



# THE “MARKET FOR THE POOR” APPROACH

## A NEW METHODOLOGY TO INTEGRATE POOR PEOPLE IN MARKET SYSTEM

Food Security Department  
ACF International Network



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This document draws considerably on Springfield resources and documents that are available on the web or outputs from the yearly training they conduct yearly in the UK, to which two members of ACF staff had the opportunity to attend in 2006.

Thanks are also due to the individuals who have been reviewing and commenting on this document during its elaboration.

## TO THE READER

Thank you for commenting and proposing improvements for this document / approach, even better if it can be based on concrete experience.

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## 1. INTRODUCTION

### 1.1. OBJECTIVES, SCOPE AND AUDIENCE OF THE REPORT

The overall objective of this presented document has been defined as: *to contribute to ACF technical development.*

The specific objective being *to share the advantages, limits and future axes for the development of “Market Approach” within ACF Food Security interventions based on ACF experience in South Caucasus.*

ACF intervenes in many different contexts where hunger, food insecurity and economic insecurity show diverse faces and are caused by various factors.

The importance of access to incomes, employment and more widely to markets, as well as the improvement and strengthening of relations between market actors either in rural or urban areas, is a crucial aspect for sustainable food security.

ACF technical approach to address food insecurity has been evolving for as long as the organisation has been growing, from tackling first the direct causes of malnutrition and food insecurity to a wider approach nowadays.

This widening of the range of interventions also means the need for a wider analyse, in terms of humanitarian and development issues: structural food & economic insecurity and their link with poverty, community development, institutional policies...

Learning processes most commonly come from the “field”, but must be accepted at the organisation level and then disseminated.

The present report applies this logic, it aims to:

- Learn from an initiating experience focused on a specific approach (the “making market work for the poor” - M4P) that is being developed in two projects of Acción contra el Hambre-España (ACF- E) South Caucasus mission, in Armenia and Azerbaijan;
- Raise interests and questions about this approach for ACFIN, seeing how and how far it can be implemented in practice and adapted to the different contexts within which the organisation is working;
- Share the outputs of these lessons learned, as well as the questions and perspective to which the approach leads. If considered relevant, other projects in different missions can thus be formulated following this approach.

More than capitalising on “achieved” experience, this document should be considered as the **initiation of a capitalisation process** aiming to be an informative document. **It is beyond the scope of this document to be a technical manual on “market**



**approach**”;<sup>1</sup> although tools exist and are presented below. It is still too early and with too specific an experience to present a general systematisation of ACF actions. It will have to be reviewed and made more thorough. Indeed, some questions raised cannot be answered at this stage, since the experience within the organisation is fairly new. Therefore, it remains crucial to keep closely monitoring and learning from the projects in the forthcoming months and years.

The audience to whom the report it is directed is extensive:

The main target remains the **technical** (including Food Security, Livelihood, and Rural & Local Development) **staff** at project, mission and headquarter levels in order to disseminate some tools to apply the market approach in other contexts. Technical staff should have a broad idea of M4P approach as well as share ACF’s experiences, reflective thoughts and questions; this can also possibly lead to further exchanges of experiences - both internally and externally.

As far as ACF is concerned, other **technical sectors** (health, nutrition, water and sanitation) and **operations, human resources** and other departments, including **logistics and finance**, are also expected to be aware of the potential opportunities and strategic directions, which this “market perspective” can lead because it is related to a medium (long) term strategy. As far as ACF is concerned, the Market Approach is a **new way** of intervening, which has implications on the resources and approaches needed for design and implementation.

It is also expected that the **ACF South Caucasus mission** will be especially interested in supporting the follow up capitalisation process.

## 1.2. STRUCTURE OF THE REPORT AND AVAILABLE OUTPUTS

The second section of the report describes the rationale of integrating “more markets” within ACF interventions and what is “new” and/or “original” in market issues for the organisation. It also briefly explains why the South Caucasus experience - more specifically two projects in Armenia and Azerbaijan - form the basis for this report.

The third section describes the theoretical foundation for the “market for the poor” approach and presents the different principles and some tools to be considered within market analysis and interventions. It focuses on material in ACF technical documents, which is not already available or difficult to access.

Experience and examples of the South Caucasus mission is illustrated in the fourth section “market for the poor” approach in the field, describing its current application

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<sup>1</sup> Key documents are summarised in this report, and their full versions are available in the attached CD. ACFIN could decide in the future, when more experiences will be gathered, to realise a specific module.

in Armenia and Azerbaijan and what is planned for the short / mid term future at these two sites.

The fifth section discusses the technical, operational and institutional perspectives regarding the “market for the poor” approach within ACF.

In order to optimise the dissemination of this work and share the experience of South Caucasus with as many people as possible, other support documents are (or will be) available and presented in specific formats or meetings, as indicated in the table below:

TABLE 1: CAPITALISATION OUTPUTS AND PLANNED DISSEMINATION PROCESS (CURRENTLY UNDER PHASE 2)		
	Material	Modality of dissemination
1	Brief information note / work done / available products / where to find them	<ul style="list-style-type: none"> <li>• ACFIN FS Newsletter n° 11</li> <li>• Send to all missions, all FS Coordinators , all FS officers / HoPs + HQ technical team + Desk and assistants + FS ACFIN HQ teams + ACF-E training department</li> </ul>
2	Complete technical report – present document - (with annexes and references)	<ul style="list-style-type: none"> <li>• Send to all missions, all FS Coordinators , all FS officers / HoPs + HQ technical team + Desk and assistants + FS ACFIN HQ teams + ACF-E training department</li> <li>• ACF-E Communication department for possible posting in Intranet and publication</li> <li>• Included in “FS tools” CD*</li> </ul>
3	Positioning paper / Article “way forward”**	<ul style="list-style-type: none"> <li>• ACFIN FS Newsletter n° 12</li> <li>• ACF-E Training department (Kit formación)</li> <li>• External publications.</li> <li>• Send to all missions, all FS Coordinators , all FS officers / HoPs + HQ technical team + Desk and assistants + FS ACFIN HQ teams + ACF-E training department</li> <li>• Included in “FS tools” CD</li> <li>• ACF-E Communication department for possible posting in Intranet and other medias.</li> </ul>
4	Presentation (informative)*	<ul style="list-style-type: none"> <li>• ACF-E HoM meeting June 2008</li> <li>• To include in FS PAD*</li> </ul>
5	Ppt presentation (formative)*	<ul style="list-style-type: none"> <li>• To include in FS PAD **</li> </ul>
6	Translation of 1, 2, 3, 4, 5 in French and Spanish * (New dissemination)*	<ul style="list-style-type: none"> <li>• To be done*</li> </ul>
7	Complete CD “Market Approach ACF 2008” – all relevant documents	<ul style="list-style-type: none"> <li>• FS department</li> <li>• Technical Director</li> </ul>

\* Not available yet (January 2008) ; to be followed up.

\*\* Not available yet (January 2008); to be followed up (When South Caucasus projects and possible others elsewhere will feed up with more experience).



## 2. BACKGROUND - RATIONALE - CONTEXT

### 2.1. WHY (SHOULD) MARKETS MATTER (MORE) TO ACF?

- ‘Market’ is not a new concept for ACF’s interventions. Within the food security technical sector, it is mentioned first in the basic booklets and documents of the organisation:
- In the “*Methodological Approach for Food Security Assessments and Surveillance*” booklet, markets are presented as a key element for people’s sources of food and incomes; therefore, it is a factor to consider when assessing the food security situation;
- in the “*food aid and alternatives to food aid*” and “*cash based interventions*” booklets, markets are mentioned as a source of food, as well as a key factor to make decisions about the type of project to implement (in kind versus cash based interventions); but also at a more macro level markets are recognised to be an important element to consider for the supply source of food when conducting a food distribution intervention;
- in the “*food aid political policy*” paper, at international level and for advocacy purpose, markets are to be taken into account considering the global organisation of food aid and the political implication;
- in the “*income generating activities: a key concept in sustainable food security*” booklet, markets are obviously a critical factor to consider for IGA opportunities.

So, why one more paper on Markets? What’s new? Why does ACF need to know more about market?

- Currently, the market is considered mainly as a contextual component - to be included in the analysis - but without being an objective to be addressed. Although, an increasing number of interventions aim at “using” the market (CBIs, IGAs) to strengthen the local economy, to avoid a distortion of local markets and to enable target people to (re)gain autonomy. The aims of these interventions are not explicitly to change the *market system*.
- The target beneficiaries have been considered mainly as potential *consumers* but two other roles they can have in the market system have not been sufficiently considered. These are: their potential role as *entrepreneurs* (producers) - except in IGAs - and, in the labour market, as *employees*. In rural areas, implemented agricultural projects rarely consider production as an income generating activity; focusing rather on household consumption.

- However, the IGA interventions are limited in their outreach (few “à la carte activities” targeting only a few producers); a complete analysis of the market environment (system) is rarely undertaken. The focus of diagnostic, and especially of projects, is often allocated to the *production side* (supporting access to productive capitals and technical capacity building), rarely examining in detail the analysis of constraints of a particular *value chain* (and its related services and supply markets). The monitoring concentrates mainly on the income generated by the activity, but omits a more global analysis which could provide more impact on:
  - a. the actual proportion of this income in the household budget;
  - b. the possible indirect impact they may have (e.g. job creation; emergence of related activities, changes in the business investment environment, changes within the community - including social changes...).
- Increasing the outreach and, therefore, the impact of our interventions; the objective of which is to improve *economic security* of a target population. This implies having a broader view of how people can actually *get into* the market and gain a sustainable position within it- may it be as consumers, producers, entrepreneurs, or employees -, what are the factors preventing them from becoming involved, and focusing on certain specific *sub-sectors* (or *value chains*) that are accessible to many people in a situation of economic insecurity (*pro-poor sub-sectors*).
- Although the global *market system* scheme is presented in the above cited booklets, market analysis in ACF still lacks an agreed methodological tool - or at least a *holistic approach* to study which could possibly act on the system.

Where does it fit in ACF interventions?

