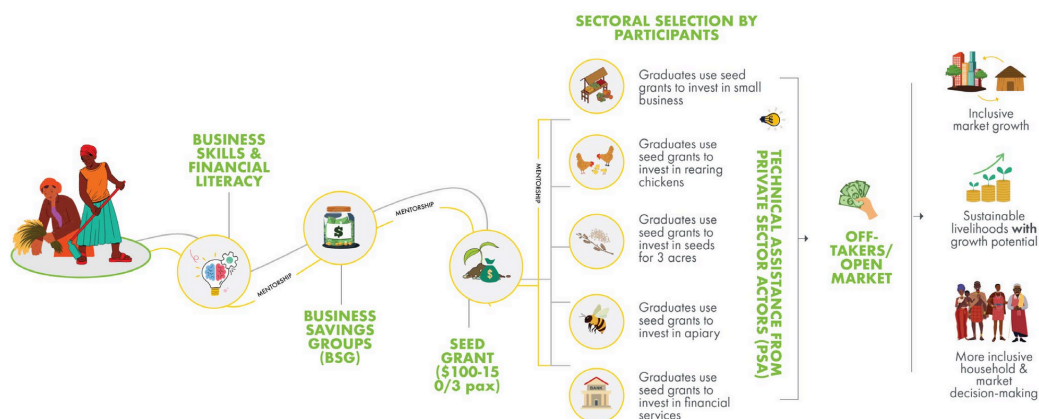
A rigorous experimental impact evaluation, led by **IDinsight**, will assess the program’s overall impact on household income, food security, and well-being, with results expected in June 2025. Additionally, after three years of implementation, the DREAMS team conducted a qualitative assessment¹ in October 2024 to gather insights on the added impact of combining market systems development with the poverty graduation approach in supporting underserved refugees and host communities in the Bidibidi and Rhino Camp settlements of Yumbe and Madi-Okollo / Terego districts.

¹ Qualitative data were gathered through 22 focus group discussions (15 with DREAMS participants and 7 with non-participants) and key informant interviews with program stakeholders and community members. This qualitative data was analyzed and triangulated with prior quantitative assessments and monitoring results. The quantitative data referenced in this brief were derived from progress surveys and DREAMS’ annual household survey.

II. When Implemented Together, Poverty Graduation and Market Systems Development Create Greater Impact, Enabling Markets to Serve Vulnerable Groups Effectively

The DREAMS programme is rooted in the premise that **Poverty Graduation can be effective at building viable livelihoods among marginalized groups, but scaling poverty graduation and ensuring sustainability in thin markets requires an MSD approach.** DREAMS integrates MSD activities with the graduation approach to connect economically marginalized households with input suppliers, financial services, private sector-led technical support, and off-takers. DREAMS also addresses the challenges faced by the private sector in expanding their retail network, supply chain and service provision to last-mile refugee households. The program's market engagement strategy improves economic access for DREAMS participants and contributes to the overall resilience and economic growth of the broader community.

Figure 1: DREAMS participants' interactions with graduation and MSD programming



As illustrated in **DREAMS' June 2024 Learning Brief on Bridging Poverty Graduation and Market Systems Development**, **poverty graduation is a holistic approach aimed at helping the ultra-poor build sustainable incomes through entrepreneurship**, initially piloted by BRAC and now scaled globally. Village Enterprise implements a light-touch, community-based model that selects participants based on poverty scores, organizes them into business groups, and provides training and a start-up grant, along with ongoing support from mentors.

Market Systems Development begins by analyzing market barriers and collaborates with local actors to create sustainable incentives for private sector investment in marginalized communities. In thin markets like refugee camps, MSD alone faces challenges engaging marginalized groups, who may lack essential prerequisites for market activities, such as capital, skills, and access to resources. This reality underscores the need for tailored approaches like DREAMS that not only recognize the unique barriers faced by these communities but also provide the necessary resources and assistance to help them build capacity and ultimately thrive in the market.

