



Market Systems Development

**Guideline to plan and facilitate market
system changes**

Zurich, October 2015

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Scope of this document

This HEKS/EPER document provides guidance for analysing market systems, planning and facilitating market system change projects of HEKS/EPER. The document is based on different state of the art market system development and value chain approaches and manuals (e.g. the M4P approach, the Participatory Market System Development Approach by Practical Action or the ValueLinks Manual by GIZ; for more information see also section further literature).

The main audience of the document are persons involved in the management of projects and country programmes carried out, supported, funded or co-funded by HEKS dealing with market systems: staff in HEKS/EPER country offices, Desk Officers at headquarters, and other personnel at headquarters, and concerned project staff at partner level.

HEKS/EPER market systems development approach

HEKS/EPER projects and programmes promote an integrated market systems development approach that strengthens the accountability of rural families and communities, upgrades the value chain structure for the benefit of producers and consumers, and therefore contributes to a strengthening of income-generating conditions for farming families.

HEKS/EPER adopts a systemic approach to market development. 'Classic' value chain development approaches often have limited success in delivering sustainable impacts because of weak linkages of the beneficiaries to other value chain actors down streams.

Systemic concepts of interconnectedness, interdependency and interaction of the system elements, and the inherent feedback loops which promote and inhibit change mean that in practice, market development practitioners should take into account critical actors, the relationships among them and the context that influences how they behave and interact in the market. Pursuing systemic changes in market development involves developing a vision for a more efficient, inclusive and equitable market system and working from a number of angles with critical market players to achieve this goal in a self-sustaining way.

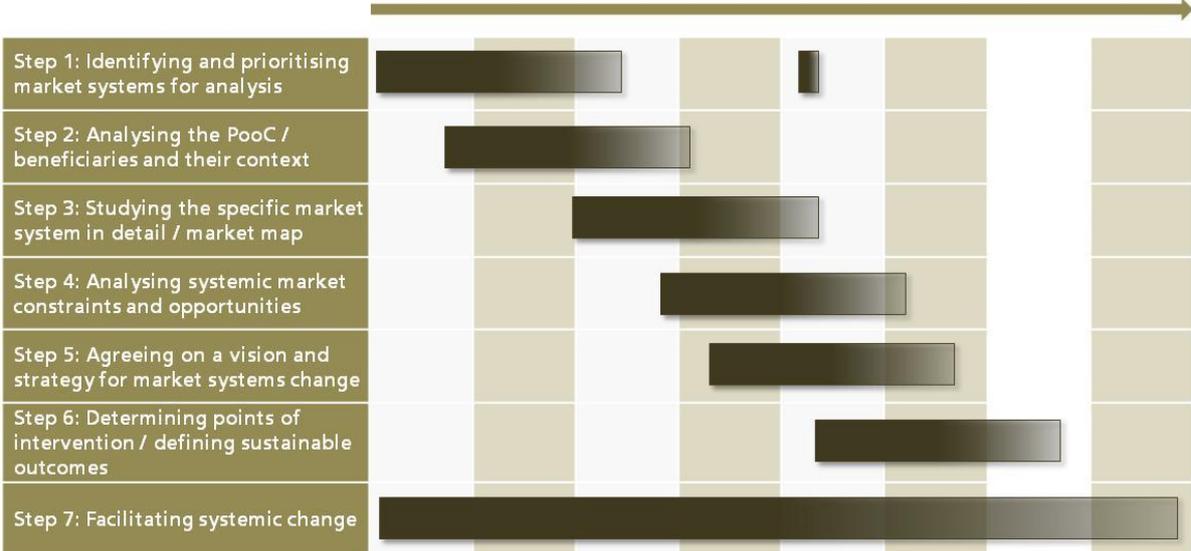
Since systemic challenges in a market system involve many different actors, and solutions require coordinated action, it is absolutely essential that all the relevant actors are involved in the process of developing an understanding of the entire system, identifying and addressing challenges and exploiting the opportunities. Genuine participation, in the sense that the process of intervention planning and action is led by market actors – and therefore that they feel a strong sense of ownership over it – is essential to ensuring that the transformations persist after the end of a project's involvement in facilitating the market system change.

Facilitation of market development aims inter alia to assist market actors to build relationships, to undertake collaborative action, the provision of infrastructure and the introduction of new technologies. This enhances their ability to continuously improve their productivity, thus the competitiveness and sustained economic and social gains of market systems. In practice, this means above all to avoid entering the market system as an NGO and delivering missing or problematic market functions themselves. In particular for example, it should be avoided becoming input or service providers or to act as marketing agents. Nurturing confidence, trust and influence of market actors and their relationships between each other becomes critical to achieving sustainable transformations in the market system.

In general, an assessment of the market system should:

- *Not be static: it needs to be analytical and capture the dynamics of the system*
- *Identify constraints, but also the potential and feasibility of change*
- *Help programmes / projects understand different stakeholders, functions and relationships both as a source of market weakness and as a source of potential solutions to improve market performance.*

In order to thrive for these systemic changes within market systems the steps and information described in the chart below and the table on the next page are critical. Please note, that the different steps are overlapping and are iterative processes to be carried out with the highest possible involvement of all market actors.



| Type of information | Need to know what...? | In order to...? | How to find out about...? |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Step 1: Identifying and prioritising market systems for analysis | <ul style="list-style-type: none"> • Which sub-sectors, product, commodities should be prioritised • Key criteria on which to base the selection of value chains to be analysed | Identify which value chains / market systems are most appropriate to analyse | <ul style="list-style-type: none"> • Identifying list of potential products • Determine criteria and build understanding of priorities • Weighting of criteria and ranking of value chains |
| Step 2: Analysing the PooC / beneficiaries and their context | <ul style="list-style-type: none"> • Socio-economic, demographic, geographic picture • Growth, competitiveness potential and challenges • Key trends, prospects, drivers and barriers to PooC's participation in market systems | Identify specific markets which offer pro-poor opportunities which might feasibly be tackled by the programme / project | <ul style="list-style-type: none"> • How the PooC participate economically? • Overall economic opportunities and prospects • What are the drivers? |
| Step 3: Studying the specific market system in detail / market map (Where the PooC conduct their economic activity and who they engage with) | <ul style="list-style-type: none"> • The structure of the market system • The dynamics of the market system and dimensions of its performance • The PooC's position within the market system | Identify where the market is not working for the PooC (=symptoms) | <ul style="list-style-type: none"> • Map out the basic structure of the market system • Understand the dynamics of the market system • Understand the PooC's position within the market system |
| Step 4: Analysing systemic constraints and opportunities | <ul style="list-style-type: none"> • What are the underlying causes of a market system's underperformance? • What are the primary obstacles and opportunities to overcoming these problems? • Which opportunities arise for the market system in a given context? | Identify the underlying reasons for market underperformance and possible intervention points to stimulate systemic change (=causes) | <ul style="list-style-type: none"> • Explore the range of rules and supporting functions, which support and govern the market chain. • Get an insight into market players' capability and motivations • Understanding incentives, capacity of market actors and their relationships |
| Step 5: Agreeing on a vision and strategy for market systems change | <ul style="list-style-type: none"> • How should the market system / the value chain at stake look like five years from now? | Have an agreement on an improved state of affairs that stakeholders would like to get to and contribute towards | <ul style="list-style-type: none"> • Seek the input of a range of market actors • Create an overview of a future market map |
| Step 6: Determining points of intervention / defining sustainable outcomes | <ul style="list-style-type: none"> • What has to happen in the market system to move towards the previously identified vision for change | Identify what kinds of actions market actors might take to bring about this change and activities that can be carried out and will create the conditions for the market actors to take action | <ul style="list-style-type: none"> • Develop a sustainability matrix (Who does? Who pays?) • Plan your exit before you enter |
| Step 7: Facilitating systemic change | <ul style="list-style-type: none"> • Guide facilitation and maximise results | Try things out, measure and observe outcomes, build on successes as you go along and learn from failures | <ul style="list-style-type: none"> • Follow a practical iterative approach: facilitate, monitor, reflect, learn, plan |

Step 1: Identifying and Prioritising Market Systems for Analysis

The prioritising process follows three distinct steps.

Step 1.1: List of possible market systems

As a first step, a list of potential market systems that might be appropriate for interventions in the geographic region under consideration shall be collected. This should be developed in a participatory way by including stakeholders at different levels. The value chains identified can be based on products that are already produced in the region, products that are technically feasible to produce in the region, products that have a clear pro-poor focus, or products that are judged to have a good market (local, regional, national or international).

The following checklist may help ensuring that the most relevant market systems / value chains are included:

- Include market systems that are presently active in the context you want to work;
- Include market systems for products whose domestic demand is partially met through imports;
- Include market systems for products that have a growing international and national demand (be realistic though);
- Do not just think about products market systems. Include potentially relevant service markets as well.

Step 1.2: Determine criteria and build understanding of priorities

As HEKS/EPER programmes / projects aim to achieve pro-poor outcomes, the criteria selected should reflect this. Thus, possible criteria for the selection of value chains for further analysis are inter alia:

- **Economic Potential**
 - *Demand from the existing end markets:* Who consumes the product? Is there an unmet demand for the product? Is the demand for the product constant and likely to grow in the next 5-10 years? etc.
 - *Potential increase in income and wealth:* Are there significant opportunities to create wealth and increase incomes and profit across the market system by increasing production and the supply of the product to the meet the demand from the end markets?
 - *Competitiveness:* How competitive is the market system compared to other regional, national and international end markets?
 - *Potential for improvement:* Is the market system likely to be able to meet an increase in demand from the end markets? How realistic is the potential for the market system to increase its efficiency? Are there realistic opportunities for the market system to move into new, higher value products (upgrading)?
 - *Realistic opportunities to reach new end markets:* Are there new end markets that the market system could reach with a realistic level improvement of efficiency or upgrading? What is the diversification potential?
 - *Market growth potential:* Are there possibilities for scaling up, leveraging public/private investments?
- **Potential Impact on Poverty**
 - *Involvement of the poor:* What are the estimated current numbers of poor people deriving incomes from the market system? What kind of functions are they undertaking? What are their returns from their efforts and investments? What is the relationship between rural communities and other market actors and what is the potential for new linkages?
 - *Income gains:* What are the realistically possible gains to the incomes of the poor of improvements in the market system?