Markets matter not just for technical reasons, but also at a more strategic level:

- International development goals: ACF’s work contributes to the “Millennium Development Goals” as far as nutrition and food security are concerned - with the emphasis on nutrition:

Goal 1: Eradicate extreme poverty and hunger	Indicators
<b>Target 1:</b> Halve, between 1990 and 2015, the proportion of people whose income is less than \$1 a day	<ul style="list-style-type: none"> <li>— Proportion of population below \$1 (PPP) a day</li> <li>— Poverty headcount ratio (percentage of population below national poverty line)</li> <li>— Poverty gap ratio (incidence x degree of poverty)</li> <li>— Share of poorest quintile in national consumption</li> </ul>
<b>Target 2:</b> Halve, between 1990 and 2015, the proportion of people who suffer from hunger	<ul style="list-style-type: none"> <li>— Prevalence of underweight in children (under five years of age)</li> <li>— Proportion of population below minimum level of dietary recommendations</li> <li>— Energy consumption</li> </ul>

- Nutrition, hunger (*food security*) and *poverty* are recognised as being linked, although, the non-food related causes of malnutrition should not be forgotten (reference to the causal malnutrition framework). It is difficult nowadays to ignore the relationship between food security and *economic (income) security*<sup>2</sup>. Moreover, economic security can also contribute to the improvement of living conditions and access to other basic services.
- Sustainable food security is linked to sustainable livelihoods. Nowadays a sustainable livelihood cannot be distinguished from sustainable sources of income and/or income opportunities. *Vulnerability* is frequently related to risks which threaten this source of income; often linked to natural, human and economic reasons / crises. *Income security*, as an innovative way for ACF to tackle hunger in a sustainable way, is one (but not the unique) of the conditions for many people with whom we work to ensure their *basic needs security*. This is not only true in urban areas, but applies also to rural areas (cf. box 1). Markets are therefore essential for the vast majority of people for food procurement, for production sales, for employment... Non monetary societies are currently difficult to find, but are likely to increase in the future.

#### BOX 1: ECONOMIC ACCESS TO MARKET IN RURAL AREAS

In many mainly agricultural countries, the rural population is also highly dependent on markets; cases of peasants selling their products just after harvest time, at a very low price, to pay back their debts, are frequent. Afterwards, they often have to buy staple food when prices have gone up.

The “2005 crisis” in Niger was mainly a crisis of access, people not being able to afford staple food prices that had risen very much, selling livestock at very low prices (one of the key indicators to assess food security is the “term of exchange between staple cereals and livestock) with lack of efficient safety nets and worsened by many other structural factors linked to a wider poverty and problems of public health, education, demography...

It also appeared that income (activities) diversification is a key coping strategy.

- As an organisation fighting against hunger, ACF has been able to *technically evolve* along with the international progress, taking on board and participating in the improvement of *interventions’ relevance and quality*, based on a more in-depth analysis of the causes of hunger. Fighting against hunger internationally today also involves advocacy - for example, to address some of the root causes of hunger.
- At country level, actions are also adapting to the evolution of the context. A schematic description showing logical change is demonstrated in the way in which ACF sets its priorities according to vulnerability level and risk of mortality; addressing first urgent and life saving needs and progressively tackling un-

<sup>2</sup> Although poverty is wider than only material (economic) factors, including social aspects in particular, the focus here is specifically “income poverty”;

derlying and basic causes - aimed at *enhancing sustainability and preventing risks*. This is often not so clearly sequential - actions can be taken at different levels at the same time, but over time the volume of activities should increasingly move towards the underlying and basic levels. Moreover, local economies are to be supported as far as possible in crisis situations. As the situation stabilises, transaction exchanges and the place of the market in people's life become increasingly important. ACF is frequently in a good position to build a *solid link between "assistance" and "autonomy"*.

- Increasingly engaged in three year projects, which are sometimes in reality different phases of the same project implemented over a period of time in one area, ACF must also use *adapted tools for these longer terms projects*. Working in partnership, community development, capacity building, institutional support - all spheres of activity adhering to a "*market approach*"
- Some of the themes that are becoming more relevant for the organisation are indicated in Box 2.

**BOX 2 SOME DIFFERENCES BETWEEN SHORT TERM (LIFE SAVING) AND MID-LONG TERM (LIVELIHOOD PROTECTION AND ENHANCEMENT) INTERVENTIONS**

- sustainability: short term interventions usually shouldn't be sustainable (otherwise becoming continuous assistance with its perverse effects);
- fighting against causes (LT) versus symptoms (ST)
- partnerships, technical assistance, capacity building
- from clear targets (individuals and/or households with specific criteria) to wider focus (communities, regions, market systems)
- causing less distortions through an intervention, not being positioned as a direct or important market player but getting as much as possible into a role of facilitator

- The "Market for the Poor" is currently a *declared interest* for many of the main institutional donors and governmental cooperation services - such as DFID, SDC, SIDA, USAID and GTZ. It has also been taken on board by the NGO community, for example Oxfam and Practical Action (ex ITDG) (fair trade activities). UN agencies - in particular those focusing on economic development, small and middle scale enterprises - such as the International Labour Organization (ILO); and those focusing on poverty and development issues such as the UNDP. These organisations have many available resources on market and poverty issues. Eventually, the World Bank is also clearly becoming a key actor in investigations about markets and is providing funds for economic development programmes.
- It may develop within a few years that ACF may no longer wish to commit to long term projects having a market system development orientation - either because of technical issues, resources, political or mandate reasons. Notwithstanding, it

is still important to be able to define under what circumstances the market approach can be implemented and to be able *to understand* the main issues involved in the approach - the argument based on an increasing amount of *practical and concrete experiences, and to try in different contexts*

- Ultimately, technical innovation and capitalisation always aims at trying to *improve* and to *respond better* to the needs of the vulnerable (cf. box 3). Hopefully this document will be useful for that purpose.

### BOX 3

**Capitalisation** = « from the experience to shareable knowledge » [“de l’expérience à la connaissance partageable”]

**Learning organisation** = an organisation which actively incorporates the experience and the knowledge of its members and partners through the development of practices, policies, procedures and systems in ways which continuously improve its ability to set and achieve goals, satisfy stakeholders, develop its practice, value and develop its people and achieve its mission with consistency”

In “capitalisation d’expériences... Expérience de capitalisation » Traverses n°15 – GRET

## 2.2. WHY SOUTH CAUCASUS?

South Caucasus mission, including projects in Georgia, Azerbaijan and Armenia, is a complex context; a mixture between acute crisis (conflicts) and socio-economic collapse (ex Soviet Union) ; the recent introduction of the private sector; a previously government controlled economy and subsidised system; and a high rate of unemployment due to the collapse of industries...

ACF-E interventions in this region - in Armenia and Georgia since 1994 and in Azerbaijan since 2001. The mission technical approach followed the context and evolved from the provision of food aid to the displaced population at the beginning of the intervention, to the current projects focussing on development objectives.

Part of this technical evolution has to be seen within the market orientation of the interventions; more specifically, in two projects (Armenia and Azerbaijan) funded by the Swiss Agency for Development and Cooperation (SDC). ACF-E has had the opportunity to collaborate with the Springfield Centre since the end of 2005; this organisation specialising in “market development” and “making market work for the poor”.

This “Learning Partnership” has been considered important for the organisation and it was thought that it should not remain at the mission level, but also shared internally. It is clear that market development has something to offer to improve analysis, impact and sustainability; but ACF should also consider where it can have added value considering its mandate.



In 2007, ACF-E needs to internalise, capitalise and systematise this experience to identify the added value the market approach can have for the organisation and the next steps to continuously learn from its analysis.

It must be stated the “market for the poor approach” is only at the beginning stage for ACF. Although, the support from Springfield was initiated at the end of 2005, the 1<sup>st</sup> projects initiated ended in mid 2007. These projects had a market orientation purpose, but were not formulated according to the M4P approach. The next phase, for which preparation is on going, will be more “strongly” orientated towards market for poor development within specific sub sectors. On-going learning and more practical experience and concrete evidence will have to be studied and systematised.



### 3. MARKET FOR THE POOR

*Introductory note: in the following section, “poor” has to be considered as “people in economic insecurity”; and “poverty” as “income poverty” which is only one dimension of poverty<sup>3</sup>. The existing literature speaks of poor and poverty; to make the reading easier, these terms are being retained.*

*Annex 1 gives in more detail a description of the theory of the approach; it has been deliberately shortened in the core report not to overweigh the document, which is designed to give an overview of the theory, the practice and the perspectives. However, for people engaged in technically oriented projects, it is highly recommended to read annex 1 and other “essential” documents in the accompanying CD.*

The information presented in the following section is a framework that draws particularly on Springfield literature and the partnership with ACF-E, DFID and SDC documents. The focus is on the information considered of particular interest for ACF.

#### 3.1. GROWTH, POVERTY AND MARKETS

It is accepted that poverty alleviation depends both *on economic growth* and on the *equitable distribution of growth*. The question raised is to know *how growth can be made more effective* in reducing poverty. High economic growth and success in reducing the initial inequalities are two conditions for a **more pro-poor pattern** of growth.

The role of ACF is to ensure the poor are benefiting from the growth and are not left behind in an unequal economic growth process; that economic insecurity is actually reducing; and that the “poor” both **contribute to** and **benefit from** economic growth.

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<sup>3</sup> Comprehensive strategies for reducing poverty would need to take into account other dimensions than income; *poverty is a diverse, complex and a dynamic process*. It involves low human development, income and consumption, and is characterised by inadequate access to livelihood’s capitals, and return on these capitals - human, financial, social, physical and natural. It is also related to income generating opportunities; to nutritional and health status; to access to appropriate services; to learning and educational opportunities; to wider political freedom and rights; to people’s ability to deal with shocks, (vulnerability) and insecurity and the status and sense of dignity. As far ACF is concerned, contribution to poverty reduction can be found, besides improving food / economic insecurity in particular in improvement of availability and access to Water and Sanitation / Public Health basic services.



## a. What are the links with the market(s)?

Markets are a daily reality for everyone, including the poor;

In the market economy context within which we live, growth is linked to markets. The effective operation of markets play an important growth-enhancing role by creating incentives for investment and trade and by allocating resources in the economy. It is, therefore, necessary to understand the role of markets in generating pro-poor growth, i.e. to understand the participation of poor in markets and the terms of their participation.

Effective poverty reduction requires progress in many areas:

- Growth of assets (capital), income and consumption.
- Empowerment of the poor, enabling them to influence the structure and operation of public and private institutions.
- Greater equalities of opportunity for poor people to build up their assets and generate livelihoods.
- Security, to counter physical and economic vulnerability that drives people into poverty or threatens the sustainability of their exit from poverty.

Market development can contribute to enhancing growth, empowerment, opportunity and security in a variety of ways and through a range of mechanisms. To achieve this, markets must become progressively more developed, and accessible to poor people. The following graph shows why market development is necessary before the poor are able to be included into markets. The aim of a pro-poor market intervention will be to minimise the time necessary for the market to reach the threshold favourable to poor inclusion.

On the other hand, the approach as well as its methodology need to be further developed since it remains unclear when would be the exact moment to intervene as well as the impact to be expected in terms of poor integration.