After a comprehensive market assessment, DREAMS partnered with a diverse mix of twelve small and medium Private Sector Actors (PSAs), including Mukwano, Chick Masters, Nutro-feed, Ag Ploutos, Geoffman, Brac Seeds, Omi, FINCA MFI, and Vision Fund, to integrate them into two settlements, focusing on six key sectors: sesame, sunflower, soybeans, apiary, poultry and financial services. Only three of the twelve PSAs had an existing presence in the settlements. These sectors were identified as having the greatest potential for pro-poor growth and connecting refugee populations to regional and national markets. The PSA's engagement with DREAMS began in September 2022, and by July 2025, PSAs will ultimately engage directly with 12,000 households to provide technical training, access to inputs, and market opportunities for farm produce. They will also offer training in financial literacy and loans totaling at least UGX 200,000,000 to business savings groups and individuals. Additionally, 10,400 smart subsidies will be distributed to stimulate the market in the selected sectors. Over the program's duration, 4,000 micro businesses will be linked to markets, 12 PSAs will be involved, and 16 cost-share grants will be executed to implement interventions that will transform market dynamics. So far, over 7,437 households (48,504 individuals) have benefited from DREAMS' MSD interventions.

DREAMS actively pilots market-adapted interventions to expand products and services for underserved refugee communities. These interventions include instruments such as subsidies, technical assistance, and temporary conditional grants (cash for work). Such efforts stimulate the development of new business models, the exploration of innovative financial services, and increased engagement with the private sector. In the poultry sector for example, 21 refugee-led brooding businesses (referred to as 'Mother Unit Operators', or MUOs) have been established in West Nile, each brooding an average of 3,466 birds for the local market per month. DREAMS' PSA partners have supported these MUOs' startup with essential resources, including 250 chicks, feeds, drinkers, feeders, and solar units, valued at UGX 31 million. Furthermore, training has been provided to 4,170 direct poultry farmers on best practices. Now operational, the MUOs provide a market for inputs from national and regional PSA partners, whilst supplying local markets with poultry.

III. Market Systems Development Improves Livelihoods and Self-Reliance for Households in Protracted Displacement Contexts

DREAMS supports community members to diversify their income sources beyond traditional agriculture to enhance resilience against market volatility and environmental uncertainties. Off-farm ventures such as retail, tailoring, handicrafts, and poultry farming provide quicker returns and reduce dependency on agricultural cycles. These enterprises also bolster household stability, as shown by the significant income growth among participants who have ventured into poultry farming. Reinvesting in productive assets is crucial for fostering long-term economic stability, with a focus on acquiring high-quality farming tools, improved seeds, and livestock to enhance productivity.

Local communities in DREAMS' target areas traditionally rely on a mix of agriculture, small-scale trade, and service-based enterprises, supported by community savings groups. Their livelihoods mainly come from small-scale, on-farm businesses focused on cash and food crops, and off-farm activities like retail salt, soap, cooking oil and silver fish. At the start of the program, 69% of assessed farmers sourced seeds from local markets, indicating limited access to improved agricultural inputs, along with a reliance on indigenous poultry breeds. Significant challenges included limited knowledge of agronomic practices, inadequate access to extension services, and a lack of critical market information, such as actors, pricing, and available services. These were further exacerbated by limited access to financial services and products, which could have enhanced refugees' productivity by enabling them to purchase improved seeds, rent land for cultivation, and cover other operational costs.

The initiation of new enterprises as a complement to Poverty Graduation has diversified income streams. DREAMS' quantitative monitoring indicates that 82% of participants have diversified, providing more than one income stream beyond the enterprises established with business grants received upon graduation. Most participants in FGDs expressed that the combination of crop production and poultry keeping have proved to be the more viable IGAs that they have ventured into in comparison to retail and petty trade. For example, households that cultivate crops for sale are often also involved in poultry rearing. Poultry farming has provided quick returns due to high local demand for eggs and chicken, with potential for scaling as the enterprise grows. While a more robust evaluation will be conducted later in the program lifecycle, **preliminary qualitative and quantitative data suggests that the observed growth in value of participant businesses** - averaging UGX1.86m in a survey of the sixth graduation cohort - **is due to enhanced market opportunities, improved farming techniques, and access to quality inputs.** These factors have led to higher productivity and more sales. The adoption of high-quality seeds has significantly increased crop yields, enhanced participants' revenue, and improved resistance to pests, adaptability to environmental changes, and ensured higher yields.