- *Competitiveness of the poor and small-scale actors*: Are small-scale and poor producers able to compete in the market system with other producers? Are they likely to be able to maintain or increase their competitiveness if the market system improves?
- *Share of the value*: How is the value distributed across the market system? Are there realistic opportunities for poor actors to increase the value that they keep by increasing their productivity, by engaging in new value addition activities or by negotiating new terms with other market actors?
- *New entry*: If the market system improves, is it likely that it will create new opportunities for the involvement of the poor in employment or by integrating greater numbers of small-scale producers and enterprises?
- **Other context / project specific criteria**
 - *Social inclusion and gender*: Is it possible that improvements in the market system change the attitudes and relationships of members of society towards socially excluded groups and promote political, social and cultural equity and empowerment? Disaggregation of the criteria mentioned under potential impact on poverty according to different groups and sex.
 - *Potential for agro-ecological production and environmental sustainability (natural resource management, etc.) along the market chain*
 - *Conflict vulnerability*
 - *Synergy with government / donor priorities*
 - *Intervention potential (e.g. HR, financial, etc.)*

Please note that the selection of the criteria as well as their weighting should be elaborated in a clear and transparent process with the relevant market and project actors.

Step 1.3: Weighting, scoring and ranking of the market systems

To compare market systems against the selection criteria that you have chosen, you must collect information about the market systems and discuss what this information tells you about how the market systems with the anticipated systemic changes perform against the chosen criteria.

Although the final decision is always a subjective one, you can ensure that it is well-informed and evidence-based by combining:

- Information collected from different sources,
- Discussion and deliberation in consultation with a wide group of informants, and
- Weighting, scoring, and ranking tools.

Beware of project teams scoring on the basis of their own knowledge, perspective and notion – remember that this needs to be as transparent and objective as possible. The process must be documented clearly so that in future, stakeholders can understand the decisions.

Some of the criteria will probably be considered to have a higher level of importance in decision making process and so should have a greater influence on the ranking of different value chains / market systems.

Different examples of a weighting, scoring and ranking exercise shown (in a table format or as a spider diagram) can be found in the annex.

Subsector analysis and selection in Bangladesh

Together with the partner organisation Practical Action, HEKS/EPER supports since 2014 the integration of disadvantaged groups (Dalit and Adibashies) into profitable value chains in Bangladesh. As a starting point, Practical Action conducted value chain / sub-sector analysis workshops in order to identify together with relevant stakeholders promising value chains / sub-sectors. A total of 133 relevant key informants participated in these workshops. The aim of these workshops was to assess and validate potential sub sectors for the Dalits and Adibashies. Major criteria of the sub sector selection were: availability of input materials, unmet demand, linkage opportunities, scope for use of improved technology to increase productivity and profitability, scope for female participation in their production, scope of product diversification, environment friendliness and resilience to climate change and interest of donor and government. After the subsector selection workshops, eight subsectors have been selected. Finally, beef fattening, native chicken and the vegetable (cauliflower) sub sector have been selected for further analysis, based on the ranking indicators mentioned in Figure 1.

| Subsectors Potential Comparison | | | | | | | | |
|-------------------------------------|--------------------|----------------|--------------|----------------|-----------------|----------|-------------|------------------------|
| Ranking Indicators | Identified Sectors | | | | | | | |
| | Pig Rearing | Beef Fattening | Goat Rearing | Native Chicken | Milk Production | Maize | Cauliflower | Bamboo made handicraft |
| Unmet Market Demand | High | High | High | High | High | High | High | Low |
| Availability of input | High | High | High | High | High | High | High | High |
| Income increase opportunity | High | High | Low | High | Moderate | Low | High | Low |
| Transportation Services | High | High | High | High | Moderate | High | High | High |
| Inclusion through market linkage | Moderate | High | High | High | High | High | High | High |
| Participation of PooC/beneficiaries | High | Moderate | Moderate | Moderate | Moderate | Moderate | Moderate | Low |
| Government/Donor Priority | Moderate | High | High | High | High | High | High | Low |
| Access to finance | Moderate | High | High | High | Moderate | Moderate | Moderate | Moderate |

High ■ Moderate ■ Low ■

Figure 1 Example of subsector ranking matrix from Bangladesh



Step 2: Analysing the People of our Concern / Beneficiaries and their Context

This step shall provide a wider **understanding of the PooC/beneficiaries and their position within selected market sectors** and thus will serve as first baseline information for the further planning of a project / programme. In the following the term marginalisation is used with the following definition.

Definition – Marginalisation in the market system: The market system’s structure and governance pro- and reproduces selected actors groups that are disadvantaged due to a lack of bargaining power, knowledge, political influence, socio-economic status, etc.

A crucial part of working with marginalised actors and helping them to move out of poverty and become active members of the market system is to understand who the marginalised really are. In order to do this, an analysis of the marginalised actors is essential. Figure 2 provides a useful model to better understand the position and degree of marginalisation of PooC / beneficiaries.

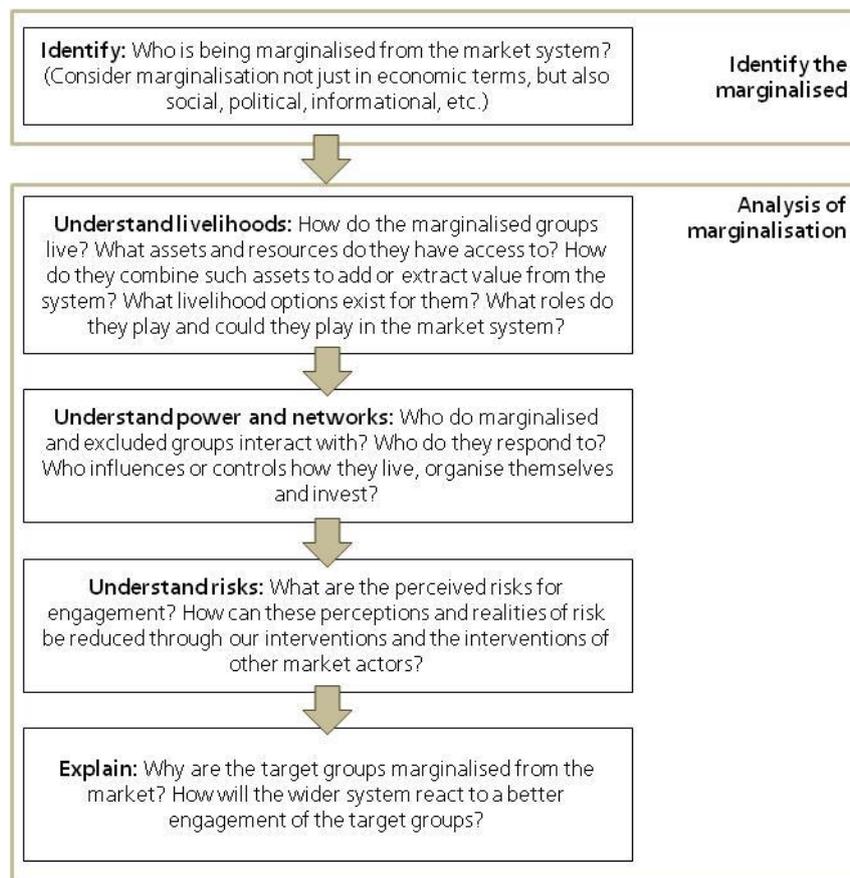


Figure 2: Model of understanding marginalisation

One of the key objectives for market system development projects is to empower and give voice to the marginalised actors in the market. However, it is important to note that marginalised actors vary according to the specific market system; they are not just producers or farmers, but also traders, processors and others. The categorisation depends on their relative size and power, and it is important for facilitators to analyse this dynamic early on in order to know where to focus the efforts.

Step 3: Studying the specific Market System in Detail

This step requires building an understanding of how key market systems work, who the major players in those systems are, and how these market systems are changing / have changed in the past. This process shall also identify the position of the Pooc / beneficiaries within this market system. This step is the core step for each market system development project.

Step 3.1: Map out the basic structure of the market system

A market system describes a set of actors, relationships, functions and issues, which together form a product subsector. A special emphasis shall be put on the understanding of the system as a whole, the way market actors are interconnected within the system and how they interact with each other to get a good or a service from its primary production to its end markets.

A market map entails a description of three distinct areas: the market chain, the supporting functions and services and the rules and business environment.

Figure 3 provides a generic market map that describes the different areas. Please note that each context has its own specifications and it is essential that for each project / context a specific market map unique to the situation is developed. It also depends on the context, which markets to include or exclude in the specific market map (only local markets, local and regional markets, national markets or even export markets).