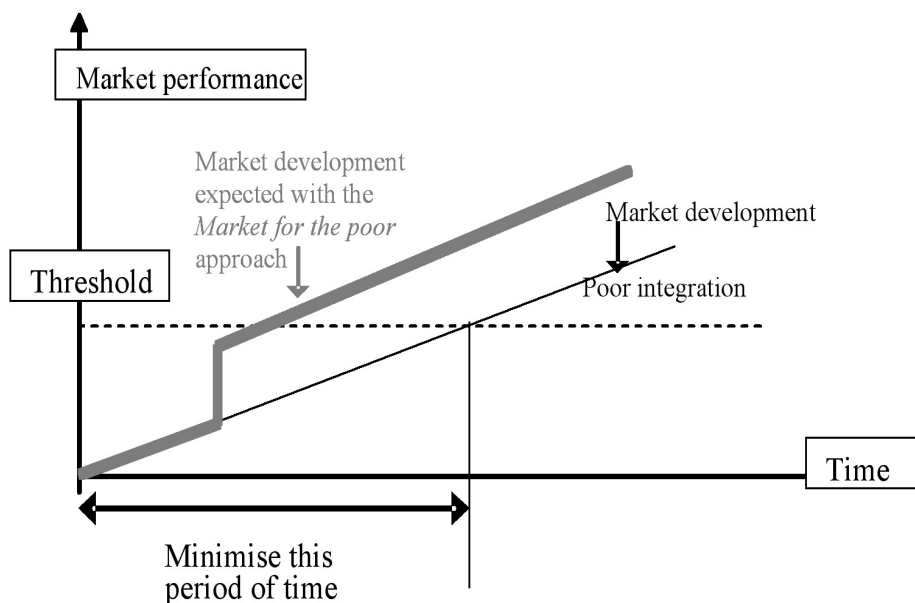
Markets can play diverse role in the livelihoods of the poor (*annex 2 - table market and non market roles in different livelihood strategies*)<sup>4</sup> :

At the micro-level, markets affect the livelihoods of poor communities and households through three principal mechanisms:

- Facilitating access to human, financial, social, physical and natural assets.
- Enabling households and communities, through improving the returns on their assets, to improve their livelihoods, both by raising the overall level and by managing risk to reduce vulnerability.

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<sup>4</sup> See Dorward. A and Poole N, Markets, Risks, Assets and Opportunities: the links between the functioning of markets and the livelihoods of the poor.



**Graph 1:** Poor inclusion in markets according to performance and time

- The meeting of consumption needs, especially but not only for staple foods. The great majority of the poor, in both urban and rural areas, are net buyers of food, and therefore require food markets that are efficient, accessible and provide a degree of price stability and predictability.

## b. What is the market? The market system?

The three main dimensions of the market system are:

1. The Core Market - the central supply-demand set of transactions; the central function is the provision of goods and services to paying customers

The immediate environment of this core function includes

- a. The institutions - the “rules of the game” framework (rules, regulations, standards and their enforcement through various mechanisms)
- b. The services and infrastructures (technical services, marketing, transport, quality...).

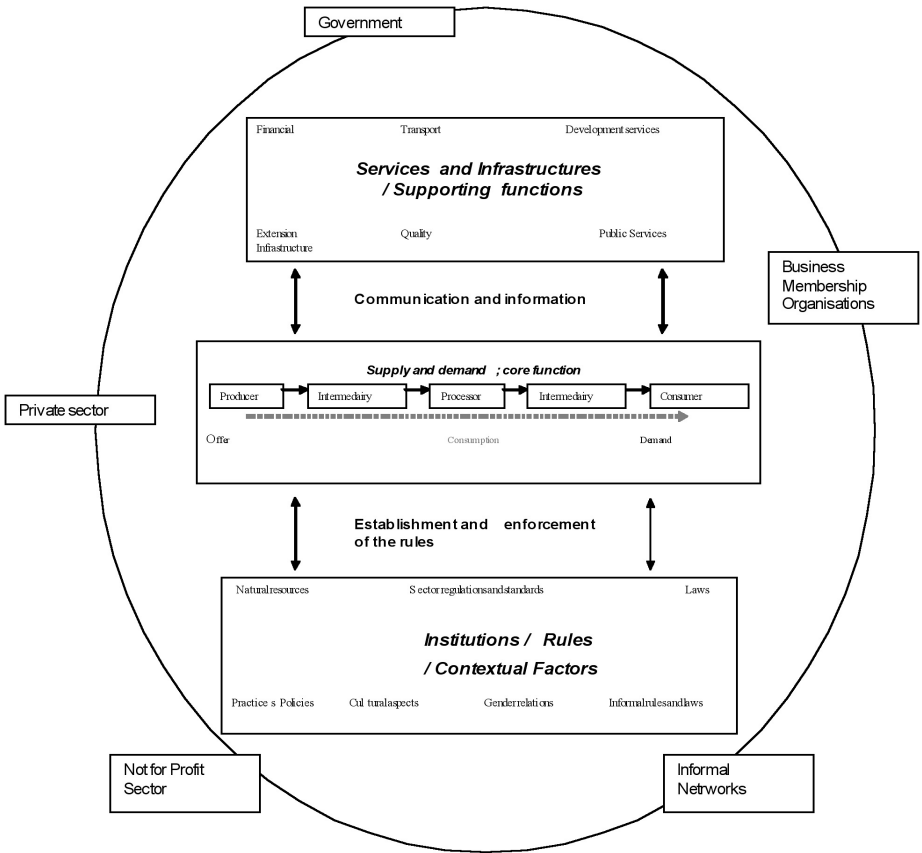


Figure 1: Key market players (delivering and resourcing different functions), dimensions and their relationships

The core market constitutes not just a single set of producers and consumers but, especially in commodity markets, entire systems of value-added where material is purchased, processed and sold (and where, inevitably, the market is more complicated).

**Institutions;** the focus here is on the sets of rules and the enforcement mechanisms, both formal and informal, that impinge upon markets. In general, governments are the main formal players in the institutional framework, setting and enforcing rules. However, the private sector through membership associations may be more effective at developing industry-specific regulations where ownership rests firmly with the industry.

**Supporting functions - Services and Infrastructure;** in practice, services can take a number of different forms:

- Fee-based business services such as business consulting, accountancy, training, design, advertising, network brokering, computer services, security, accountancy, legal issues, market research, technical information and equipment maintenance.
- «Embedded» business services where no separate fee is paid but which are included within the commercial transaction - for example, market designs as part of a retailer producer relationship or livestock advice from input supplier to farmer.
- Infrastructure: this includes electricity, telephones, roads and water.
- Public services - although not a fixed category and often allied to regulatory roles, there are clearly some services that are aimed at a wider public purpose, including business statistics, public health and information on regulations.

It is also important to take into account that **markets are dynamic** and continuously evolving; therefore, the picture (system) must be monitored regularly. They are also **highly interconnected** and can not easily be looked at in isolation to the others (example: the fruit market is linked to land, labour, financial...markets).

**Market players;** in general five categories of players are present in most markets (considering here mainly the supply side and not the consumers' (demand) which are of various kinds:

- *private sector* - the key supply side players, including businesses of any size, ranging from large scale to microenterprises.
- *government and governmental agencies* - at the national, regional, local level; it can play a direct provision role, as well as in the Research and Development, rules and laws, information and capacity building components.
- *representative organisations* (business, consumers, ...), business membership organisations (BMOs) - they main role is frequently one of advocacy but they can also be involved in self-regulation, information provision, co-ordination or skills development.
- *not for profit organisations* - NGOs, foundations and educational institutions, currently involved in R & D, capacity building and information.
- *business and other formal or non formal networks* that can be a powerful source of services, information and influences.

### c. What are current fears about markets and private sector, individual interests?

Markets are frequently perceived more as a threat than a possible positive opportunity. They can be considered as going against the interest of the overall community and



to serve only the interests of a few. For many, the private sector is one of unfair profit, possible monopolistic and pressure of the strong (rich) over the weak (poor). It is true the market does not *naturally* give the advantage to the poor. There are many examples of the powerful taking advantage over the less informed, those who are weakly protected, the long-term debtor, those struggling to earn a living... There are circumstances in which markets can exclude the poor, who have little to offer the market. Markets may even harm the poor, where they reinforce inequalities in other institutions. For instance, markets are closely bound to specific social contexts, and can reinforce unequal local power relationships and undermine certain forms of social capital.

***The ultimate aim of the M4P approach is to balance these power positions*** and reduce the risks described above. This is one of the reasons why the analysis - in particular stakeholder analysis - of the markets is critical.

Fair markets are well functioning markets, systems where different elements or actors are represented, have a voice and finds an interest.

The role of public institutions is also often questioned in a market system. It is often considered that basic rights and needs access such as health, education, water, electricity... should be provided by the State, which is not the reality in most cases; the method whereby people access each of these services remains a political choice (from more or less liberalisation and intervention)<sup>5</sup>. What is important in this context is that poor people have sustainable access to these services<sup>6</sup>.

#### **d. What is the market approach for the poor?**

Even successful market development does not assure a systematic pro-poor outcome<sup>7</sup>.

***Pro-poor markets are understood as those which contribute to social and economic outcomes in which the poor gain substantially, receiving over and above their proportionate share***

M4P aims to accelerate pro-poor growth by improving markets outcomes that matter to the poor in their roles as entrepreneurs, employees or consumers. M4P focuses on ***changing the structure and characteristics of markets*** to increase inclusion by the

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<sup>5</sup> See, A. Gibson, H. Scott, D. Ferrand "Making markets work for the poor - An objective and an approach for governments and development agencies" ComMark Trust. "From the 'remote reformers' to the 'impulsive interveners'" (p6/9).

<sup>6</sup> See also the "Water and Environmental Sanitation Policy" ACFIN (v4 - May 2006) about the Public/Private sector participation.

<sup>7</sup> "Les marchés sont des moyens pour réaliser certaines fins - notamment la hausse des niveaux de vie. *Ils ne sont pas des fins en soi*. A fortiori, les stratégies spécifiques qu'ont préconisées les conservateurs dans les dernières décennies, comme la privatisation et la libéralisation, ne sont pas des fins en soi mais des moyens. Les objectifs des marchés sont étroits - ils ne visent que le bien être matériel, et non des valeurs plus larges comme la justice sociale - et souvent, lorsqu'ils sont totalement libres, ils ne parviennent même pas à atteindre ces buts limités." Joseph E. Stiglitz Nobel Price in Economy "quand le capitalisme perd la tête" "the roaring nineties". 2003; pp. 484-485; le livre de poche.

poor on terms that benefit them. It addresses *the behaviour of the private sector* and therefore reinforces the strengths of market systems, rather than undermining them.

Operationally it implies, therefore, the specific objective of market interventions projects is focused on the *market system*, the focus being the market development (systemic change indicators) where the desired impact is the improvement of “poor economic security”. This makes it more difficult to measure than in a “classical” project which would directly target vulnerable households.

*Institutional and systemic change in the operation of markets important to the poor is the main area of focus for M4P.* Pro-poor market development is therefore a more useful concept than “pro-poor markets”.

M4P can be applied as

- an **analytical tool** to bring new insights to policy development and *programme designs* and as
- a **tool for intervention (methodology)**.

Similarly to that which can be implemented to support sustainable food security, the basic principles to help reducing poverty must be articulated around the concept of *supporting capacities* and *generating opportunities*.