To tackle the challenges identified at the program's start, particularly the lack of access to finance that hindered demand for market services, **the DREAMS program also implemented financial inclusion interventions, to make financial services, particularly credit, more accessible to participants.** In the financial sector, participants have accessed loans totaling over UGX 40 million. DREAMS has so far observed that many have utilized loans to start small businesses, expand existing enterprises, pay school fees, rent land for agricultural production, and diversify into alternative income-generating activities (IGAs). Institutions such as FINCA and Vision Fund have expanded their services to include both refugee and host communities, resulting in improved access to credit and enhanced financial inclusion. For instance, FINCA adopts an individual approach, primarily working with SMEs, having disbursed loans totaling UGX 10.4 million to nine non-DREAMS community members and UGX 3.5 million to four DREAMS entrepreneurs. FINCA has established a refugee financing department and now provides loans to refugees using an attestation card. In contrast, Vision Fund focuses on groups that have been established for at least two years, disbursing UGX 22.5 million to eight groups. Vision Fund revised its loan limits from 6 million to 10 million UGX due to increasing demand.

Findings and observations indicate that access to small-scale investment loans from Financial Service Providers (FSPs) has empowered small business owners to secure capital for equipment, raw materials, and other essential resources that drive growth. Many refugee households, once reliant on humanitarian aid, are now diversifying their economic activities as they strive for self-reliance. Many are investing in ventures such as poultry farming, which yields quick returns, and high-quality seeds for agriculture. Others are pursuing small-scale enterprises in retail, tailoring, and handicrafts, generating immediate income and fostering long-term economic stability. However, barriers to accessing financial services persist, leaving many refugees unable to obtain or afford credit.

“Our group members now engage in at least two different businesses, in addition to farming and saving activities.”

A member of a business savings group

Similarly, while further inquiry is needed to understand the underlying drivers of this change, the program team has observed a promising shift in household investments in income-generating activities, such as small-scale farming, poultry, and retail businesses, among both refugees and host community members. **DREAMS’ quantitative monitoring indicates so far that 61% of participants have successfully reinvested income from selected value chains,** significantly enhancing household economic stability and overall well-being.

“I used to rely solely on subsistence farming, which barely provided enough to meet my family’s basic needs. The harvest was often insufficient, leaving us struggling, especially during tough seasons. However, everything changed after I received a loan from Vision Fund where I started small food items shop and a poultry enterprise.”

A refugee woman from the BidiBidi settlement

Many participants shared how they have reinvested their earnings in essential agricultural inputs like quality seeds and tools and hire of land for production, enhancing production capacity and boosting yields. Their strategies include expanding agricultural operations and diversifying into new crops and livestock, which increases household income and reduces vulnerability to market fluctuations and climate-related shocks. Participants also report acquiring productive assets such as livestock and improved farming equipment, contributing to long-term sustainability and productivity.

These investments, as well as the underlying poverty graduation injection of skills and capital, are translating into sustainable asset growth for refugees and host communities – cohorts one and two recorded an average increase in assets of UGX858,400 over a year - both in terms of household goods and productive assets such as livestock and agricultural tools.

“Last season, I received sesame seeds, planted them, and was able to harvest one and a half bags. From the sales to the Ag-Ploutos company, I earned enough to buy a piece of land for 700,000 UGX. In addition, with the loan I secured from Vision Fund, I was able to start a small business.”

A woman from Bidibidi

Assessments indicate that the opening of agro-input shops in various zones has greatly improved farmers' access to essential agricultural inputs, minimizing the time and effort required to travel to larger towns like Yumbe or Arua. By localizing access, PSAs effectively meet customer demand within the settlements. Additionally, they have established market channels for grains, which are bulked and sold through local agents, further enhancing product accessibility for the community.

“We aim to establish a permanent presence in the settlement to continue selling our inputs, collaborating with various farmer groups, and providing essential agricultural services. This will enhance their livelihoods while also ensuring our profitability.”