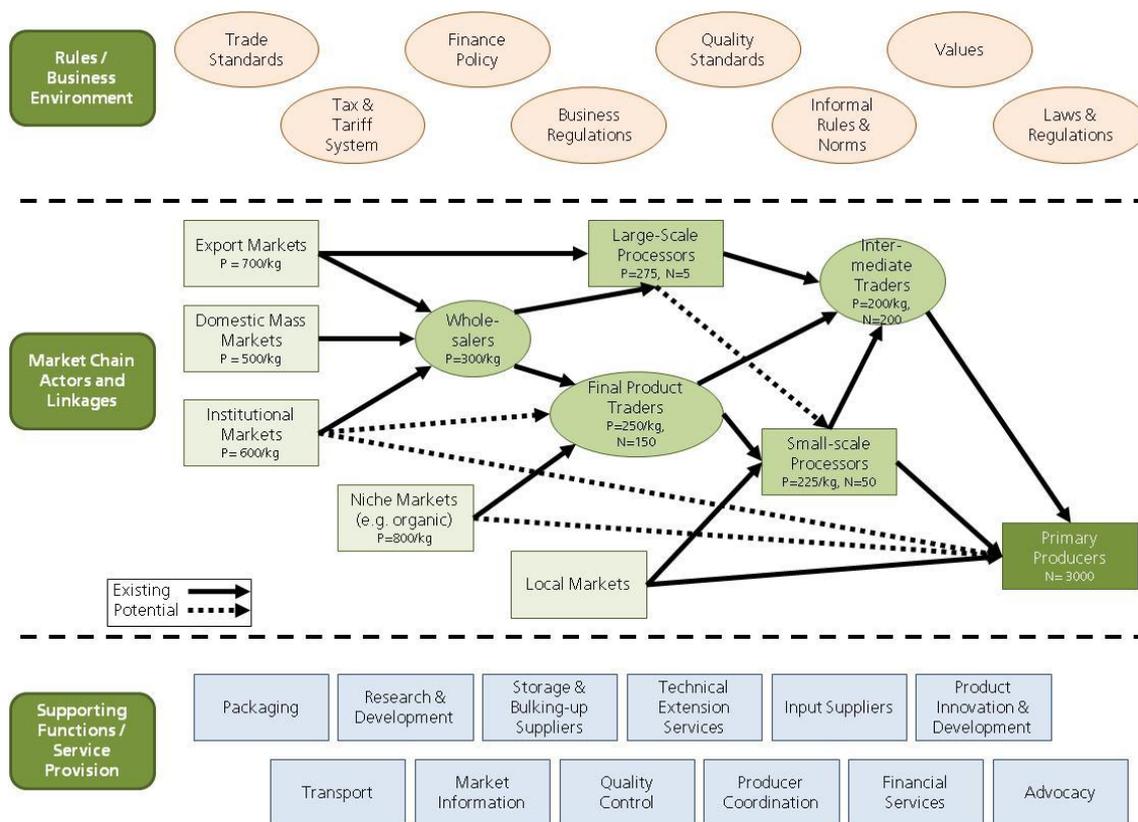


Figure 3 Generic map of a market system

Market Chain / Actors and Linkages

The market chain itself can be considered from two directions.

Starting with the primary producer and ending with the end-markets, the chain seen in this way captures the flow of goods or services as they pass through different market actors.

The same chain can also be reversed, beginning with the end-markets and ending with the primary producer. In this case the chain represents the flow of money (or value) from final consumer through different intermediaries to the primary producer.

In the Market Map figure above, the arrows of the market chain show the flow of money from the end markets to the primary producer. This emphasises that a market system depends on the demand of final consumers and that all value derived by market actors in the system could not exist sustainably without reliable, realised demand on the part of final consumers.

The following guiding questions may help to better understand the market system and the roles of the different actors¹ within the system:

- **Competition and cooperation:** What are the different channels and stakeholders / actors? Are they competing with each other over particular segments of the end market? What are their functions and their roles in the market systems? Who cooperates with whom?
- **Efficiency:** How complex are the market chains and what are the transaction costs associated? What are the value-adding roles of each actor along this chain?
- **Value retention:** How is the value distributed across the market chain? What are the profit margins, trade volumes and total profits of different market chain actors?
- **Inclusion:** Where are the poor and marginalised actors? Are they in the chain, or are they conspicuously absent? How many are involved? What roles are they playing?



¹ Actors in the market system can be of several types:

- Government and government organisations: this can be broken down further (e.g. national and local) but is essentially the public sector.
- For-profit businesses, of any size or ownership form, ranging from informal to formal and self-employed to substantial corporations.
- Networks: formal or informal, business networks can be a powerful source of 'services' – advice, contacts, skills etc.
- Membership or representative organisations: industry associations, chambers of commerce, employers' organisations, trades unions and consumer groups, whose principal role is advocacy.
- Not-for-profit organisations: this could include NGOs and community groups but also universities and educational institutions that have some autonomy from government.
- Individual or collective producers not organised within a specific structure

A good tool to further analyse the roles of the identified market actors is the influence-relevance matrix. It has two dimensions: relevance, and power and influence. Each identified actor can be put in one of the four different segments shown in Figure 4. Each segment contains information on how to deal with these actors in the further investigation and planning process.

| | | | |
|---------------------|------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Power and Influence | High | <p>Stay open minded about these actors: they are powerful and they may turn out to be important drivers of change, despite them not seeming very relevant at this stage. If they show an interest, be quick to provide them with information about your investigation and preparation process and subsequently keep them informed.</p> | <p>Actively target these actors: they are both important parts of the system and the 'movers' and 'shakers' that have lots of power to change things. Engage them as early as possible and throughout the investigation and preparation process.</p> |
| | Low | <p>Stay receptive towards these actors: although they do not seem important, nor very relevant at this stage, they may still prove to be as you continue to build your understanding of the system. If they show an interest, provide them with information about your investigation and preparation process</p> | <p>Stay open minded about these actors: they are an important part of the market system. Ignoring them may have severe unintended consequences. Keep them informed about the investigation and preparation process.</p> |
| | | Low | High |
| | | Relevance | |

Figure 4 Influence-Relevance-Matrix of market actors.

Supporting Functions / Service Provision

In order for the market chain actors to carry out their functions, they access and need a variety of supporting functions (inputs and services). In the generic market map (see Figure 3), these are placed below the market chain.

Definition: Supporting functions are a range of functions supporting the core exchange helping the market to develop, learn, adapt and grow.

It is helpful to include both inputs and services that market chain actors already use together with those that are important for market chain actors but that currently missing and or not working well. Using different colours to differentiate these is very useful.

In order to map out the supporting functions the following guiding questions may help:

- **Inputs, services, advice:** What inputs, services and advice does this core market chain actor need to use to play the role that it does in the market system? Include both what they currently have access to and what they might not, but need to become more efficient.
- **Effective access, partial access, or absence:** How effective is the access to and delivery of each supporting input and service for the different market chain actors?
- **Providers:** Who is delivering each supporting input and service? They are likely to include private enterprises, government agencies, and non-governmental organisations.
- **Delivery mechanisms:** How is each supporting input and service accessed? Are there free markets operating, controlled and/or subsidised markets or fully controlled delivery mechanisms?
- **Formality:** Are the supporting inputs and services accessible through formal, informal or illegal mechanisms?

Inter alia, the following supporting functions may be included in the map:

- Product innovation and development: ranging from adaptation of products in existing markets to new products for new markets.
- Skills and capacity enhancement: to ensure that market-specific skills and knowledge of different market players are updated and refreshed.
- Research and development (R&D): the essential knowledge base that will allow specific products to be developed, new insights into market mechanisms, underlying market trends.
- Policy formulation and review: the mechanisms by which government sets and assesses the impact of policy, laws, regulations and other interventions, which affect markets.
- Basic information provision that, for example, supports the development of markets generally rather than specific products.
- Advocacy: to ensure that the interests of different market players are appropriately represented.
- Coordination: to foster cooperation and mutual interests above and beyond those of any single market player.

Depending on the context, some supporting functions can also be seen as market actors (e.g. transportation or packaging). A possible guiding question to decide whether to put those issues under the actors or the supporting functions may be to ask whether a service provider / actor owns a product at any stage. If so, it should be put under the market actors section.

Rules / Business Environment

Many formal and informal rules (and their enforcement) act to shape market transactions govern the participation of market actors and their behaviour. They are like the 'rules of the game'. These are inter alia:

- Generally applicable rules such as contract, property, consumer and environmental protection, weights and measures, health and safety, competition and tax laws.
- Sector-specific rules such as banking codes, telecommunications acts and land use and ownership laws.
- Non-statutory regulations such as industry codes of good conduct and quality standards.

The enforcement of rules depends on the functioning of various organisations including the judiciary, systems of regulation, inspection and licensing, revenue authorities, company and land registries, industry regulators, local tax offices, and self-regulation mechanisms.

How rules are interpreted and applied is often shaped by social, cultural and political norms and practices as much as by the letter of the law. Where formal rules and their application are weak, the environment is typically governed by the informal.

In the market map (see Figure 3) these issues are summarised above the market chain. In order to map out the rules / business environment the following guiding questions may help:

- **Laws, policies and regulations:** What are the government directives that formally define how land tenure, natural resources, contracts, trade and taxation are managed?
- **Enforcement, enactment and implementation:** What are the government provisions for the enforcement of laws, enactment of policies and implementation of regulations? Are they effective? Are there illicit activities that circumvent government directives?
- **Standards:** What standards exist that market actors have to comply with? What are their terms and how are they assured?
- **Power structures:** What are the power structures behind the formal and informal institutions involved in the market system? Who is empowered and protected and who is marginalised in these structures?

- **Economic norms:** What are the common ways of doing things? What are the reasons – economic or otherwise – behind them?
- **Informal social and cultural norms:** What social and cultural factors affect gender equity and social inclusion in the market system? Consider the power structures behind notions of community, gender, ethnicity, religion caste and class relationships.

Step 3.2: Understanding of the dynamics of the market system

This implies an understanding **where the system has come from and where it might be heading in future**. This may include inter alia:

- Changes in the flow and nature of goods or services over time (e.g. value, volume, type, profile of suppliers and consumers, quality attributes),
- Performance relative to competing, complementary or similar sectors and regions (e.g. productivity, value-added, customer satisfaction, level of competition),
- Major events and changes (e.g. new entrants, new legislation or technological innovation),
- Evolvement and creation of networks, associations and business models,
- Access to information on different levels,
- Rate of adoption of ideas and innovations,
- Current investment and consumption patterns,
- Asset transfer within families,
- Power dynamics and scope of action for rural communities within the market system,
- Collaboration of different actors.

Step 3.3: Understand the PooC's position within the market system

This implies an understanding **how the market system is currently serving the PooC – or not serving them**. This assessment shall focus on the core of the market transactions. Main question is: In what ways are the PooC not getting what they need from this market – and what are the potential opportunities for them?

Beyond current participation or non-participation of the PooC in the market system it is necessary to analyse and understand the factors that lead up to or inhibit real participation:

- Consumers' awareness and understanding of their requirements.
- Consumers' awareness and understanding of a good or service that could meet their requirements.
- Consumers' valuation of and satisfaction with the good or service.
- The nature of the good or service and its appropriateness to the requirements of consumers.
- Sources of supply and their acceptability to consumers/users.
- Suppliers' awareness and understanding of consumers.