The poverty reduction rationale within the market development approach is articulated around the following three questions:

- **Where are the disadvantaged groups?** Which geographical areas? What are their capacities? In what activities / sectors are they involved? What is their role within the market - producer, employee, and consumer?
- **Where is there a potential for growth?** Any existing and sustainable opportunities still not accessible for disadvantaged groups? à Sub-sector / value chain analysis.
- **Are systemic changes feasible?** What can be done to support and enable the inclusion of disadvantaged groups in the identified chains?

### 3.2. MARKET ANALYSIS<sup>8</sup>

Realising a proper diagnostic and market analysis is obviously critical for market interventions.

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<sup>8</sup> This part aims at describing the main steps of market analysis, not to be a thorough methodological guide; several tools exist already; one that can be mentioned here is the “Participatory Mapping Chain Analysis” (PCMA) for which a specific guideline by “Practical Action” (ex ITDG) is available; (Albu M & Griffith A., (2005)).; what is important and interesting in this methodology is its participatory aspect; indeed, participative techniques and staff who has experience in such techniques can be very useful for this part of the analysis.



Looking at M4P as an analytical tool, three dimensions should be taken into account;

- **Poverty and livelihood strategy analysis**, including a better understanding of the market systems within the poor are embedded and an understanding of livelihood strategies.
- **Market analysis**; the functioning of markets that are important to the poor both directly and indirectly; the extent to which market outcomes are pro-poor and potential intervention areas.
- **Institutional and political economy change analysis**.

**TABLE 2: KEY INFORMATION CATEGORIES IN MARKET ANALYSIS (SOURCE: SPRINGFIELD TRAINING HANDOUTS)**

Key information Type	Need to know what?	In order to?
1. the poor and their context  <i>(target group/area)</i>	<ul style="list-style-type: none"> <li>– Socio economic / demographic / geographic “big picture”</li> <li>– Competitiveness and growth potential and constraints</li> <li>– Key trends, prospects and barriers to participation of the poor in economic mainstream</li> </ul>	Identify specific markets which offer pro-poor opportunities which might be unlocked by intervention
2. the specific market system  <i>(where the poor conduct their economic activity)</i>	<ul style="list-style-type: none"> <li>– The structure, condition and dynamics of market system in question</li> <li>– The position of the poor within that system</li> <li>– Dimensions of underperformance</li> </ul>	Identify where the markets isn't working: “symptoms”
3. Systemic constraints  <i>(often an inter-related market system)</i>	<ul style="list-style-type: none"> <li>– Key market functions and players</li> <li>– Who does what and pays for what</li> <li>– Incentives, capacity, relationships</li> </ul>	Ascertain underlying reasons for markets weakness and possible intervention points to stimulate market change: “causes”

## a. Understand poverty and vulnerability

Looking for the main livelihood characteristics, understanding the global picture (macro level) and identifying the factors related to economic poverty (without forgetting the links with the other factor): secondary information, socio eco survey, livelihood analysis.

→ Understand who are the people in a situation of economic insecurity / how economically insecure they are and why (causal analysis).

## b. Delineating the market(s) in which the poor are / can be more involved and that is promising

## c. Understanding markets currently

This includes consideration of four key questions

### *i. What are the wider influences on and prospects for the market?*

It is important to consider the national and international dimensions, even for the small (poor) producers. An example of this is the situation of import barriers and subsidies of industrialised countries that can affect farmers when applied to a particular cash crop.

### *ii. Where are the poor in markets? What is the current level of their participation?*

The participation of the poor in the core function of the market as consumers, producers or employees - either directly or indirectly.

As consumers, for example in rural areas, their engagement in use / consumption of agricultural inputs: are they consuming fertilisers, improved seeds varieties - if so, how much? What is their perception, are they satisfied? What is their level of knowledge of the diverse existing inputs?

As producers, for example as small scale farmers. Their participation is shown in their numbers and in the prices and margins they achieve.

As employees, the key indicators are their numbers and the wages.

### *iii. What is the existing structure in terms of key functions and players?*

A market is multifunctional, as shown in figure 1; in addition to the core players of providers and consumers, there are clearly many other players involved in markets. The key analytical questions to understand the diverse functions in the chain and their role as well as how they should / could change in the future are

→ “who does, who pays (now)?”

→ “who should undertake this function and who should pay for it?”



The questions “who pays” is crucial with respect to **sustainability**<sup>9</sup> for the intervention; the role of an organisation such as ACF or the donor which engages in market interventions should be one of facilitator. The future sustainability of the transactions is seriously questioned if the question is asked “who does” and even more “who pays” - is it “ACF” or “the donor”? These points are further described below:

*iv. What are the current (systemic) factors affecting the market?*

- **What are the most important formal rules affecting the market and the poor? How do they impact on the market?**
- **What (and who) are the most important formal mechanisms for enforcement of rules? How do they impact on the market?**
- **What are the most important informal institutions impinging on the market? How do they impact on the market?**

Answers to these four questions provides an in-depth and informed view of the existing situation in a market and - critically - of the key constraints that are preventing enhanced participation of the poor; i.e. why the market is not working for the poor.

Emerging from the analysis of these three dimensions (core function, institutions, services and infrastructures) there should be a clear view of the current reality of markets. In particular, this should provide a clear answer to three linked questions:

- **What are the underlying causes of the market’s overall performance?**
- **What are the core reasons why the poor’s participation is currently weak?**
- **What are the important strategic challenges to further build their participation?**

It is important to distinguish symptoms and causes since it is causes that should be the focus of action.

Assessments need to identify and map the relationships between actors in a value chain, revealing alternative supply and distribution channels or value chains from final markets to original producers or suppliers or vice-versa from suppliers to final markets. Having understood the structure and relationship it is possible to see how goods or the flow of services - and then determine:

- whether specific requirements are present or absent in various channels
- whether these requirements are important for the effectiveness or competitiveness of one channel over another.

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<sup>9</sup> Sustainability. General definition: “the capacity to ensure that benefits continue beyond the period of an initial intervention”. Definition applied to markets: “the market capacity to ensure that relevant, differentiated goods and services continue to be offered to and consumed by Small and Medium scale Enterprises beyond the period of an intervention” (source: Springfield training handouts)

#### d. How is it envisaged that markets will work more effectively in the future?

This involves considering what should be the role of different players in relation to market functions (who does and who pays?) and why should they play these roles. This is the basis for future collaboration and development. It has to be transparent and shared, in particular with the communities and the poor.

A detailed analysis of the current situation of market's provides the basis for developing a picture of how a market can work in the future.

The “who does? Who pays?” framework can be again used to draw the image of the future:

Functions	Players			
	Who does?		Who pays?	
	Current	Future	Current	Future
	<b>Core</b>			
	<b>Rules</b>			
	<b>Supporting functions</b>			

It helps to formalise:

- what needs to be done, in relation to key market functions
- who are the main players, potential actors, for the different functions in the three main dimensions of the market
- who does / will do and pays / will pay, linking actors and functions.

It provides a simple matrix to outline functions and roles transparently. As ACF (facilitating the process) two key issues need to be considered:

1. Core competence: what it is the distinctive advantage of particular players? What is it we can do better than others or that only we can do?
2. Capacity: the role we play has to be informed by a realistic assessment of our capacity.

#### e. Participation in market analysis and decision making

During the analytical process, it is important to maintain an active “participation” process. Mapping the markets of course involves information from different stakeholders (key players, consumers, ...). Each of them should be aware of the objectives and the reason why this information is required.



As far as the ultimate target is concerned, i.e. people in the situation of economic insecurity / vulnerable communities, it is also important to consider their inputs in the analysis - particularly to inform them and their representatives about the information obtained from other stakeholders.

No relevant decisions can be taken if part of the information is missing; everybody needs the global picture. It is the first step in “better and more accurate” information. The initial decision made by rural communities or a definition of priorities might be different from that which they need in reality to improve their living conditions, because they miss critical information. As a facilitator, it is the role of ACF to bring the information to them first and then to ensure that sustainable mechanisms are in place and functioning to ensure an accurate information flow takes place - for the communities and other actors in the market. An example of this is presented in the section on Armenia, in section 4.

A wide range of tools and sources of information are available; a combination of them is frequently used to provide the updated picture needed for effective intervention. *Annex 3* gives a selection of existing tools for market assessment.

### 3.3. MARKET INTERVENTIONS

#### a. Where to intervene and how?

Interventions aim to address the systemic constraints which must be overcome to achieve a future effective and sustainable market.

Their main characteristics should be:

- focused, on overcoming market constraints;
- finite, limited in time and with a clear view of how markets will work beyond the duration of an intervention
- facilitative, emphasising the role in facilitating markets rather than attempting to provide services directly.

Two important issues should also always be kept in mind:

- assessments and its analysis must be continuous;
- interventions are multi-sectoral and may evolve over time.

Building from analysis to action: the potential and rationale for intervention, its objectives and means should at this stage be more clear. After having built a picture of the current situation, the first question to answer is “*should we intervene or not?*” if yes, knowing “*where we are*” in a market and according to the future vision (where we want to go), the focus of action is immediately “*on how to get there?*”

The analysis might identify the potential for one or more market development interventions. The potential number of poor people who will benefit from the intervention, as well as the contribution to pro-poor growth in relation to the size of the intervention should be estimated.

The following analytical steps should provide the platform for action:

- A clear delineation of the market(s) in question;
- An understanding of the market in relation to:
  - market trends (the bigger picture)
  - the existing participation of the poor
  - key players and functions
  - underlying systemic constraints that impinge upon the market’s development
- A vision of how the market can operate more effectively in the future in relation to
  - strategic picture of functions and players (who does and who pays); and
  - operational picture of how roles are performed.

Logically, what needs to be considered are the steps required to get from “where the market is” to “where should it be” by overcoming critical constraints.

Clearly the activities which will be undertaken will vary depending on the market, organisation, and their core competence capacity. ACF’s distinctive role should be to develop a shared view of how markets could work more effectively in the future; this being done in agreement with other market players. This must be considered for all interventions prior to implementation to make sense of a commitment to making markets work more inclusively.



#### **Annex 4: Common and market approaches to problems of the poor.**

As demonstrated by the analysis, there is neither a “ready answer” nor a “blue print” for market intervention. However, a number of overarching principles are applicable in guiding the actions.

- Although direct intervention in the chain is not recommended, it can sometimes be envisaged, considering the following conditions:
  - it must be clearly justified in relation to the market constraints and other alternatives
  - should have been assessed before hand;



- it must be limited in time and scale;
  - the way it is delivered must be considered, well communicated and remain aware of possible expectations that it may create for the future;
  - it must be coordinated with other stakeholders who are working in the same field, to avoid confusion and possible tensions which potentially could arise from the different intervention approaches.
- Operationally a number of factors may be considered to guide the implementation procedure:
- Where a facilitator intervenes in relation to functions in a market system: are intervention activities likely to become a market function in the future?
  - The partner organisation (or businesses) with whom the facilitator engages in the market system: is there someone appropriate with whom to work?  
Given the nature and the complexity of market interventions, the range of possible partners is wide, be they public or private, formal or informal, big or small ...  
Choosing the right actors with whom to work will logically come from previous analyses, but should also consider stakeholders' capacity, own fields of interest, motivation, viability...  
Their identification also presents a combination of possibilities; it could be based on relationship, on a tender based process or come directly from the previous market assessment.
  - How facilitators conduct their relationships when they engage with the market system: is there potential for an effective relationship? Should it be based on a business relationship? Does it have potential for substantial leverage?