Representative of an engaged PSA

Surveyed participants indicate that strengthening market linkages has also been crucial for selling their own produce at competitive prices. PSA agent networks help connect them with local or regional buyers for bulk sales, maximizing returns, and enabling reinvestment of profits. The involvement of market actors has greatly enhanced access to local markets for refugees and host community members by establishing partnerships with local suppliers and buyers. This has enabled participants to reduce reliance on intermediaries and more easily enter the market directly. The increased presence of PSAs has streamlined the sales process for farmers, allowing them to sell their produce in bulk and eliminating transportation costs. Private Sector Actors (PSAs) have offered better prices for bulked produce, positively impacting farmers' incomes and overall well-being by organizing them into groups for collective aggregation of grains, vegetables, and other products. For example, **one business savings group managed to raise the 'farm-gate' price per kilo of sesame from 4,600 UGX to 4,900 UGX by selling in bulk.** Additionally, the elimination of unnecessary transport costs has benefited farmers, as PSAs collect and offload bulked produce directly, removing the burden of transporting goods to distant markets. DREAMS' inquiries suggest that this shift has increased farmer satisfaction with the prices offered by PSAs, encouraging them to bulk their produce instead of selling in smaller quantities at the farm gate. Direct engagement with PSAs or their agents eliminates the need for middlemen, who typically aggregate for the PSAs. These middlemen often offer lower prices to secure a good markup, which can negatively impact the producers' profits. As a result, when PSAs or their direct agents engage with producers, they can provide better prices, leading to increased satisfaction among producers. This direct relationship not only enhances profitability for the producers but also fosters a more transparent and efficient market.

DREAMS participants economic successes can also be linked to a shift in technology adoption from traditional farming practices to improved seed varieties and hybrid poultry, particularly in host communities. Previously, the community mainly raised local chickens, which grew slowly and were poorly managed. However, MUOs have improved access to hybrid bird breeds. Refugee households, once reliant on local seed varieties and traditional poultry, are gradually adopting hybrid seeds and improved breeds, though this transition is slow due to supply chain challenges. Additionally, access to agronomic training and enhanced extension services has supported the adoption of modern farming techniques, leading to higher productivity.

Findings indicate that **the involvement of Private Sector Actors (PSAs) has significantly improved farmers' knowledge of Good Agricultural Practices (GAP), Post-Harvest Handling (PHH), and access to essential inputs and market opportunities**. Over the years, 6,474 participants received training in GAP, Climate-Smart Agriculture (CSA), and PHH, empowering them to invest more in agriculture than ever before. These training sessions, combined with access to quality inputs, have boosted participants' confidence, leading them to expand their agricultural land, hire more labor, and enhance their overall productivity. From the 2023 annual survey, at least 32.1% of participants had increased level of production to commercial agriculture, and utilized an average of 1.7 acreage of land for this production.

Participants in the DREAMS program report accessing essential market information through various channels, including radio talk shows, Business Savings Group (BSG) members, and community gatherings. This enhances their awareness of market trends and opportunities. Participants have reported receiving updates on market prices, demand trends, and buyer preferences through community meetings, radio programs, and mobile apps. This information empowers producers to make informed decisions about what to grow and when to sell, optimizing their earnings.

“Our teams have noticed a significant increase in the adoption of improved agricultural inputs, largely due to the extensive training, outreach efforts, and demonstration activities conducted in the settlements. Additionally, our radio awareness campaigns have been crucial in reaching a wider audience. As a result, there has been a noticeable rise in the use of these enhanced inputs, reflecting our ongoing efforts to promote better farming practices and technologies.”

Representative of an engaged PSA

Lastly, **participants report that increased activity among market actors has positively impacted social cohesion between refugees and host communities** through collaborative initiatives that promote resource sharing and mutual support. This approach has improved relationships, reduced tensions, and fostered an environment of trust and solidarity as both groups work toward shared economic goals. Additionally, these initiatives provide access to essential tools, agricultural inputs, and market information, further strengthening community ties and enhancing overall productivity.

Despite these gains, there remain several obstacles to developing sustainable livelihoods. **Refugee and host communities are highly vulnerable to various shocks, such as prolonged droughts, flooding, pest and disease outbreaks, which significantly affect their livelihoods;** although these shocks are recurring and somewhat anticipated, their frequency, intensity, and effects vary considerably over time, making it challenging for households to consistently manage or mitigate their impacts. In response, financial service provision has been tailored to facilitate access to loans for investment and diversification, enabling participants to successfully diversify into small-scale off-farm enterprises, which helps mitigate the impact of these shocks on their livelihoods. Additionally, our observations indicate that business savings groups play a crucial role in supporting participants' resilience to shocks by providing access to a social fund, which helps them address short-term challenges arising from such shocks.