As a result of this step one should have a clearer idea of where the deal or transaction involving the PooC is breaking down and why it is breaking down.

Example of a dairy value chain analysis from a HEKS/EPER project in Georgia

During the inception phase of HEKS/EPER MOLI project² in Georgia an in-depth market system and stakeholder analysis has been conducted. The following description is an excerpt of the inception phase report and describes the dairy market situation in one of the project region.

The dairy market system is moderately diverse, with a modest number of products, and a few main market channels and types of actors. The market system revolves around dairy producers (farmers who own and milk cattle) and their customers who purchase fluid milk or home-processed dairy products such as cheese and fermented milk (yoghurt). The choice of products to sell, and thus market structure, is influenced by geography and the scale of farms. Production and sale of fluid milk is dominated by semi-subsistence and commercial farmers located near dairies and milk collection centres, while sale of home produced cheeses and fermented milk is much more common for subsistence farmers and small semi-subsistence producers in areas without dairies and milk collection centres.

Distance from main markets has a strong effect on the structure of dairy markets, with farmers in Sagarejo region preferring to travel to Tbilisi wet-markets to sell their products directly to wholesalers who then resell to consumers and buyers from small shops, restaurants and bakeries. Dedoplistskaro and Signagi districts have more diverse dairy value chains, with a substantial number of actors purchasing fluid milk from producers for processing and shipment to large dairies in Tbilisi. A modest number of traders also deal with cheese produced by households, buying directly from farmers at farm-gate or at Sunday markets in district centres and large villages.

Because of the distances and functions involved, this value chain includes a number of supporting markets related to transportation, processing equipment and supplies, and marketing. This system also depends heavily on public infrastructure, especially water and electricity and natural gas supply for processing and storage and public road infrastructure for transportation. These forms of infrastructure are fairly uniformly available across the entire project area, and do not have a big effect on the structure of the value chain. The main exception is road access to a small number of remote villages, which are in poor condition and make transportation more difficult.

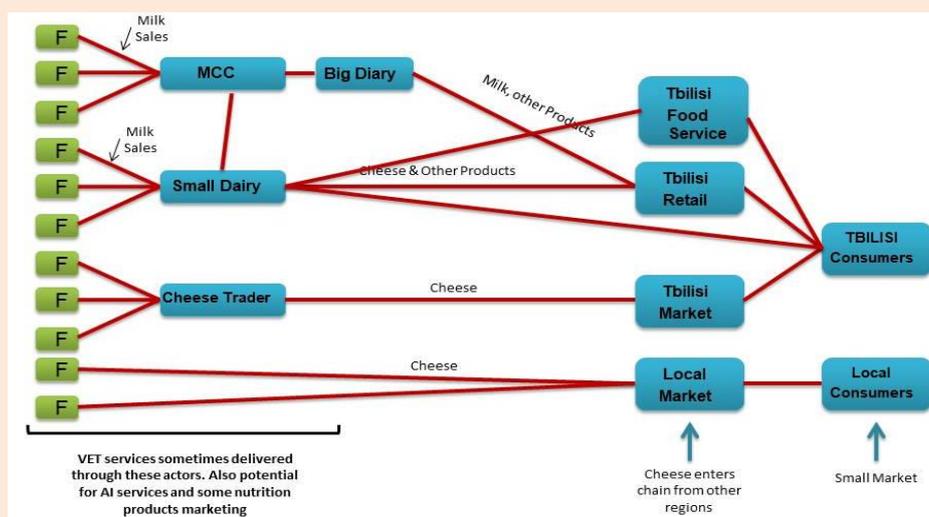


Figure 5 Dairy value chain in one of the project regions.

In the target area, the dairy market system has five core functions. These are:

- **Primary production of fluid milk:** All proposed beneficiaries perform this function, with a greater or lesser focus on subsistence production. Value added: ranges from 0.4 GEL per litre to 1 GEL per litre seasonally.
- **Bulking and transportation:** This is only occasionally performed by beneficiaries, mostly when very small scale farmers take small amounts of processed products from friends or family to sell in markets or at roadside stands. More usually, this involves outside traders who purchase fluid milk and dairy products for processing or resale in urban markets. Depending on the product, additional steps such as cooling and quality control may be included in this function. Value added: 0.1 GEL per litre.
- **Processing and packing:** Beneficiaries are able to process fluid milk into a number of products, and often do so in order to preserve their production. The processing and packing function can also be provided by dairies operating at a variety of scales. Processing by producers often focuses more on preserving rather than adding value, while some enterprises add substantial value through sophisticated processing and packaging. Value added: Highly variable, depending on the type of processing that takes place. It ranges from nearly zero for some forms of household processing in the spring/summer to 1.5 GEL per litre or more for some modern packaged products.

² Market Opportunities for Livestock Innovators (MOLI) Project, Kakheti, Georgia.

- Sales:* Beneficiaries deliver the farm-gate portion of this function, and are sometimes involved in retail sales of processed products at roadside stands. More commonly, processors, consolidators and wet-market traders buy product at farm gate or weekly markets and sell them on to wholesalers, retail outlets or food service enterprises. Value added: From 20-50 GEL per litre in wholesale markets, depending on the product being sold.

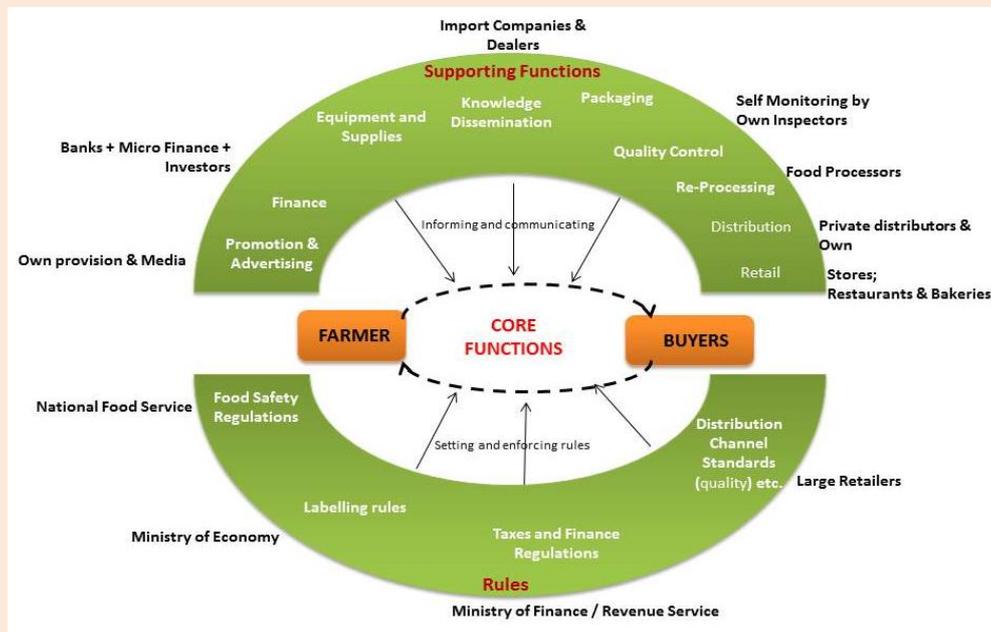


Figure 6 Dairy market system diagram (description of supporting functions and rules)



Step 4: Analysing Systemic Market Constraints and Opportunities

Once an understanding of the structure and dynamics of the specific market system has been established – and the PooC’s position within that – the assessment needs to focus on identifying the specific causes of market underperformance and possible opportunities. Key questions are:

- What are the underlying causes of a market system’s underperformance?
- What are the primary obstacles and opportunities to overcoming these problems?

To answer these questions, projects usually need to explore the range of rules and supporting functions, which support and govern the market chain. Projects should avoid simply describing specific market functions and players that are currently performing those functions. It is essential to go deeper than that: to get an insight into player’s capability and motivations for performing specific market functions and how well they are performing them. This means understanding the:

- Incentives of market actors;
- Capacity of market actors;
- Relationships between market actors.

Incentives and capacity are critical. Projects need to explore the reasons why market actors are acting the way they are and their motivations and ability to change. In order to understand incentives projects need to understand political, legal, social and cultural factors as well as economic factors: what is valued and why? How values are shaped by prevailing norms and behaviour? How these social factors encourage or inhibit change?

Possible types of constraints within a market system are inter alia related to:

- Input: PooC / beneficiaries use sub-optimal amounts of products and services in their production systems or do not have or have only limited access to them
- Infrastructure: Related to production, processing, marketing, etc.
- Market: Prices for production, market actors, etc.
- Services: needed for production, processing and marketing (e.g. related to information or finance)
- Mobility and transport
- Diseases
- Political constraints

- There are no standard tools to explore these systemic market constraints and opportunities. The diagnostic process rely more on focused interaction with a limited number of selected informants, which have emerged from the preceding assessment. This interaction might take the form of one-to-one meetings, focus group discussions or brainstorming workshops, depending on the nature of the actors involved.

Step 5: Agreeing on a Vision and Strategy for Market Systems Change

Value chain promotion needs a strategic perspective. A vision describes the aspired change within a market system / of the value chain answering the question: How should the market system / the value chain at stake look like five years from now?

A vision must be specific enough and it should seek to be as close as possible to the aspirations of where the market actors and not only the marginalised actors in the system want to go.

In order to come up with a clear vision for market system change the following guiding questions may help:

Possible Vision Key Questions

Market Demand: What is the demand for the market system's products expected to be in the future? Are there realistic new markets that will be accessible?

Issues: What are the systemic issues that will be addressed in the future? In what area of the Market Map do they come under: market chain, supporting inputs and services, or enabling environment? Are these issues constraints that will be unblocked, or opportunities that will be taken advantage of?

Market Actors: If the systemic issues were addressed, how would the market actors change? Would there be more of them or fewer? Would the proportion of actors playing different roles change? Would the existing roles involve new practices and business models to add value (processing, storage, transport, quality assurance, volumes)? Would there be new opportunities for the poor, vulnerable and marginalised?