Nevertheless, the organisation must be transparent with the partners, otherwise the relationship and the motivation will be short lived; transparency and clarity are two key factors to bear in mind: who is the support (offer) aimed at? Why should someone need / want this support (offer)? What could they expect to receive in the long run? What should the organisation expect in return?

- How much support facilitators should provide in seeking to stimulate market change?
- Whether there is potential to pull others in?

## **b. Role of governments and institutions in the market**

For governments, a number of implications are clear; it has been seen above that several options are possible; ... but regulation is always a priority! Poorly-delivered

(but valid) government roles - for example, in land registration, financial regulation, information provision and standards setting - show where a stronger and more dynamic influence is required.

### c. Monitoring and evaluation

The challenge in terms of monitoring and evaluation is that market interventions aim to work on and change a **system** rather than **the life conditions** (incomes, productivity, food intakes...) of specific and identified “beneficiaries” - although ultimately it aims at reducing poverty. This aim is long-term and, as with other similar projects, the impact is difficult to measure.

This problem is common to any “development” programme not focused on specific households or individuals, but aimed at bringing about change at community or regional level. Usually, it is assumed that working on the basic or underlying causes will have an (indirect) effect on the development of the whole community - and therefore on the most vulnerable or poorest. This is the particular challenge for ACF, considering the mandate is to enable the most vulnerable to face shocks and risks autonomously. In the specific case of market intervention the aim of ACF-E is to reduce economic vulnerability / insecurity. Market interventions are directed at securing household economy with reference to income received (as producers - Micro and Small Enterprises - and/or employees through job creation) and expenses dispersed (as consumers through ensuring affordable prices of basic items).

Monitoring effective (micro) changes for poor rural households when intervening in a market approach involves a combination of some of the following:

- From the market side, collecting produce information on fluctuating prices, transactions and volumes from buyers of smallholder inputs
- From the poor producer side, collecting information about fluctuating prices, transactions and volumes, changes in income and livelihood patterns, and other information on livelihood changes (perhaps, for example, using seasonal calendars)
- From poor people not engaging with the project, collecting information on possible positive or negative indirect effects.

At the project level and according to the logical framework, it can be illustrated as following:

<i>Overall Goal = economic security improvement</i>	<i>Impact Evaluation</i>
<i>Specific Objective = market system more inclusive for poor</i>	<i>Monitoring</i>
<i>Results = specific changes in market system</i>	<i>Monitoring</i>

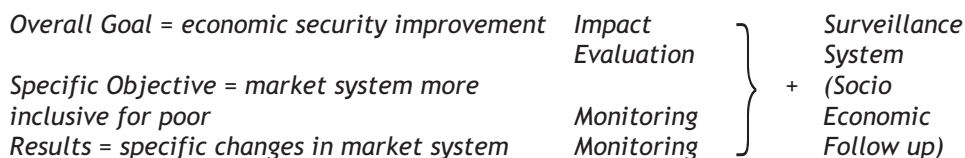
However, looking at the ACF mandate and its typical beneficiary target, the risk in engaging in market intervention with this broad framework is to focus completely on market system changes. This could result in the poor farmers / producers being



sidelined as they are not the direct beneficiaries in the application of a market approach.

It is therefore important to have a continuous and functioning “surveillance system” , which will ensure that the intervention:

- measures conditions at the micro / meso (household / community) level;
- measures conditions at the macro level which could transform micro information into the macro context.



Indicators of market development alone do not record if these goals are achieved;

Two levels of monitoring are therefore necessary to measure the degree of achievement:

- monitoring and evaluating *markets development and the inclusion of “poor”* within this system
- monitoring and evaluating *the changes that occur in people’s life,*

Both are challenges; the first because in the short project life, it might be difficult to clearly observe the concrete changes; and the second there is a wide target with no “beneficiary list”.

Both are also concerned with whether the observable change is directly related to the intervention or is due to other influences;

***i. Assessing market system changes***

- The market system has *three main characteristics*, upon which monitoring and evaluation can be built:
  - It is dependant on the decision making and behaviours of consumers and other market players
    - consumer’s continual assessment and learning provides the pressure for improvement
  - Markets are interdependent
    - one market affects another; implying that proxy indicators have extra resonance in assessing market systems

- Performance and perception are closely related
    - for example the level of satisfaction of market players can inform much about the performance of a specific rule / regulation.
  - In addition, the *three main dimensions of core market functions, supporting functions, rules* and the different market players in the market should be addressed. It is then useful to base the indicators of changes on the baseline assessment that was done initially (*how the market currently is, before intervention*) and obviously on the constraints that were identified for the poor to be included. Factors to consider might include:
    - markets size, transactions and benefit flow: in terms of quantity, quality and appropriateness
    - outreach and participation in the system: in relation to target groups of the poor, disadvantaged and excluded, profile of participants...
    - diversity of products and functions: in relation to products, supporting function and rules (including competition and appropriateness)
    - players, mechanisms and relationships: the alignment of key players, the nature and quality of relationships - horizontal (groupings) and vertical (value chain) and institutions.
    - Incentives: awareness and realization of incentives to change in relation to different market functions.
    - Capacity and practices; ability of market players to perform and continue to perform appropriate market functions
    - Innovation and adaptation; evidence of market players adapting and implementing new or innovative activities.
    - Culture, attitudes and perceptions: in relation to new market functions and alignments. This might include government policies endorsement, media coverage or changes in informal norms.
    - The manner in which the poor are included is also crucial.<sup>10</sup>
- **changes obviously cannot be measured or observed if all these factors are not identified at the start: An initial baseline situation has to be established and well described.**

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<sup>10</sup> For example, “employment” or “job” as such is a partial indicator; a job must be characterised by the income (in relation for example to official minimum wage or basic needs basket), the “size” (how many hours a week?), the duration (short term / long term contract...), the quality (safety, protection, rights, training opportunities...)

↓

## ii. *Assessing poverty (economic security) changes; surveillance; wider social and economic change*

Quantitative and qualitative indicators should be used, associated with cases of “how the poor participate in markets” as consumers, producers or employees.

It might here be difficult to establish direct (micro) changes due to the project; the use of “proxy” indicators might be necessary - for example, the growing usage of financial services by poor people.

*Socio political and economic analysis, including institutional and stakeholder analysis:*

It is worth mentioning that internationally, it is acknowledged that evidence about real poverty reduction is limited and that efforts should be reinforced to better evaluate the impact of the interventions. To illustrate this, some of the conclusions published in the report of a recent annual international workshop focusing on business development (September 2006)<sup>11</sup>

...The [report] raised significant “gaps”, including:

- **Lack of impact assessment and documented results:** continued failure to measure, document and disseminate significant results in eradicating poverty, or even reaching large numbers on a sustainable basis, despite strong anecdotal evidence of significant impact.
- **Insufficient consideration of critical contextual issues that affect pro-poor growth:** including culture, the environment, community and individual health status, gender, ethnic divisions and groupings, political and conflict-related issues, corruption, and wages and working conditions. There is a particular lack of effective strategies for improving livelihood

This is also a concern for the donors, who would appreciate more evidence coming from field experiences.

In long-term projects the global context and population is too often forgotten, concentrating on “direct beneficiaries” by measuring, for example, the income they receive from the activities supported by the development organisation; failing to put this data into context - whether it is within the total budget of the household or compared to the surrounding conditions (basic needs, food basket, local poverty line...);

Market interventions can avoid this by not focusing “only” on market systems changes and development. It is necessary to complete the monitoring with a wider viewpoint, which could also serve as an advocacy tool.

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<sup>11</sup> <http://www.bdsknowledge.org/dyn/bds/docs/497/PSDReader2006.pdf> (Miehlbradt A. and McVay M (2006); Tanburn J, (2006))

The proposed tool is a surveillance system which would take into account local, regional and national information. This system can also be useful for comparison with internationally recognised indicators - for example, in the Millennium Development Goals challenge.

#### d. The facilitation role

“Creating ownership, and empowering and enabling people to be autonomous”.

Sustainability is a crucial factor of the market approach. The objective of the system is to be completely “self-functioning”; **any external input** - whether in kind or an intangible link - **must no longer exist at the end of the project**, in order to avoid dependency. The role of facilitation is one of the most important aspects of the approach when implementing technical assistance or providing support to institutional and civil society.

The “who does / who pays” applied to the system is a useful tool to maintain a clear idea of who is involved in the activities. This applies particularly to the provision of financial support - who does this in reality - but who should be doing it?

The task of a facilitator - especially after having previously been (and being perceived as...) a provider (loans, inputs...) and a direct implementer - is not an easy task. This requires a good understanding of the approach and of the challenge to achieve real sustainability.

External interventions are by nature artificial; in the market system, they may influence the system either positively (develop) or negatively (distortion).

It must be understood that a facilitator is a **catalyst** which stimulates the market, but does not become part of it.

Communication and dissemination skills are key to the process; for example, demonstrating the potential success of a specific innovation (improved seed variety or new technological approach...) is often done - whether by research centre, or “pilot farming plots”. To “create” the demand and introduce the technique in the “normal” chain is frequently where development agencies “fail”.

It is important to have, from the beginning, a clear idea of the different steps that will make the change happen with clear objectives and strategy to guide the facilitator in their activities.

There is no “recipe” to being a good facilitator with wide range of activities required to be undertaken, depending on the market chains, the actors, the history... The facilitator may have to inform, train, analyse, disseminate, feed-back, finance, network, ...

Training in facilitation processes, principles and techniques might also initially be required for the team responsible for the project.