Furthermore, **achieving equitable market participation for marginalized groups remains a significant challenge.** Recognizing that women in displacement contexts are more economically marginalized than men, DREAMS has intentionally targeted 70% female participation, recognizing that empowering women with knowledge, capital, and networks enhances their decision-making and confidence. To achieve gender integration and reduce disparities, DREAMS produces materials promoting gender equality and trains business mentors and private sector agents on gender sensitivity. Community dialogues address gender roles, while male-only discussions help men appreciate women's contributions to development. Additionally, training for women leaders in business savings groups builds confidence, and cross-learning events encourage peer exchange, improving perceptions of women's participation.

In addition, DREAMS aims to strengthen the entire market system through its interventions, however, current efforts primarily focus on specific components or actors due to resource and capacity constraints. This approach has limited the overall systemic impact and hindered the achievement of comprehensive market systems change. DREAMS has begun to tackle these challenges through adaptive program management, leveraging data to analyze market trends and targeting interventions in sectors with the greatest potential for rural refugees and their hosts. The thin market has required providing incentives to private sector partners to assess market viability. Additionally, to promote the adoption and sustainable use of new technologies, it has been essential to reduce costs for participants through targeted subsidies.

Surveyed participants did report occasional challenges that prevented substantial income growth, including the failure of some enterprises (sunflower, sesame, soybeans) due to harsh weather conditions, mainly prolonged droughts. **Access to cultivable land continues to be a challenge for refugees, directly impacting their ability to produce for the market.** There is available land in West Nile; however, many individuals are unaware of their rights, and legal protections are not consistently upheld. To address this issue, DREAMS has implemented land opening and cash-for-work programs, which have successfully unlocked approximately 2,000 acres for temporary agricultural production, with plans to return the land to its owners after a period of five years. While the DREAMS programme has collaborated with the Office of the Prime Minister to acquire land for production, issues such as long distances, protection risks, security of tenure and inadequate road access and sanitation facilities continue to hinder utilization. Often, available land requires significant investment to clear, which many refugees cannot afford.

Access to veterinary services for poultry and adequate extension support is also limited. While the program aims for MUOS to provide basic disease management, their effectiveness is hampered by several challenges. MUOs can offer advice and recommend medications, but veterinary shops are scarce in many communities. Additionally, the community is only beginning to recognize that poultry diseases can be treated like human ailments, highlighting the need for a social behavior change toward seeking veterinary care for poultry health and productivity. To address this, in the second phase of DREAMS engagement with the poultry partners Nutrofeed and Chick Masters Limited, a model is being piloted where Mother Unit Operators will double as Community Animal Health Workers, focusing on poultry with the support of Veterinary Officers. Four Mother Unit Operators working with Nutrofeed Uganda Limited will have solar powered cold chains which will enable them hold and stock poultry vaccines and drugs to be able to provide services like vaccination and treatment to the community. Chick Masters Limited has already installed a solar powered cold chain in the veterinary department of Yumbe District Local Government, which supports MUOs affiliated to them with vaccine storage and handling. All MUOs have vaccine carriers with which they collect vaccines and medicines from the fridge to treat poultry in the community. This arrangement is designed to work in collaboration with the District Veterinary Officers who assist the MUOs in diagnosis and prescription of treatment.

IV. Market Systems Development Also Provides Significant Benefits to Private Sector Actors in These Contexts

In Uganda, **DREAMS has helped national and regional businesses enhance their community engagement to become effective last-mile providers of products and services.** Private Sector Actors have expanded their business reach to a broader customer base by opening additional branches in Arua, Yumbe, Madi-Okollo, Koboko, and Terego districts. They have also established delivery structures, including MUOs like Chick Masters and Nutrofeed Uganda Ltd, site coordinators such as Mukwano and Geoffman, agents like Ag-Ploutos, Malaika Honey, Blessed Bee for Peace Trade Post Limited, and Omia Agribusiness Foundation, as well as agent bankers from Equity Bank Ltd. Surveyed actors have noted that they have actively engaged in profiling various community groups to ensure inclusion and have established structures like local agents, MUOs, and seed producers to facilitate ongoing engagement and service delivery.