Relationships: If the systemic issues were addressed, how would the relationships and trust between the market actors change? How would the improved relationships and trust change the way that the actors could respond to shocks? How would the improved relationships affect the actors' ability to innovate and adapt to new challenges and opportunities? How would power structures change to give marginalised actors greater choice and self-determination in their participation in the market system?

Market supply and upgrading: If systemic issues were addressed, how would the supply of products to the end-markets change? How would the products be different, in terms of quality, volume and variety?

It is recommended to seek the input of a broad range of market actors across the system as much as possible to answer the questions.

In addition, the following recommendations may help for building a vision for change

- **Seek the input of a range of market actors:** It is unlikely that it will be possible to involve all market actors at this stage, but the greater participation you secure at this stage, the closer the vision will be to the vision you facilitate during implementation of the project. Try to consult with both market actors who are 'knowledge-rich' (know a lot about the market system) and those that are marginalised in the system.
- **Balance ambition and realism:** Stakeholders should get excited about the vision for change. Ambitious visions nurture the motivation in the market actors to commit to the process and in time take lead. However if the vision is unrealistic and is not achievable, the market actors will not buy it and you will struggle to get commitment from the market actors.
- **Stay focused and relevant:** Use the information from the preliminary market map, analysis of key actors and systemic issues to keep your visioning process specific and relevant to the market system in question.
- **Put in a time-frame:** Set goals in the format of "In 5 years time...". Time-bound goals will help you be realistic, and will help motivate stakeholders to support action to change things now.
- **Create a market map vision:** Map out the market system of the future. This is a great way of visually showing what you hope will change between now and then.

Step 6: Determining Points of Intervention / Defining Sustainable Outcomes

“Exit before you enter”

In order for improvements in the market system to be sustainable, they must not depend on the on-going support of an NGO or another external facilitator. This is why it is essential that the implementation strategy of a project is devised around the time-bound nature of the interventions and planning ahead for the withdrawal of the support. Figure 7 shows how the facilitation approach plays out over time.

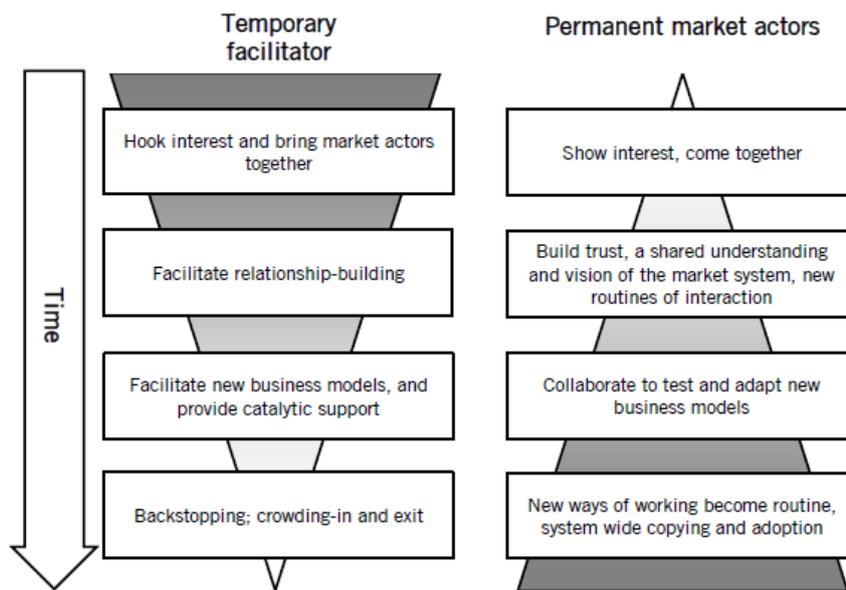


Figure 7 Facilitation – planning exit before you enter

Sustainable market system changes

Sustainability within a market system can be defined as:

The capability of a market system to ensure that relevant, differentiated goods and services continue to be produced and/or consumed by the market actors beyond the period of an intervention.

A transparent view of sustainability is one that defines market capability in depth, linking market players with market functions by addressing two key questions:

- **Who ‘does’ what currently, and who will do what in future?**
- **Who ‘pays’ for what currently, and who will pay for what in future?**

These two questions can be used to form a simple sustainability matrix, which can be used to examine the specific combinations of market functions and actors, which are necessary for a market system to work better in the future (see example sustainability matrix in annex 3).

| Activities | Current situation | | | Future situation | | What needs to happen for this to take place? | What are you going to do to ensure this happens? |
|------------|-------------------|-----------|-------------------------------|------------------|-----------|----------------------------------------------|--------------------------------------------------|
| | Who does? | Who pays? | Inadequate, mismatch, absent? | Who does? | Who pays? | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |

What is the logic?

Before the identification of appropriate activities, it should first be thought about what has to happen in the market system to move towards the vision that was built under step 4. From there it can be worked backwards and considered what kinds of actions market actors might take to bring about this change. Finally, it can be worked backwards again to think about activities that can be carried out and will create the conditions for the market actors to take action.

The following set of questions gives guidance to uncover the intervention logic and may help to identify an appropriate set of activities.

1. What has to happen in the market system for it to move towards the previously identified vision for change:
 - To address existing issues across the entire market system?
 - To reach new markets and improve the supply to existing end markets?
 - For market actors to be better able to take advantage of new opportunities in the future?
 - For interconnected markets to respond to further changes?
2. What kinds of actions might market actors take to bring about this change? What routines need they adopt?
 - To strengthen their relationships with each other and collaborate more;
 - To try out, adapt and adopt new business practices.
3. What activities can you facilitate in order to create the conditions for market actors to take action?
 - Activities that can be planned from the beginning;
 - Activities likely to be required as the process progresses.

Planning ahead and remaining flexible

Market facilitation is a 'learning-by-doing' approach. You should try things out, measure and observe their outcomes, build on successes as you go along and learn from failures.

Instead of designing and planning all activities and outcomes of the process from the beginning, you should try to take a more flexible approach. This flexible way of implementing development work will enable stronger, more sustainable results.

When a first list of possible activities is developed, the following checklist of questions below may help to reshape them and make them more specific:

- **Empower marginalised actors to prepare them for the participatory process:** Have you included sufficient activities to support marginalised actors to build their market literacy, interaction, and representation and mobilisation skills?
- **Engage key actors in the participatory process:** Have you budgeted time and resources to ensure that you are able to 'hook' key public and private actors in the market system and engage them into the change process?
- **Frequent and intensive interaction for transformation:** Sustainable new business practices and arrangements amongst market actors depend on changing attitudes, increasing levels of trust and strengthened relationships. Have you budgeted sufficient time and resources to facilitate a range of different spaces for market actors to meet to discuss issues in the market system and find solutions?
- **Facilitate scale-up:** Impact at scale happens when the system as a whole is transformed. Have you invested sufficient time and resources to support communication activities? These will ensure that other market actors not involved with small-scale, isolated initiatives hear about, adapt and respond to innovations in order to ensure the expansion of success into transformations of the entire system.
- **Build in flexibility:** As the market system vision and strategy becomes owned by the market actors, it is natural for it to evolve. Have you considered how to build in the space in the vision and strategy (and budget) that you communicate with prospective donors to respond to this evolution?

Prioritising of identified actions

Answering these questions may yield a large number of potential actions. Before a decision on the way forward is taken, the proposed actions should be critically reviewed. The following box presents criteria to set priorities across proposed actions for market system changes.

Criteria regarding the significance of actions:

Relevance: Does the proposed action actually contribute to the vision and to the objectives? Is it a necessary improvement?

Effectiveness: Is the action likely to produce results? This includes checking whether actions address intermediate objectives or aspire to realise the vision as a whole: How long into the future do we look?

Feasibility: Is it in line with available resources and with the current capability of market actors and the implementing organisation as facilitator? Determine the feasibility of a market system development project according to market and upgrading potential!

Criteria regarding the correlation of actions:

Comprehensiveness and consistency: In market system development we are often faced with inter-related issues (e.g. cutting cost plus marketing or quality management along the market chain). Is the combination of activities sufficiently complete to reach the objective? Are the proposed actions complementary, do they support each other?

Correct sequencing: Do the actions build on each other in a process of incremental improvements? Does the action provide momentum in the current stage of the process?

Step 7: Facilitating Systemic Change

Successful market development projects tend to involve trying things out, monitoring their outcomes, building on successes as they go along, and learning from failures. This makes facilitation an iterative process.

Figure 8 summarises a practical iterative approach that allows facilitators to build flexibility into the process, learn and respond as it goes along, and remain strategically focused on results.

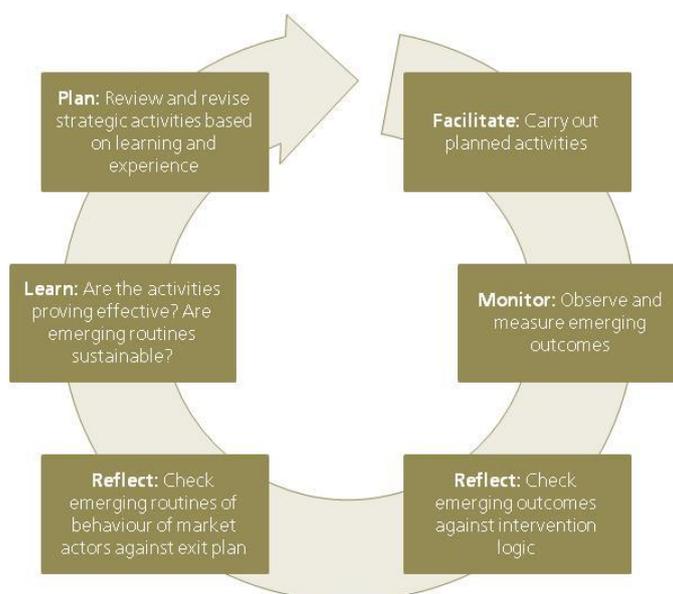


Figure 8 Facilitating change as an iterative process

Facilitate: Be as facilitative as possible in the way you implement activities, striving to create conditions for market actors to drive change. You should value small intangible and tangible outcomes as ways to build momentum for greater change. In addition, the use of participatory monitoring can be a catalyst for relationship change.