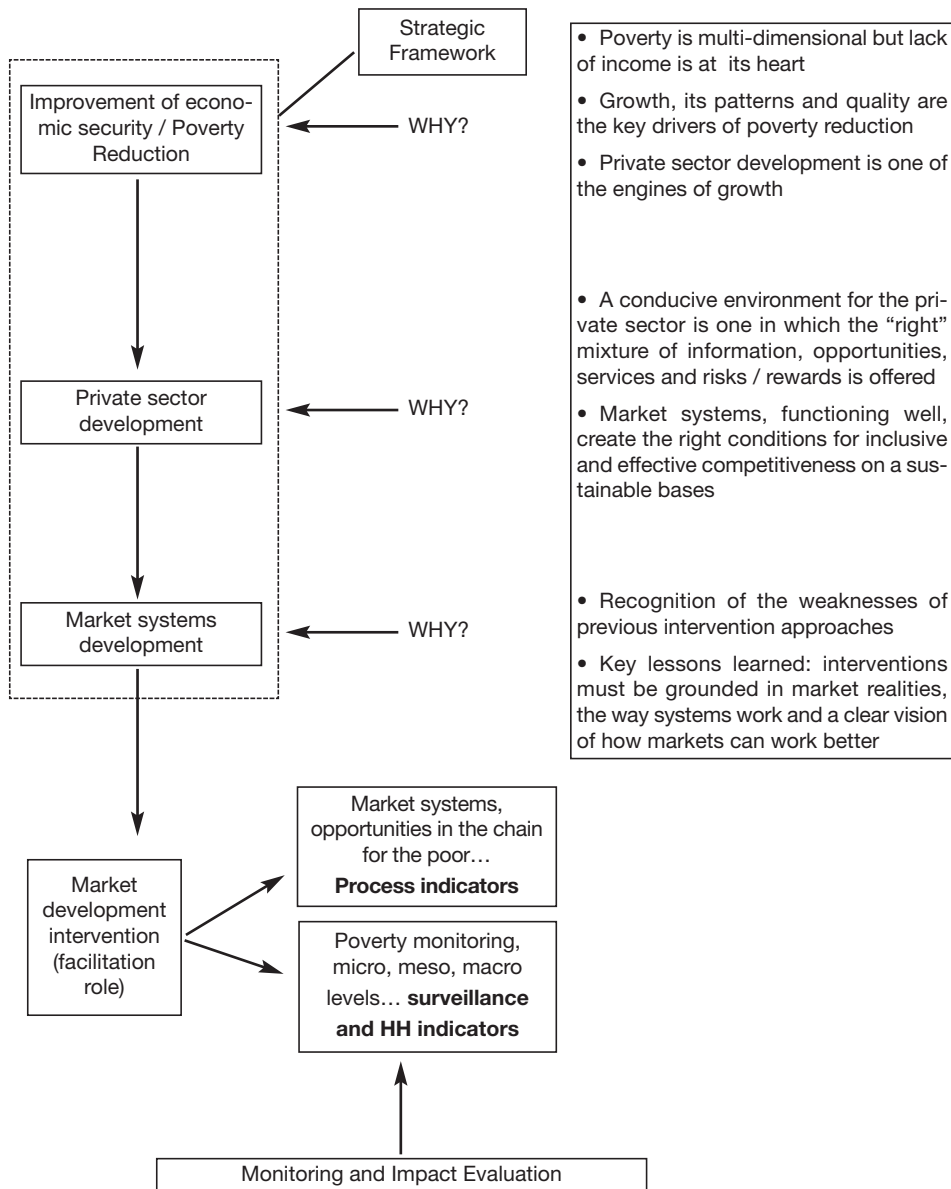
Stakeholder analysis is another crucial element in the process, which must be done responsibly with the capacity, opportunity, interests and constraints of participants well understood to ensure a realistic system. The implementing team might also need such training and capacity building.

It is critical to ensure that stakeholders know from the outset they should not expect much in the way of “in kind” inputs. They must also realise the organisation will progressively decrease its involvement; with a phased withdrawal. However, the activities should continue to function and develop. Communication about the project from the very beginning is, therefore, very important.

It is beyond the scope of this document to be a methodological guideline on facilitation functions; a few documents and links references are given in the accompanying CD on this issue.

Methods, success and failures linked to the manner in which the facilitation role is undertaken must also be capitalised by the organisation from which lessons must be learned.

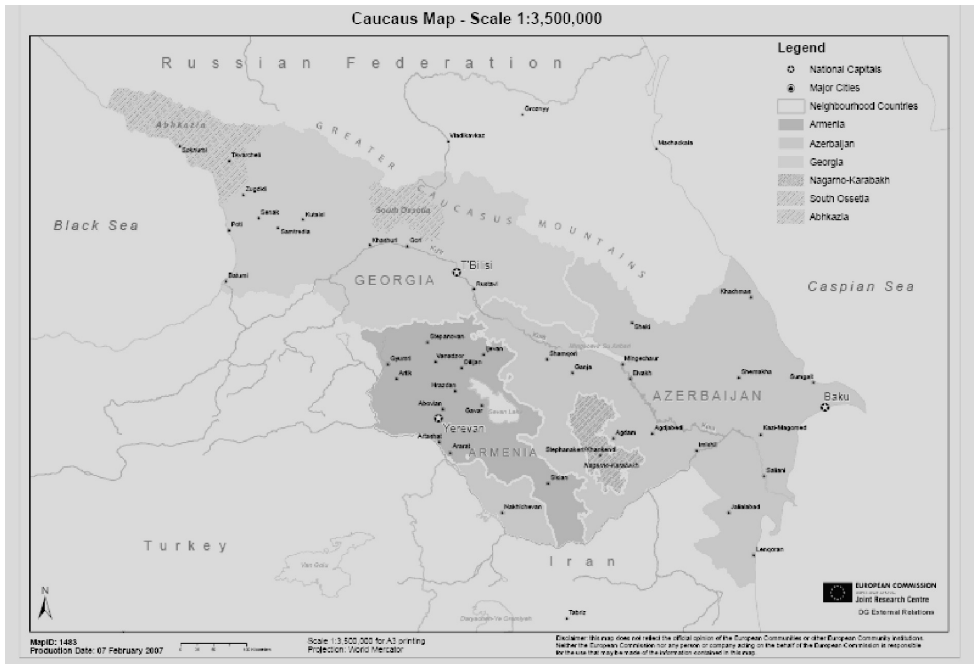
### 3.4. CONCLUSION



**Figure 2:** The flow of logic from poverty reduction to market development (adapted from Springfield training handouts).



## 4. ACF EXPERIENCE IN SOUTH CAUCASUS



- By mid 2007, ACF was not yet implementing a “market intervention” project. As indicated previously in this report, the collaboration with the Springfield Centre began at the end of 2005, when food security projects were already on-going. By September / October 2007, two projects were initiated, orientated towards the development of identified sub sectors within the “market for the poor approach”. These were in the region of Sisian in Armenia and in the South Western regions of Azerbaijan (Agjabedi, Beylagan). However, the introduction of the approach enabled some concrete practices to begin the learning processes. The following sections focus on these first experiences in two countries.

### 4.1. SOUTH CAUCASUS MISSION BACKGROUND

Part 2.b explains the rationale of the implementation of the methodology in South Caucasus and the overall context of this region.

The Springfield final report (Elliott D. & de Ruyter de Wildt M. (2007)) of the first phase of the partnership between SDC, ACF-E and Springfield also gives a clear picture



of the context background, describing how all actors are currently facing a similar challenge in this transition context towards more sustainable development support.

## 4.2. ARMENIA

### a. Background

ACF-E has been present in Syunik Region, Armenia since 1994.

Initially ACH was involved in emergency food assistance (involving canteens and food distribution) in response to the consequences of the war and the break up of Soviet Union. In 1997-98 the emphasis changed into the implementation of an agricultural program with a more strategic community development approach. In 2000 and 2001, the region suffered from two consecutive years of drought when ACF-E resumed a more emergency focused intervention.

Until 2002, the focus concentrated mainly on **food security**, with projects starting to include the concepts of **poverty alleviation** and **community development** - emphasizing self-reliance in food production, creation or reinforcement of local structures (Community Based Organizations or Cooperatives) involving local authorities, capacity building through technical and managerial training as well as participation of beneficiaries in all stages of the project cycle to ensure efficiency and sustainability.

**Market orientation** was more clearly mentioned in this particular project (2004-2007), although food security was linked to income generating activities in the first SDC funded project (2002; Rural Community Self Reliance Development Program Sisian District, Syunik Region Armenia).

### b. Sisian Project (Syunik region)

Although the current project is coming to an end, the experiences gained clearly pointed to the need to establish more market linkages, and re-orientate the activities away from those considered to be too much led by ACF-E. The organisation is not yet functioning as a facilitator; but rather as “another intermediary”, which can of course question the sustainability of the actions.

However, the collaboration with Springfield could lead to some interesting experiences and analysis on how the next phase should be structured. These experiences are summarised in the following section. It may be considered as a good “case study” for the reader to understand the changes that could be expected when moving towards a more precise “market approach”.<sup>12</sup>

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<sup>12</sup> Elliott D. & de Ruyter de Wildt M. (2007); Hayrapetyan A. (2007). Both documents give more details on these cases.

A specific example of how a wider perspective is useful is described below:

As part as the community development plan designed by the “community active group” supported by ACF-E and linked with the economic aspect of the project, the village community identified a milk cooling tank for collection and conservation as a priority. The identification of community priorities is undertaken in a complete participative manner at community level.

ACF-E requested a local NGO specialized in establishing cooperatives, to undertake an assessment to cross-check the need and feasibility for this equipment. Their conclusions indicated the cooling tank was necessary and recommended establishing a cooperative for its use and management.

ACF-E re-examined this proposal with a more systemic and market perspective to be able to determine whether the organisation should indeed provide the cooling tank or to intervene in another aspect of milk marketing. The analysis was designed to try to answer the following main questions:

**What are the constraints that prevent transactions taking place?**

**Why isn't the market environment providing the solution to these constraints?**


**Why isn't the market working for the poor?**

**Why consumers and suppliers are not now coming together?** Was it due to the absence of a cooling tank; related to organization of people in the village; related to lack of production (insufficient milk in the village) or related to the support services (no transport facilities because of high expenses? Or no time for the transporters to stop there)?

This research concluded the main constraint was NOT a milk cooling tank, but access to fodder, which could be addressed through supporting better access to mowing and bailing equipment. When questioned later, the village leaders confirmed they had seen similar equipment (a cooling tank) being purchased for other villages and wanted a similar asset available in their own village.

The lessons that can be learned from this case are mainly the following:

- a sole participative community based assessment is not systematically the best method to establish the most appropriate solution to a specific problem. The community indeed must be involved in a wider analysis and given the overall information to be able to make an informed decision for their own development;
- it is important to be aware of the history and background of the partners who are responsible for implementing assessments and formulating recommendations. Their own expertise might also lead to a bias in the conclusions;
- the systemic approach and knowledge of the market chain enabled a more in-depth analysis, resulting in a recommendation that is more likely to be sus-



tainable and to have a greater impact on the community and its economic development.

In another example, ACF-E was considering financing a village owned cheese factory which emerged as a project following a fairly involved participatory needs assessment in one village. However, in line with their emerging market development focus, ACF-E conducted an in-depth economic and financial feasibility analysis of such an investment. As a result, a different direction was followed with the village in question. ACF-E implemented this new approach with the village cooperative, linking it directly to an important milk processing company. Relationships between buyer and seller have strengthened with an increased level of mutual trust and understanding. As a result the milk processing company has recently negotiated the provision of a DRAM 3,000,000 interest free loan to the cooperative to finance the purchase of a second milk truck and the purchase of emergency animal fodder (shortages related to last years drought in the region).