These structures provide essential services such as agricultural extension support, input sales, and seed multiplication, allowing farmers to access necessary resources efficiently. A good example of this is the newly established mother unit operators, which serve as last mile distribution channels and increased the availability of hybrid birds for individuals active in the poultry value chain. Soybean seed producers, supported by DREAMS to obtain their certification from the Minister of Agriculture, Animal Industry and Fisheries (MAAIF), have started selling their seeds to BRAC Enterprises; such market linkage promotes sustainability for both the PSA and the farmers involved.

In engaging with the refugee market, **PSAs have significantly improved their understanding of the specific needs, purchasing power, and behaviors of potential customers.** PSAs interviewed reported learning that refugees tend to buy smaller packets of seeds due to limited land for cultivation and often prefer short-term crops that can quickly meet their food needs, such as vegetables. Cowpea and Amaranthus can be harvested in just three weeks, making them appealing choices in the refugee market, unlike most field crops, which do not sell well. **This initial engagement has led to the development of adapted business models that foster effective market interactions.** These models include the establishment of extension services, input supply centers within settlements, and bulking opportunities to streamline distribution. Additionally, flexible payment models enhance farmers' purchasing power, making essential agricultural inputs more accessible. **As a result, PSAs are not only meeting the immediate needs of refugee communities but also supporting their long-term food security and economic resilience.**

“Lessons learned from our exposure through the DREAMS program have helped us develop tailored products for agricultural funding, leading partners to approach us for collaboration and knowledge sharing as a result of our interventions in this context.”

Representative of an active financial service provider

Beyond direct program participants, **PSAs effectively engaged the broader community by providing the same products and services, enhancing broader access to valuable resources.** Awareness of PSA operations spread primarily through word of mouth from DREAMS participants and community meetings, informing local members about new services available in their areas. Our observations indicate that non-DREAMS participants have also greatly benefited from comprehensive training in poultry management and GAP which were directly provided by PSAs at their own cost, and which enhanced their farming techniques and livestock management. Access to improved seed varieties and hybrid poultry also seem to be leading to increased crop yields and higher incomes from bulk sales, while reduced transportation costs are improving profit margins. However, many non-participants still face barriers to accessing financial services, as they often lack engagement in business activities and participation in savings groups, limiting their ability to invest in agriculture and diversify income sources. **The absence of structured business engagement and financial literacy support for host communities remains a barrier for productive entry into developing value chains.**

V. Optimism Among Private Sector Actors: Long-Term Engagement in Refugee Markets Driven by Rising Customer Demand and Sustainable Business Models

While private sector investments have helped refugees and host communities access markets and technical support, sustainable market linkages depend on PSAs to maintain those investments.

Evidence indicates that the **private sector partners engaged in refugee settlements in Uganda have strong incentives to maintain their presence in these markets due to several key factors.** Most PSAs report an increase in customer demand, allowing them to purchase larger quantities and confirming that their business models are both sustainable and profitable. This gradual rise in demand for PSAs' products and services is driven by changing dynamics in the settlements, such as reduced food rations and the removal of some refugees from General Food Assistance (GFA). These shifts are promoting self-reliance, resulting in greater demand for agricultural inputs and creating new markets for output. This trend highlights the vital role PSAs can play in supporting local production and enhancing economic resilience in refugee communities.

The size of the market offers significant growth opportunities, with high demand for goods and services from both refugee and host communities. Additionally, PSAs can source inputs locally, which not only reduces costs but also strengthens local supply chains and aligns with their corporate social responsibility goals. By establishing a presence in refugee settlements, these businesses can access new customer bases while contributing to economic development and resilience within the community. Ultimately, their involvement benefits not only their bottom line but also fosters sustainable growth and improved livelihoods for the vulnerable populations they serve.