Monitor: Use formalised indicators to measure emerging outcomes. Also keep your eyes and ears open; informal observations and unsuspected signals can also be very insightful. In general, be patient as outcomes take time to emerge.

Reflect: Create frequent times and spaces where as a team, you discuss how the facilitation activities are going. Draw on monitoring information and informal insights from your experiences. Frequently review the underlying intervention logic against experiences in practice and always keep the long-term sustainability after your exit in mind.

A simple tool to reflect on changes is to fill out with the facilitation team on a monthly basis the following table:

| Achievements in the past 3 months | Details | Which market actors might like to hear about these achievements? | What opportunities do you have in the next month to share these achievements with these market actors? | Which other stakeholders should you share this information with? |
|------------------------------------------------------------------------------------------------|---------|------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------|
| Use monitoring information and informal insights from the field staff to identify achievements | | | What facilitation activities are planned in the near future where you can share the achievements with market actors identified in the previous column? | e.g. donor, organisation's learning coordinators |
| | | | | |
| | | | | |

Learn: Use this reflection time to answer two key questions:

- How effective do the activities seem to be in delivering expected outcomes?
- How are market actors responding to the intervention and you as facilitators? Is your presence helping market actors to adopt sustainable new routines that will survive the end of the intervention?

It is important to support an environment where the team feels that they can discuss and learn from mistakes and failure. Do not condemn these.

Plan: Use the findings of the reflection and learning to guide on-going decisions about how to facilitate future activities. Make adjustments and changes to maximise the likely effectiveness of future work.

Working with market players

Interventions should support relevant market players to innovate and perform more effective roles, and empower them to maintain and adapt those improvements in the future. To do this, projects must be adept at engaging with a variety of market players, knowing when to enter and exit partnerships (see also step 6), gauging whether players genuinely 'own' changes promoted, and assessing whether the system is really changing.

A useful tool to help projects determine the extent to which market players have reacted to interventions is the so-called Systemic Change Framework (see Figure 9). It helps to assess and measure how systems, and the players within them, change over time, and guides them on where and with whom to intervene next.

The intervention process can be broken down into two main steps:

Step 1: Conduct and review pilot interventions (Adopt and Adapt): Engage appropriate market players as partners to promote the adoption of innovations and more effective roles that result in pro-poor changes in the market system

Step 2: Conduct supplementary interventions that stimulate crowding-in (Expand and Respond): Develop supplementary partnerships to increase the scale of outreach and improve other functions and rules that support the piloted innovations, to enhance responsiveness and sustainability

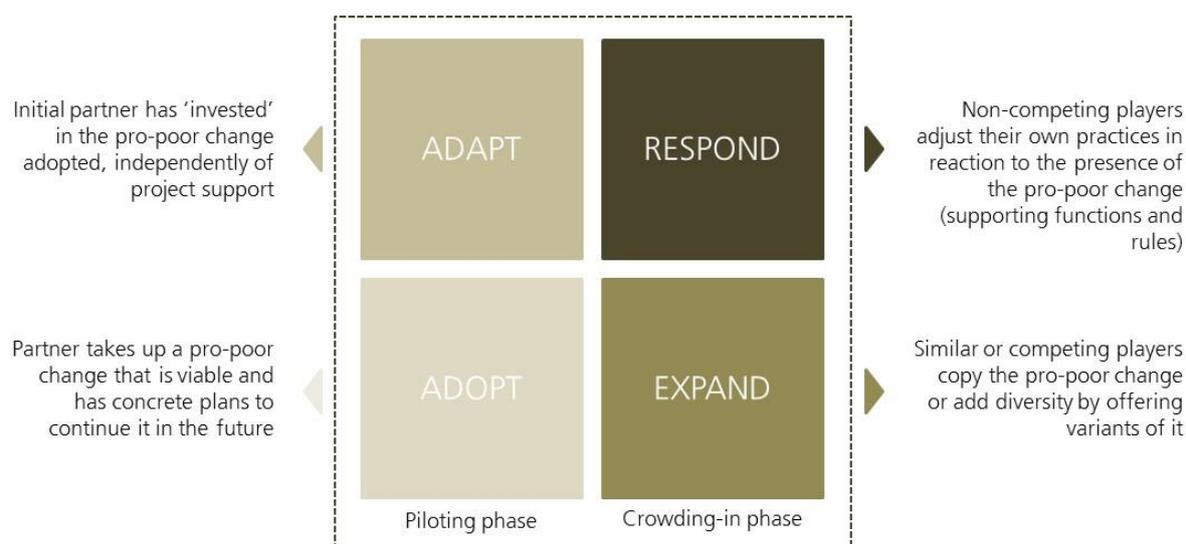


Figure 9 Systemic Change Framework

Empowering Marginalised Actors

Empowerment for engagement is not about providing sectoral or sub-sectoral training to the market actors; it is not about training “poor” farmers on how to vaccinate a cow, produce more rice, or manage their cooperatives or farms better. The provision of these training services should in the middle- to long-term be provided by the market system and should still be available to the users in the long term.

Rather, empowerment for engagement is the process of providing marginalised market actors with the minimum and basic sets of skills to kick start a “good” engagement with other market actors so that they can work together to unlock the vicious circles or marginalisation, poverty and environmental degradation that affect them.

For their engagement to be considered “good”, it has to be proactive, creative and effective:

Proactive: the marginalised actors can see potential business and market opportunities and go for them themselves, instead of waiting for the NGOs or other market actors to tell them what they can do for them.

Creative: the marginalised actors bring their knowledge or recombine the knowledge from other actors to propose new solutions that are appropriate and relevant to them.

Effective: the marginalised actors can get business deals done and build relationships that work for them and add value to other actors in the system.

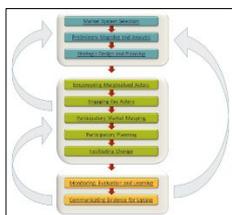
In order to attain this level of engagement, there are three basic and minimum competencies or skill sets that are needed by the marginalised actors to start breaking their isolation from other key market players, which are summarised in the following table

| Competency | Skills |
|---------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Market Literacy | <ul style="list-style-type: none">• Understanding a system and placing themselves in it• Seeing their influence on others• Seeing themselves as knowledge sources and users• Using business language |
| Multi-Actor Interaction | <ul style="list-style-type: none">• Understanding the importance of interaction for change• Seeing from others' points of view• Communication clearly, concisely and confidently• Articulation barriers and solutions |
| Representation and Mobilisation | <ul style="list-style-type: none">• Understanding the benefits of cooperation• Representing common challenges• Reporting back effectively• Getting other actors excited about change |



Further Literature

Tools and Manuals



Practical Action (2014). The PMSD Roadmap. www.pmsdroadmap.org

The PMSD Roadmap is a structured sequence of steps designed and maintained by Practical Action to inspire, guide and train practitioners on how to facilitate Participatory Market System Development (PMSD) on the ground.

Under each step you will find guidelines, training materials, top tips and case studies to help you adapt and tailor the PMSD process to the unique conditions of the context in which you are working.



The Springfield Centre (2014) The Operational Guide for the Making Markets Work for the Poor (M4P) Approach, 2nd edition funded by SDC & DFID

http://beamexchange.org/uploads/filer_public/49/d4/49d48451-98bf-4e3b-90a6-bc80425b981a/m4pguide_final.pdf

The M4P Operational Guide provides a substantial operational resource on how to implement M4P, including an overview of good practices, common management challenges and the main lessons from experience.



GTZ (2008). ValueLinks Manual. The Methodology of Value Chain Promotion. <http://www.valuelinks.org/>

The ValueLinks manual is the reference book for the ValueLinks methodology and one of several knowledge products. It is intended for use by development projects or by public agencies promoting specific agribusiness, handicraft or manufacturing sub-sectors of the economy. It has no specific sectoral focus. However, the emphasis is on those product markets that offer opportunities for the poor.



IFOAM and collaborating organisations (2010). The Organic Business Guide <http://www.organicandfair.org/oftcc/Publications/Tools-and-Guides/Organic-Business-Guide-publications.php>

The Organic Business Guide is written for those who are actively engaged in setting up or managing organic businesses with groups of smallholders. It provides practical know-how and essential information for planning, managing and expanding such a business. Covering topics from designing production and internal control systems to business planning and marketing, it attempts to be a comprehensive reference book for organic entrepreneurs, cooperatives and facilitators.

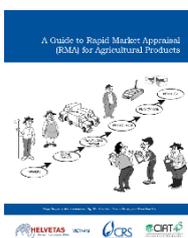
Market Analysis



Helvetas. Clients First! A Rapid Market Appraisal Tool

Kit. https://assets.helvetas.ch/downloads/clients_first_lowres_pdf.pdf

The document describes the main characteristics of a basic market study as well as the methodology of a Rapid Market Appraisal (RMA). It allows to quickly measuring the demand and opportunities for a particular product. RMA is an effective way of obtaining relevant information about a market system for a specific production sector whilst at the same time minimising cost, delays and working time. The document provides details on how to conduct a RMA in agricultural markets and offers practical advice and examples of such marketing studies. It also offers practical methods of identifying constraints and business opportunities, a checklist of observations and monitoring tools for future planned interventions.



International Centre for Tropical Agriculture (CIAT), Catholic Relief Services (CRS), Helvetas Vietnam. A Guide to Rapid Market Appraisal (RMA) for Agricultural Products

<http://www.crsprogramquality.org/publications/2012/9/24/a-guide-to-rapid-market-appraisal-rma-for-agricultural-produ.html>

This manual seeks to provide a basic understanding of marketing concepts and how this knowledge can be used to assist farmer groups to produce goods. It also aims to identify opportunities to introduce or strengthen local business development services, all based on market demand.

Link between Climate Change and Market System Development



IISD (2013). Climate Risk Management for Local Agricultural Cooperatives in Rwanda.

<http://www.iisd.org/publications/climate-risk-management-local-agricultural-cooperatives-rwanda-training-trainers-manual>

This training of trainers' manual helps cooperative members identify the main climate risks that can hamper their cooperative's performance and identify solutions to minimize and, if possible, take advantage of these risks.