These two examples clearly indicate the added value of a wider analysis and the importance of understanding the constraints for each stakeholder in the market chain to enhance sustainability and achieve real potential for income generation and economic development.

In addition to the above examples in the on-going project, Springfield consultants supported the ACF-E Sisian team to analyse the dairy and seed wheat sectors, with the objective of identifying their potential to be the focus for a future development phase. Their reports are available (Elliott D. & de Ruyter de Wildt M. (2007). **The main outputs of the dairy sector survey** are summarised in the following paragraphs, to illustrate the structure of a sub-sector analysis:

An in-depth analysis moved from a superficial focus on performance “symptoms” to understanding the underlying “causes” of weak performance.

This in-depth analysis supported more creative thinking about possible solutions.

Recognising that if people need access to “things” now to improve performance (e.g. cooling equipment), then perhaps they might need access to more things in the future. If this is the case, who will then provide these inputs and how will they be paid for? What long term solutions can be found rather than financing a “one-off” purchase for a specific group? New ways of working - *with partners and syndicated financing mechanisms* - must enhance the roles of existing players (e.g. buying companies investing more in their supply chains), and even leveraging new players to enter the sector (e.g. private vets and Artificial Insemination service providers). As a result, many of the key sector challenges - such as equipment financing, emergency fodder, veterinary and related animal health services - are increasingly being met through private finance and initiative.

### ***Is dairy an important sector for poor producers in the Suynik region?***

Based on available data on the household level - family size, numbers of cows & other assets... - , the Springfield team concluded the dairy sector is representative of a large number of poor producers. No specific household socio-economic assessment was undertaken in the project area of intervention as was the case in Azerbaijan (see below) because the knowledge from the ACF-E team and the data available were considered as sufficient. This data should however be formalized for a potential next phase, since it will have to be followed up to measure the impact of the intervention.

### ***Does dairy have the potential for growth inclusive of smaller producers?***

Basic research at various levels all show a reasonably consistent picture - that dairy is growing, will likely continue to grow, and Suynik is well placed to participate in this growth. However, as also confirmed, sector expansion will likely see market differentiation (products) - which is good for smaller processors - and market concentration (processors) - which is less good for smaller processors.

### ***Market Development Intervention Potential***

No exhaustive analysis of market development constraints was undertaken at this stage, but a rapid assessment showed that some of the key challenges could likely be met by the project given its focus, capacities, resources and working methods.

For example, cash subsidies, improving organisation for economies of scale, responding to various dimensions of poor technical knowledge, information and skills.

### ***Understanding Markets***

In the previous phase, the project focused solely on producer groups. In the current development phase the project is arguably taking a more “systemic” view, but clearly a very narrow and incomplete one. This narrow view is based solely on the concept of market linkages, with the focus entirely on investing as necessary to “make the deal happen”. Typically this approach was one based on participatory needs assessment exercises and responding directly - in cash or kind - by the project to the expressed needs.

The project has learned much about the dairy sector, and the players in the sector. As a result it is taking a more systemic approach to understanding markets - functions, players, opportunities and constraints (see examples above).

The recognised challenges to dairy sector development are now understood to include:

- Shifting producers across supply chains - fostering new business linkages and new business relationships

- Improving sustainable access to a whole range of production level business services (veterinary, artificial insemination, transport, equipment hire)
- Access to finance within and throughout the value chain
- Economic organisation within and across villages
- Improved take up of productivity enhancing technologies (intensive fodder, three sided sheds)
- Strengthened management of community owned assets
- Absence of a specialised wholesale market function for dairy produce
- Industry standards for quality, branding and marketing

### ***Vision of the Future***

In setting a vision of the future, ACF-E must ask itself whether it is actually “changing” the system or merely providing a short term boost to help overcome various institutional constraints within the system for a short period of time, and for a limited few. The following table illustrates the differences of vision in a “market linkages” or “market development” perspectives.

**TABLE 2: VIEW OF THE FUTURE.  
SUSTAINABILITY MATRIX OF MARKET FUNCTIONS**

Functions	Now		Future (market linkages)		Future (market development)	
	Does	Pays	Does	Pays	Does	Pays
<b><i>ACH market linkages phase</i></b>						
Business linkages	ACF	ACF	?	?	Agents - Traders Progressive coops Buying company / NGO partnerships	Private Public-Private
Equipment financing	ACF	ACF	?	?	Agri-Leasing companies Re-investment Value chain finance	Private

**TABLE 2: VIEW OF THE FUTURE.  
SUSTAINABILITY MATRIX OF MARKET FUNCTIONS (Cont.)**

Functions	Now		Future (market linkages)		Future (market development)	
	Does	Pays	Does	Pays	Does	Pays
Cooperative development	ACF / Contracted NGO partners	ACF	Volunteers?	Volunteer placement agencies / Cooperatives?	Association of dairy cooperatives (plans by Astrak-Kat) Links to specialist providers	Collectives membership Private
Community asset management	ACF / Communities	ACF / Communities	Communities?	Communities?	?	?
Technology adoption (intensive fodder / sheds)	ACF	ACF / pilot farmers	?	?	Private agents Cooperatives Value chain diffusion	Private Collective membership
Asset (cows) financing	ACF	ACF	MFI's?	Private?	Coop. credit schemes MFI linkages Large-small farmer arrangements	Private
<b>ACF market development phase</b>						
Vet / Animal Health service	ACF / Private vets	ACF / Member fees	Vets	Private	Vets	Private
AI services	ACF / AI Centre	ACF / AI Centre / Technicians	AI Service + technicians	Private / Govt subsidy	AI Service + technicians	Private / Govt subsidy

As a result, possible Interventions can be grouped in support of two interlinked objectives “to improve the quantity and quality of milk”.



### ***Interventions to improve the Quantity of milk***

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**Business linkages** - shifting between supply chains means identifying, creating and strengthening new business linkages and fostering quality business relationships.

**Equipment financing** - tackling the constraints of access to finance and economic organisation to overcome problems of (small) size.

**Asset (cows) financing** - tackling the constraints of access to finance, and meeting the volume needs of commercial buyers..

**Cooperative development** - responding to a series of related constraints, such as economic organisation, bulking of supplies, and a platform for delivering services to members.

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### ***Interventions to improve the Quality of milk***

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**Vet services** - tackling constraints related to the health and productivity of animals.

**Artificial Insemination services** - tackling constraints related to the health and productivity of animals. This is also critical for tackling the wider industry constraint of unbalanced seasonality of milk production.

**Technology adoption** - tackling constraints related to the health and productivity of animals.

**Utilising community assets** - tackling constraints of economic organisation and effective management of community owned assets.

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### ***In general, future project interventions should:***

- Be undertaken with a business orientation, and establishing business relationships with partners (rather than simply giving in a charitable way);
- Build organisations to have valid roles (rather than enticing them to do things that are outside their remit)
- Ensure that “how much” is given - in subsidies or other assistance - is proportionate to the overall benefits
- Ensure that where subsidies are given this stimulates a market response (rather than merely encourage a thirst for more subsidies)
- Build ownership and consensus among other players for a future market vision.

### **c. Perspectives in Armenia**

Based on this knowledge and analysis, the formulation of another three year phase - financially supported by SDC is being designed during mid 2007.

The current logical framework proposed by the ACF-E team and main partners is presented below:

**Goal:** A contribution has been made to poverty reduction of rural households in Sisian Region.

**Specific Objective:** Improved economic security of men and women in poor rural household achieved through their involvement in the market system and in collaboration with Local Market Players.


### Results:

1. Improved linkages and performance of market players in the dairy subsector is achieved.
2. Management, utilization and governance of land, water and pastures is improved.
3. Socio economic trends and impact of market development approach on the poor are analysed through a surveillance system.

### Activities

#### R~1

- 1.1. Capacity building to partners on new approach and market development.
- 1.2. Identification of gender roles in the dairy sub-sector and capacity building to partners to raising awareness under gender roles and women needs.
- 1.3. Strengthening and expanding current linkages between service providers, buyers, cooperatives and farmers in the dairy value chain.
- 1.4. Raising awareness of farmers to sell milk through bulking their production.
- 1.5. Extending the area of work and building the capacity of current cooperatives to improve its services to farmers.
- 1.6. Promoting input providers with infrastructure support inside value chain - for example, equipment financing and assets.
- 1.7. Support farmers to adopt improved technologies to increase production - for example, intensive feeding, and three sided barns, improved seed varieties.
- 1.8. Analysis of economic viability of new technologies aimed at increasing production.
- 1.9. Carrying out capacity building on, for example, business planning, management of business, increasing productivity, microfinance, promotion of savings, contingency plans- for cooperative development and other potential players in the dairy value chain.
- 1.10. Organization exhibitions, forums and meetings to exchange best practices.

- 
- 1.11. Identification of new players and constraints affecting their performance in the dairy value chain.
  - 1.12. Promoting the performance and accessibility of financial services, private veterinary and artificial inseminations to farmers / cooperatives and other actors of value chain.

## R-2

- 2.1. Increasing the knowledge and awareness of female and male villagers on good practices, rights and responsibilities about the use of community assets - such as: water, land, pastures and infrastructure.
- 2.2. Promoting the participation among female and male farmers and LSGs for planning the optimal and effective use of irrigation services, land and pastures resources in the community.
- 2.3. Training in capacity building with the executive body of Water Union Associations and LSG on improved management of irrigation, water and pasture services.
- 2.4. ACF-E and partners working with the executive body of the Dzoror Water Union Association to assist them to design a strategic plan to improve the irrigation water service.
- 2.5. Promoting the collaboration among LSG to conclude agreements and proposals, and to support them to design intercommunity projects.
- 2.6. Making an assessment with relevant partners and using ACF-E experience on Good Governance.
- 2.7. Facilitating to WUA and LSGs in collaboration with villagers to present viable economic plans and proposals to relevant donors through specialized partners.

## R-3

- 3.1. Establishing a baseline at project initiation.
- 3.2. Installation of surveillance system in the program.
- 3.3. Interaction and information exchange with other Institutions, University Departments and other organizations concerned with poverty.
- 3.4. Using the information of monitoring system and evaluations between ACF-E and other facilitators.
- 3.5. Monitoring the process of market system influencing gender roles.

3.6. Capitalization the experience gained during the life span of the project.

3.7. Publishing relevant information and promoting information sharing between organizations and partners.

**Beneficiaries:** Men and women with assess on the dairy sector, knowledge, experience and motivation to participate in the dairy or other potential sub sector. Beneficiaries are poor farmers who belong to the sector choose because of its potential to growth.

**Target group:** Services providers, suppliers, local institutions, farmers associations, cooperatives, local partners.

This new phase has started in September 2007.