The majority of PSAs are actively developing sustainability plans that focus on establishing networks of agents within the settlements. Notably, five of seven PSAs interviewed expressed a commitment to continue operating within the settlement, reflecting their recognition of the potential for growth in these markets. This strategic move aims to ensure ongoing access to essential agricultural products and financial services for rural communities. By introducing a diverse array of value-added products, PSAs can foster greater customer loyalty and engagement, thereby solidifying their market presence. This approach not only enhances the availability of products and services but also strengthens the overall economic resilience of the community by providing reliable access to resources that support agricultural development and financial stability.

Partnerships have been essential to the DREAMS project. While some partners align with the program's long-term goals for systemic change, others remain hesitant about investing long-term in these markets. This dichotomy presents a challenge for the project, as it seeks to shift from transactional relationships to deeper, long-term collaborations. PSAs interviewed perceived a range of challenges for building sustainable market presence in displacement contexts.

Two PSAs interviewed expressed concerns about slow demand for specific crops, such as sunflower and soybean, which are not as common in the region. For example, despite input subsidies, less than 20% of farmers have adopted sunflower cultivation. The continued presence of these PSAs will largely hinge on the uptake of the value chain and the overall demand for seeds. If demand does not improve, incentives for actors in these value chains may be jeopardized. Therefore, **DREAMS has implemented strategies that stimulate demand, enhance market access, and support the adoption of these crops among local farmers**, ensuring that PSAs can thrive and contribute to the local agricultural economy. One such strategy is to address the challenge of access to cultivable land. Sunflower, soybean and sesame are field crops which require to be produced on large scale in order to get good returns. Once refugees enjoy access to land on which to produce the crops, there are signs that uptake will improve, and production will increase.

Several **PSAs also raised concerns over high operational costs due to long distances and poorly maintained roads**, which significantly hinder their efficiency. Recognizing that infrastructure development requires public investment, DREAMS actively advocates for enhanced funding and support from government entities and development partners. By doing so, DREAMS aim to create a more conducive environment for PSAs, ultimately improving their operational capacity and contributing to the overall resilience of the market system.

In addition, **market distortions can undermine demand for paid products, reducing demand in the market.** This is mainly due to the distribution of free goods and services, particularly in the context of humanitarian assistance. To address this DREAMS has begun advocating to a range of stakeholders for an aligned, market-led approach, with conditional assistance and self-reliance approaches being preferred.

Finally, **PSAs reported that climate change is an increasing risk, resulting in crop failures, discouraging farmers and diminishing their need for inputs.** This combination of factors not only impacts the sustainability of agricultural practices but also affects the overall viability of the agricultural market system. Addressing these issues is essential for fostering a more resilient agricultural environment, where demand can grow, and farmers feel empowered to invest in necessary inputs despite external challenges. Embedding climate adaptation within market systems requires a multi-faceted approach, strengthening supply chains for consistent access to climate-resilient inputs, developing farmer capacity in climate-smart agriculture, supported by private sector-led extension services and enhancing weather forecasting services. Additionally, improving access to financial services can enable farmers to invest in necessary inputs and build a more robust agricultural system.

To address a range of concerns raised by PSAs, the DREAMS' team has worked to deepen partner involvement, particularly during key phases such as co-design and implementation, focusing on supporting 'win-win' arrangements which grow market share for PSAs whilst making available valued products, services and livelihood opportunities for participants.

VI. Strategic Recommendations and Future Directions

Looking ahead, as we conclude the first phase of the DREAMS program, the following key recommendations will help guide our future interventions.

Recommendation 1: Integrating Housing, Lands and Property (HLP) with MSD and graduation in displacement settings is crucial to ensure participants have secure tenure and access to land for production. Based on the DREAMS experience, legal assistance, cash for work and community dialogue approaches, supported by key stakeholders including government and UN agencies, can support opening of land for production in a way that is sustainable and mutually beneficial for host and displaced communities.

Recommendation 2: Building climate-resilient market systems involves strengthening infrastructure, diversifying production, and promoting sustainable agricultural practices. This requires improving access to finance, establishing robust early warning systems, and fostering collaboration among farmers, input suppliers, insurers, and government agencies. A market systems approach plays a key role in ensuring participants have access to production resources while encouraging investment in climate-smart practices and technologies. By adopting drought-resistant seeds and improved techniques, farmers can mitigate risks and maintain stable yields during adverse conditions, which enhances their ability to reinvest in farming and off-farm enterprises. Crowding in insurers, a range of input dealers and improving access to climate data are effective approaches to mitigating climate-related risks, ultimately contributing to a resilient market.