Related Websites:



BEAM Exchange: <http://www.beamexchange.org>

The BEAM Exchange aims to support development practitioners that work with business to fight poverty, transforming markets so they work better for poor people. Whether you're looking to design, implement or evaluate a project, our goal is to cut through the clutter and bring you straightforward advice on how to implement market systems approaches successfully.

The website contains lots of useful documentation and material related to market system development.

Annex: Tools and Instruments

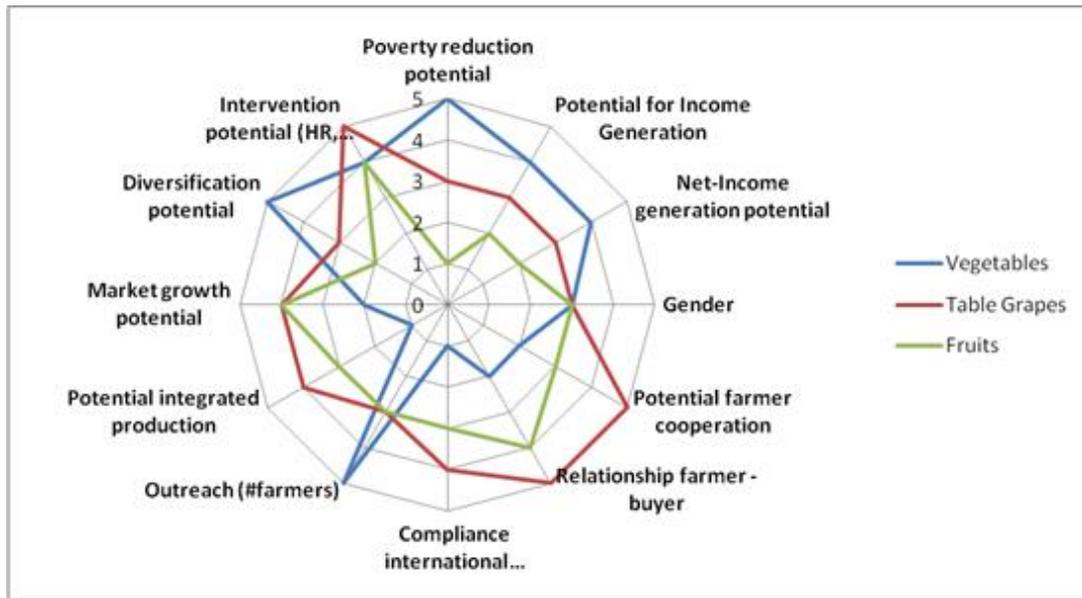
Annex 1: Examples of weighting, scoring and ranking of the market systems

The following tables and chart show different possibilities to present weighting, scoring and ranking exercises.

| Criteria | Weighting | Market Systems | | | | | | | | | |
|-------------------------------------|-----------|----------------|-------|------------|-------|---------|-------|----------------------------|-------|--------|-------|
| | | Dairy | | Vegetables | | Tourism | | Non-Timber Forest Products | | Coffee | |
| | | Rating | Score | Rating | Score | Rating | Score | Rating | Score | Rating | Score |
| Potential Economic Opportunity | 1.5 | 4 | 6 | 4 | 6 | 2 | 4 | 2 | 4 | 4 | 6 |
| Potential Impact on Poverty | 1.5 | 4 | 6 | 3 | 4.5 | 5 | 7.5 | 4 | 6 | 3 | 4.5 |
| Potential Impact on Women's Poverty | 1 | 3 | 3 | 3 | 3 | 4 | 4 | 4 | 4 | 2 | 2 |
| Environmental Sustainability | 1 | 2 | 2 | 2 | 2 | 3 | 3 | 4 | 4 | 2 | 2 |
| Total weighted score | | 17 | | 15.5 | | 18.5 | | 18 | | 14.5 | |
| Rank | | 3 | | 4 | | 1 | | 2 | | 5 | |

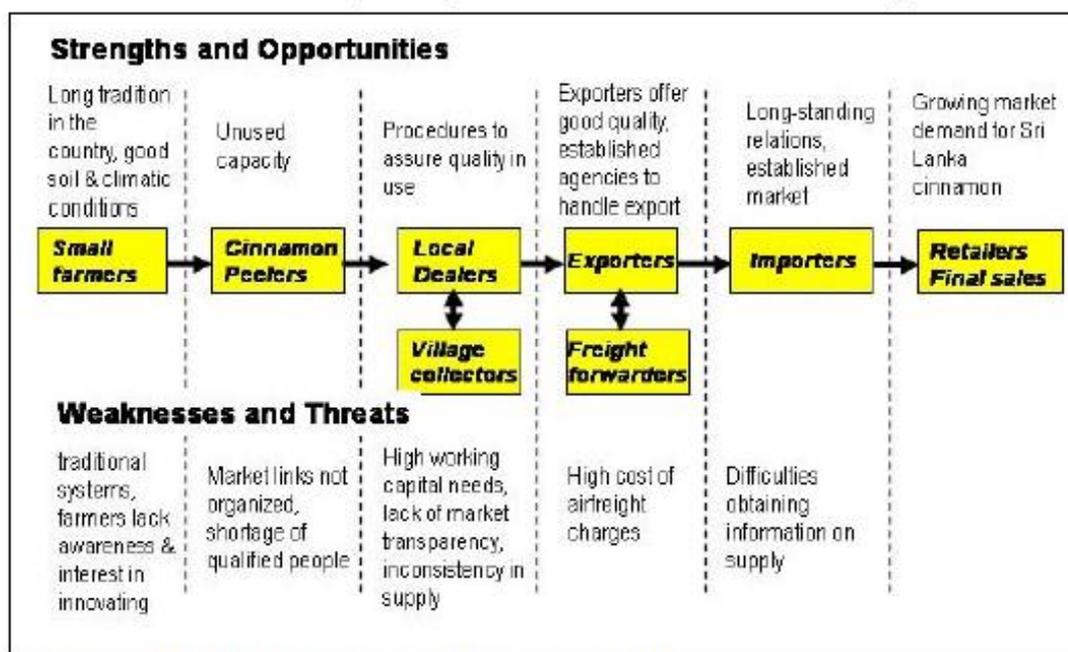
| Subsectors Potential Comparison | | | | | | | | |
|-------------------------------------|--------------------|----------------|--------------|----------------|-----------------|----------|-------------|------------------------|
| Ranking Indicators | Identified Sectors | | | | | | | |
| | Pig Rearing | Beef Fattening | Goat Rearing | Native Chicken | Milk Production | Maize | Cauliflower | Bamboo made handicraft |
| Unmet Market Demand | High | High | High | High | High | High | High | Low |
| Availability of input | High | High | High | High | High | High | High | High |
| Income increase opportunity | High | High | Low | High | Moderate | Low | High | Low |
| Transportation Services | High | High | High | High | Moderate | High | High | High |
| Inclusion through market linkage | Moderate | High | High | High | High | High | High | High |
| Participation of PooC/beneficiaries | High | Moderate | Moderate | Moderate | Moderate | Moderate | Moderate | Low |
| Government/Donor Priority | Moderate | High | High | High | High | High | High | Low |
| Access to finance | Moderate | High | High | High | Moderate | Moderate | Moderate | Moderate |

High  Moderate  Low 



Annex 2: Examples for analysing systemic market constraints and opportunities

The following figures show examples of how to conduct and present a market constraint and opportunity analysis based on a SWOT analysis.



Source: adapted from Richter 2005, GTZ-Integration, Sri Lanka

Box 3.10 Case: SWOT analysis and strategies to upgrade fish sub sector, Kenya

| Associations representing the Value Chain | Strengths | Weaknesses |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> - National Fisheries Federation (NFF) & member associations: - Inshore Fisheries Association, - National Inland Canoe Fishermen Council, - Cooperative Fishermen Association | <ul style="list-style-type: none"> Associations exist, representing the fishermen clear objectives & commitment of NFF Executive Council potentially high lobbying power due to 5% share in GDP service offers available for entire value chain increasing investment in processing and marketing | <ul style="list-style-type: none"> limited human/ financial capacities weak buyer-seller linkages knowledge on quality is limited, despite training out-dated technology of artisan and industrial vessels lobbying power not fully exploited insufficient access to finance |
| <p>Opportunities</p> <ul style="list-style-type: none"> Access to EU market new products (e.g. deep sea fresh fish, value addition, aquaculture) new technologies for improved fishing (fibreglass vessels) new technologies for improved processing and waste reduction | <p>Short term strategy</p> <ul style="list-style-type: none"> Raising awareness on opportunities improving post-harvest handling simple system to facilitate information flow between the chain links joint procurement and marketing ventures | <p>Medium term strategy</p> <ul style="list-style-type: none"> strategy to better exploit lobbying power improving information and training on quality, hygiene, waste reduction etc. Communicating success stories to promote membership in associations measures to build trust between chain actors |
| <p>Threats</p> <ul style="list-style-type: none"> rising fuel prices artisan fishermen poverty stricken insufficient storage and port infrastructure overfishing increasingly ambitious standards of buyer markets deficiencies of the vocational and higher education system inadequate legal provisions (e.g. restrictions on excluding non-members from service offer of cooperatives) | <p>Medium term strategy</p> <ul style="list-style-type: none"> System with templates for grant applications by fishermen associations joint processing / marketing ventures (priority: ice storage) design of industry self-control system for quality, environmental and social standards (code of practice, internal control, certification) | <p>Long term strategy</p> <ul style="list-style-type: none"> strengthening organizational structures of associations development/ improvement of service offer of associations internal conflict management/ arbitration procedures to manage conflicts of interests along the value chain implementation of industry quality-control system along the value chain enforcement of standards capacity-building for training of artisan and industrial fishermen |

Source: GTZ-MOAP, Kenya, adapted by M. Will

Annex 3: Example of a Market Sustainability Matrix

Analysis done during inception phase of the MOLI project in Georgia

Current Situation

| Function / activity | Who does? | Who pays? |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| CORE FUNCTIONS | | |
| Buy fluid milk from farmers, process it and pack and sell the resulting products at retail or to wholesale. | Small Dairies | Pay farmers for milk and for own operating costs |
| Buy, process, package and sell imported and local milk/milk products. | Large Dairies | Pay MCCs for milk and cover their own operating costs from margins on sales to customers |
| Collect, bulk, transport, cool, store and sell milk to dairies. | Milk Collection Centers | Pay costs out of pocket and recover them out through sales to large dairies who sometimes pay late |
| Collect, bulk, transport and sell on- farm and factory produced dairy products to consumers mostly in traditional wet markets. | Dairy Product Traders and Retailers | Pay their own costs and recover them through margins on sales to customers |
| RULES | | |
| Limited role in passing information and feedback from private sector / farmers to central government. | Municipal Government | Local government budgets |
| Regulation, policy formulation and implementation related to primary agricultural production and some aspects of processing. | Ministry of Agriculture | National government budget |
| Regulate food safety practices of commercial enterprises and respond to veterinary health epidemics and other situations affecting the livestock sector. | National Food Service | National government budget |
| Act as a representative organization for dairy farmers in Georgia, especially as a recipient of project funds. | National Milk Producers' Association | Largely project funds |
| SUPPORTING FUNCTIONS | | |
| Provide medical service for sick animals, and provide some vaccination. Their actual function is limited compared to their potential. | Veterinarians | Farmers pay cash or in-kind |
| Retail sales of vaccines and drugs, plus some information and promotion to farmers and veterinarians who use their shops | Veterinary Pharmacies | Farmers pay cash and sometimes get credit which is hard to collect |
| Specialized service to breed more productive animals. This includes a product (semen) a service (insemination) and some information. | AI Technicians | Farmers, often with financial support of projects |
| Make bulls available to breed with cattle in an unplanned and unsupervised way. | Bull and bull-calf owners (Natural bull servicing providers) | Sometimes nobody, because it happens "by accident" from bull calves In few cases, other farmers pay "in-kind" by exempting bull owners from <i>nakhiris</i> management |
| Produce or import semen, equipment and supplies for distribution to AI technicians and provide related training and information. Are also starting to provide stud bulls for sale. | AI Input Suppliers and Support Services | Association Caucasus Genetics, often with financial support of projects |
| Provide land preparation and harvesting services, mostly for large and medium sized farmers. | Machinery Service Suppliers | Farmers, although the cost of a certain amount of diesel is provided by government |
| Retail agricultural chemicals, seeds, small equipment and related goods and provide information to farmers from retail | Agricultural Input Suppliers | Farmers pay for inputs, sometimes using high-cost |

| | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------------|
| shops. Larger enterprises also import and distribute agricultural chemicals and other inputs. | | informal credit |
| Provide milling service to farmers to produce simple grain based animal feed or flour and wheat bran. | Village Feed Mills (and Flour Mills) | Farmers, through in-kind payment of grain |
| Produce and sell high quality concentrate feed and mineral supplement blocks directly to farmers, along with limited information about their use. | Modern Feed Mill | Farmers, mostly through project support |

Future Situation

| Functions | Who does? | Who pays? |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|
| CORE FUNCTIONS | | |
| Buy fluid milk from farmers, process it and pack and sell the resulting products at retail or to wholesale and provide production support (services, information, input credit) to farmers. | Small Dairies linked to goods and services providers | Dairies use own funds to pay farmers for milk and for their own operations from operating margins. |
| Buy, process, package and sell imported and local milk/milk products, and provide production support (services, information, input credit) to MCCs. | Large Dairies | Large dairies use own funds to advance funds and reliably pay MCCs for milk , who recover it through margins on sales to customers. |
| Collect, bulk, transport, cool, store and sell milk to dairies and provide production support (services, information, input credit) to farmers. | Milk Collection Centers | Pay farmers and for their operations with advances from and reliable contracts with dairies (large and small) |
| Collect, bulk, transport and sell on- farm and factory produced dairy products to consumers mostly in traditional wet markets and provide production support (services, information, input credit) to farmers. | Dairy Product Traders and Retailers | Pay their own costs and recover them through margins on sales to customers |
| RULES | | |
| Manage consultative processes with stakeholders to identify issues, deal with issues of local concern and pass information and feedback from private sector / farmers to central government. | Municipal Government, especially Agriculture Units | Local government budgets |
| Regulation, policy formulation and implementation related to primary agricultural production and some aspects of processing based on stakeholder consultation. | Ministry of Agriculture | National government budget |
| Regulate food safety practices of commercial enterprises in Georgia through awareness raising, inspection or enforcement and respond to veterinary health epidemics and other situations affecting the livestock sector. | National Food Service | National government budget |
| Act as an independent and participatory representative organization for dairy farmers in Georgia. | National Milk Producers' Association | Own funds for basic operations, with project funding for non-core activities |
| SUPPORTING FUNCTIONS | | |
| Provide comprehensive preventative and reactive medical services for animals, | Veterinarians | Dairy enterprises where possible, and directly by farmers where necessary |
| Coordinated delivery of vaccines, drugs, veterinary services and information to farmers through veterinarians. | Veterinary Pharmacies in partnership with veterinarians | Farmers pay cash and have option for credit on reliable payment terms |
| Provide a specialized service to breed more productive animals, including a product (semen) a service (insemination) and | AI Technicians working independently and in | Farmers pay cash and have option for credit |

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| marketing through extension and information sharing. | partnership with other enterprises | |
| Provide simple stud services to owners of cows that controls for inbreeding and limits spread of disease | Natural Bull Service Providers | Cash or in-kind payment to bull owners by other farmers |
| Proactively select effective AI Technicians and support them to effectively market AI and bull replacement services, including goods (semen, bulls), services and information. | AI Input Suppliers and Support Services (Association Caucasus Genetics) | Association Caucasus Genetics. |
| Provide land preparation and harvesting services and extension information in coordination with agricultural input suppliers to offer a "full service" to small and medium farmers. | Machinery Service Suppliers collaborating with input suppliers | Farmers through affordable credit arrangements with suppliers where required |
| Proactively market agricultural chemicals, seeds, small equipment and related goods information and services in partnership with other actors. | Agricultural input suppliers in coordination with machinery service suppliers and village feed mills | Farmers through affordable credit arrangements where required. |
| Provide milling service, sell supplements and provide related information farmers need to make | Village Feed Mills (and Flour Mills) linked to input suppliers and modern feed mill | Farmers, through in-kind payment of grain for services and cash payments for products |
| Market, produce and sell high quality concentrate feed and mineral supplement blocks. | Modern feed mill in partnership with small mills in villages and input supply shops | Farmers from their own funds |

Glossary

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| Facilitation | <p>Strategies and activities to create conditions that motivate and support public and private market actors to drive change themselves beyond the facilitator's intervention.</p> <p>Facilitators must avoid acting as market actors, but can empower them and create spaces for them to interact more effectively, expose them to new ideas and encourage experimentation and learning: always with the goal of promoting structural changes in the market system.</p> |
| Facilitator | <p>An agent –usually acting on behalf of an NGO, who guides the Market System Development process.</p> <p>A facilitator is external to a market system, but seeks to bring about change within a market system, according to the vision for change developed by the actors within it.</p> |
| Intervention | <p>A defined package of temporary activities or actions through which facilitators seek to motivate change in a market system.</p> |
| Marginalised Actors | <p>Actors who form part of the system – play roles in it and derive an income from it – but who face disadvantages due to their lack of bargaining power, knowledge, political influence, social status, income, etc.</p> |
| Market | <p>Formal or informal structure in which buyers exchange goods, labour or services for cash or goods.</p> <p>Defined by forces of supply and demand, rather than geographical location</p> |
| Market Actor | <p>People, organisations and groups who play a role within a particular market system.</p> <p>This includes producers, processors and wholesalers, service providers such as transporters or input suppliers, and those who create the policies and infrastructure that affect the environment in which the product is sold.</p> |
| Market Chain / Value Chain | <p>The channel through which a product moves, passing through each actor who has legal ownership over the good or service, from primary producers to final consumers.</p> <p>The market chain therefore includes farmers, processors, traders, wholesalers and retailers. In a market map, these represent the middle section of the map.</p> |
| Market Map | <p>The framework that HEKS/EPER uses to visualise the relationships and linkages between all of the different actors within a market system.</p> <p>This includes the market chain actors, the supporting functions / service provisions and the rules and business environment</p> |
| Market System | <p>The dynamic combination of people, relationships, functions and rules that determine how a particular good or service is produced, accessed and exchanged.</p> <p>It can be thought of as comprising a network of market actors, supported by various forms of infrastructure and services, and interacting within the context of the institutions or 'rules' that shape their business environment.</p> |

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| Participation | <p>The engagement between different market actors (both public and private) to coordinate and collaborate towards changing the market system.</p> <p>In complex systems such as markets, no single actor can determine an outcome, and the decisions and behaviours of all actors affect how changes will manifest. We therefore need to bring strategic players together to jointly assess the system and implement strategies to improve it.</p> |
| Systemic Change / Market System Change | <p>Change in the underlying causes of market system performance.</p> <p>Typically in the behaviour and relationships of market actors, formal and informal rules and supporting services – that can bring about more inclusive, efficient or productive functioning of the market system.</p> |
| Systems Thinking | <p>The principle of addressing the entire market system rather than just focussing on one part of it.</p> <p>We cannot understand how a system behaves by looking at the individual people or parts; therefore, in order to address the root causes of a problem rather than just the symptoms, we need to understand how the key actors are connected and how their decisions influence one another.</p> |

References:

- Practical Action Glossary: <http://www.pmsdroadmap.org/glossary.html>
- M4P Synthesis: [http://www.m4phub.org/userfiles/resources/712011102713724-A_Synthesis_of_the_Making_Markets_Work_for_the_Poor_\(M4P\)_Approach.pdf](http://www.m4phub.org/userfiles/resources/712011102713724-A_Synthesis_of_the_Making_Markets_Work_for_the_Poor_(M4P)_Approach.pdf)

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