Recommendation 3: For market systems development to work most effectively in displacement contexts, there is a need to engage with a diverse array of stakeholders to align humanitarian and development policy around a market-led approach. This can be achieved by establishing multi-stakeholder platforms, for ongoing dialogue, collaborative problem-solving, and coordinated action. There is a need for broad policy alignment between implementers, development partners, private and public sector to avoid market distortions that can arise from conflicting approaches or fragmented responses, where tensions remain between unconditional and conditional assistance.

Recommendation 4: To be truly inclusive and impactful, MSD in displacement contexts must be gender transformative. In displacement contexts in Uganda, women perform much of the agricultural work but face significant barriers, such as limited access to capital, land and market information. To achieve gender integration and reduce disparities, MSD interventions should prioritise inclusive approaches, including social behavior change initiatives and working with private sector actors to develop more inclusive recruitment and labor policies. When combined with poverty graduation approaches, such as capacity building and savings groups focusing on women, MSD can deliver more inclusive outcomes.

Recommendation 5: Promoting collaboration between refugees and host communities is essential for building resilient market systems and enhancing social cohesion. This collaborative approach encourages resource sharing, joint economic activities, and mutual support, which are vital for fostering trust and reducing tensions between the two groups. By facilitating partnerships in local markets, MSD approaches can create a more inclusive economic environment that benefits both communities, ensuring that everyone has access to opportunities and resources. Joint initiatives, such as cooperative enterprises and shared training programs, can empower both refugees and host community members, providing them with skills and networks that improve their livelihoods. By working together, communities better navigate market fluctuations and build a stronger, more cohesive social fabric that leads to long-term stability.

Recommendation 6: Incentivizing market actors' long-term investment in displacement contexts requires a systemic approach. Systemic change in the market must be driven through a range of approaches addressing demand, supply and enabling-environment barriers. Establishing a compelling, evidence-based business case, crowding in a diverse range of stakeholders along the value chain, stimulating demand and improving infrastructure are all key areas of support. To encourage long-term investment from commercial actors in agricultural value chains, future programs should focus on stimulating demand and enhancing market access for specific crops by implementing strategies to promote the adoption of these crops among local farmers and strengthening the value chain. Additionally, future programs should prioritize building momentum among small and medium-sized enterprises, as these can act as anchors for larger companies and facilitate meaningful partnerships. Expanding the co-creation process to include a broader range of stakeholders is also vital, as an inclusive approach can generate innovative strategies that enhance market share and drive systemic change.

Recommendation 7: Innovative models to expand supply and retail chains to last-mile communities should be scaled up. The Mother Unit Operator Model (poultry), Local Seed Producer Model, and Agent Models for inputs and finance, show significant potential for inclusion and sustainability in thin markets. In addition, supporting PSAs to establish local agro-input centers within refugee communities will ensure farmers have convenient access to high-quality seeds, fertilizers, and tools, reducing transportation costs and boosting overall productivity and resilience.

VII. Learning Ambitions

This assessment reflects DREAMS' status during implementation, identifying learnings that will inform similar programs as well as challenges and obstacles which required adaptation. The full impact of DREAMS will ultimately be assessed through a rigorous experimental impact evaluation, conducted by [IDinsight](#), with endline results in June 2025, paired with other learning assessments to address the following set of questions:

- **Bringing together graduation & MSD:** What are the challenges of operationalizing and sustaining impact in contexts of protracted humanitarian need or displacement?
- **Graduation at scale:** How can graduation be scaled cost-effectively and with positive spillover effects, particularly in and around contexts with thin markets like refugee camps?
- **Interfacing with safety nets:** How can DREAMS effectively integrate with safety nets provided by government and INGO/multilateral organizations? Can DREAMS sustainably move recipients of direct support out of their vulnerability criteria?
- **Cost-effectiveness:** How does the cost-effectiveness of the combined graduation and MSD approach compare to the cost-effectiveness of previous graduation benchmarks?
- **Durability and resilience:** What approaches can be used to strengthen the long-term viability of graduates' businesses, particularly in areas affected by conflict and environmental changes?

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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.



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