#### 4.3. AZERBAIJAN

##### a. Background

The first project phase was implemented from 2000 to 2003; the second phase (2003 - 2006) focused mainly on support to “small farmers groups” through technical training and grants for assets provision through revolving funds. At the beginning of 2006, an external evaluation<sup>13</sup> took place and pointed out the need for better context consideration, increased outreach and impact, improved sustainability and more consideration of market aspects (post production, marketing...).

##### b. Agjabedi & Beylagan Project

In 2006, a third phase was defined<sup>14</sup>; initially designed for 9 months then extended for an additional 3 months. It focused on a series of assessments with the objective to better understand the definition of “who” and “where” were the poor and to identify the potential for market development to include the poor.

Following the M4P rationale, 6 different assessments were designed and implemented:

- 1 socio-economic survey.
- 2 sub-sectors analysis: dairy and fodder.
- 2 cross-cutting sectors analysis: finance and irrigation.
- 1 legal environment assessment.

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<sup>13</sup> Cf. Tarnutzer A. & Mehdiyev B. (2006)

<sup>14</sup> Cf. ACF-E (2006)



*Annex 5* presents examples of terms of reference, questionnaires and guidelines for some of these assessments. Final reports are also available in the accompanying CD, in annex 13.

The assessments were all implemented by local partners - NGOs and private consultants. The selection of partners was carried out through a tender process<sup>15</sup>, which enabled a more transparent way of working, enhanced the local society and economy and eased the collection of data (by being local organisations). It has, however, to be mentioned that not all the organisations have the same capacities and it required intense follow up, monitoring and capacity building...to ensure the results met expectations. Not all the assessments reports were of the required standard.

In addition to these assessments, the ACF-E team worked on the establishment of a surveillance system to be able to:

- Have baseline data on the household, community and context level.
- Follow up the changes at the three levels.
- Possibly implement advocacy activities, related to issues that can obviously not be tackled by the project but needs special attention for poverty alleviation and socio-economic development.

### c. Perspectives in Azerbaijan

As in Armenia - based on the assessment results and the market for the poor approach - a “phase 4” planning workshop was held in the end of May 2007 to define the main lines for the next three year intervention.

Main outputs of the assessment phase:

More than specifically the dairy sector - for which questions related to potential development remain - it has been observed that the **livestock sector** more generally, including meat production, shows more promising potential.

Although the fodder sub-sector might have a separate development potential it will be considered as an input in the livestock sector.

Irrigation constraints are related more to management structures and social / governance improvement, which is confirmed from experience in the water sector in the region.

Financial services remain the major constraint for producers to develop their productive capacities. Access to microfinance is mainly limited by high interest rates and lack of information.

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<sup>15</sup> Cf. Documents from Azerbaijan in the accompanying CD

The household socio economic survey indicated the rural population can be classified into specific categories based on their income levels - more specifically on their level of productive assets and capacities to invest and enter into more commercially orientated farming. Within these groups those having low incomes, some productive assets and motivation - but no investment capacities - have been identified as the target for the next phase.

The main constraints in the livestock sector are low productivity and quality, and inconsistent production. In order to ensure the traders and processors have an interest to invest in this region, these constraints must be addressed. Effort, therefore, has to be made by the producers to ensure this required quality and quantity of production. Farmers need to use better input supplies and to have access to reliable services - most critically this is access to financial services. Creation of links between stakeholders and enhancing mutual knowledge is also important for the sector to develop in a sustainable manner, from upstream (inputs suppliers and service providers) to downstream (traders and transporters, processors) obviously passing by the focus of the interventions: poor farmers (organisation, productivity, capacities).

The current logical framework proposed by the ACF-E team and main partners is presented below:

**Goal:** A contribution is made to improve the sustainable economic security of poor rural households, benefiting equally to men and women, in southwest Azerbaijan.

**Specific Objective:** Strengthen the access and effective participation of poor farmers, men and women, in the market system of the livestock value chain in Agjabedi, Beylagan and Fizuli regions.


### Results:

- A. Improved linkages and performance of market players leading to more effective use of services and inputs.
- B. Improved performance of local irrigation and land reclamation stakeholders leading to more effective use of natural resources for the production of animal foodstuff in the territory of 3 Water User Unions.
- C. Effective economic empowerment of women in agricultural markets promoted.
- D. Socio-economic trends and impact of market development approach on the poor are analysed through a surveillance system.

### Activities

#### R-A

- A.1. Capacity building for local partners in Market development, in Market development, Incomes generating skills, and finance.

- 
- A.2. Targeting of Communities
  - A.3. Raise awareness and capacity building to the targeted farmers.
  - A.4. Capacity building of veterinary services.
  - A.5. Practical Action to strengthen access and effective participation for men and women.

#### R~B

- B.1. Capacity building for local partners in water management and water governance.
- B.2. Targeting of Communities and Water Users Unions.  
Rapid assessment on pre-targeted communities.
- B.3. Capacity Building for WUUs on water management and governance.
- B.4. Raise awareness to farmers on good practices, right and responsibilities in irrigation.
- B.5. Practical Actions to improve irrigation and land reclamation.

#### R~C

- C.1. Capacity building of local partners in gender and women economic empowerment in agriculture markets
- C.2. Survey for economic empowerment and opportunities for women in rural areas and agriculture markets
- C.3. Gender promotion activities
- C.4. Practical Actions to improve women economic empowerment

#### R~D

- D.1. Household socio-economic monitoring
- D.2. Community and district agro-economic monitoring
- D.3. Reports and dissemination/advocacy

This new phase has started since October 2007.

It will emphasize various key aspects:

- *A multi-stakeholders approach*, characterized not only by the involvement of all market players but by the active and responsible roles of some pre-selected

local partners (including agricultural NGOs, consultants in development, micro-finance organization and associations)

- *Facilitation role:* any action undertaken must be analyzed before hand to assess the sustainable outputs. As mentioned already, international NGO and donors do not have long term legitimate role in a market.

*Progressive strategy:* neither the producers nor the microfinance institutions or the inputs suppliers must be placed at risk; their respective involvement in the chain depends on the incentives they can have. If done progressively (for example few numbers of producers getting micro credits at the beginning, then increasing with time), the potential concerns of all actors can be reduced.

#### 4.4. COMMON ISSUES TO CONSIDER

A number of challenges remain, although a long and difficult path has led to significant achievements in both countries. A close and regular follow is required to implement these two new projects and to maintain the learning's and sharing of experiences to support the development of the mission and the ACF-E organisation.

Training on market approach: the approach is more clearly understood by ACF-E staff; continuous capacity building, discussions, workshops have contributed to the current consensus with respect to the market focus. However, the partners have not yet been trained, or are not as thoroughly familiar with the approach as the ACF-E team members. Time and resources will be needed during the next phases to ensure an effective implementation and possible handover to participating partners at the exit of ACF-E.

Facilitation role: the ACF-E team and the selected partners must be clear of the meaning of facilitation.

The following table is extracted from the planning workshop that held in Sisian illustrating the doubts and concerns raised by the project team members;

For the authorities, priorities might be different or subject to changes. A constant awareness is therefore necessary.

The projects which have been formulated in Armenia and Azerbaijan are focussed on specific identified sectors and addressing defined constraints. This focus is the main guarantee of an efficient and effective intervention. Poverty is composed of various factors, a risk of dispersion exists. It will be necessary to regularly evaluate the action and ensure it is maintains the original objectives.

As indicated previously in this document, market development is a means to an end not a goal in itself. Implementation of a three year project to include poor in a market system is ambitious. The monitoring and the surveillance systems that will be active throughout both projects are critical to be able to have baseline information and



Changes for the coming phase	Doubts about the new phase	Opportunities seen in the new phase
<ol style="list-style-type: none"> <li>1. To consider always the viability of intervention (sustainability)</li> <li>2. Methodology from implementation to facilitation.</li> <li>3. Community development is an approach.</li> <li>4. Various tools to achieve poverty reduction, market, supply demand, IGAs.</li> <li>5. New and more partners.</li> <li>6. Field of intervention from village focus to environment focus.</li> <li>7. Private sector development.</li> <li>8. More visible project in terms of planning, implementation and M&amp;E.</li> <li>9. ACH role as a facilitation.</li> <li>10. Market approach is a tool.</li> <li>11. More sustainable projects.</li> <li>12. More partners.</li> <li>13. Awareness to achieve sustainability.</li> </ol>	<ol style="list-style-type: none"> <li>1. Identification and partners choice should be participative: community has to be involved.</li> <li>2. Clear scope of facilitation: to be defined further more.</li> <li>3. Work with more active market players.</li> <li>4. Short term result will be enough to have idea about sustainability.</li> <li>5. The time to see the impact of the intervention.</li> <li>6. Donors allow us to mix tools?</li> <li>7. Less evidence of target groups.</li> <li>8. Gender??? It's still a doubt??? (cross-cutting theme).</li> <li>9. Gender how in this approach?</li> <li>10. Set up M&amp;E in the beginning and monitor directly.</li> </ol>	<ol style="list-style-type: none"> <li>1. Increasing quantity and quality of production by target group.</li> <li>2. Identify new ways to address constraints.</li> <li>3. Improving level of linkages between actors (D.S.) involved in development.</li> <li>4. Finding solutions at local and community level for improving environment for specific sectors VC.</li> <li>5. Availability of more deeper information on an industry.</li> <li>6. Have an emergency plan beforehand.</li> <li>7. To tackle the management issue of natural resource in the new strategy.</li> <li>8. Change to increase income and reduce poverty.</li> <li>9. Avoid having artificial projects.</li> <li>10. Effectiveness in the intervention through facilitation.</li> <li>11. Focus more on gender approach.</li> </ol>

observe changes. It is not only important for the projects and the mission but for the organisation to start gathering evidence on poverty reduction and impact of these market interventions.



## 5. RECOMMENDATIONS & PERSPECTIVES

As mentioned previously, the market development approach remains **a tool and a methodology** to alleviate poverty and should not be considered as a goal. It is considered as **a catalyst** for the poor to be integrated in a sustainable and fair manner in the market system.

Market development approach raises a number of opportunities and questions, being technical, operational or institutional. If it is certainly too soon to verify and answer all of them, it is however important to bear them in mind and to keep on building knowledge and evidence as well as adapting approaches to our mandate.

### 5.1. TECHNICAL PERSPECTIVES OF MARKET INTERVENTIONS

#### a. “Typical” objectives of a market “for the poor” intervention<sup>16</sup>

<i>Overall Goal = economic security improvement</i>	<i>Impact Evaluation</i>	} +	<i>Surveillance System (Socio Economic Follow up)</i>
<i>Specific Objective = market system more inclusive for poor</i>	<i>Monitoring</i>		
<i>Results = specific changes in market system</i>	<i>Monitoring</i>		

#### b. Main components of a market intervention

##### – *Sectors of activities*

In many places where ACF is involved, the sectors that are usually appropriate for the (rural) poor are linked to agricultural production and processing. The cross cutting sectors that are likely to be the most relevant are linked to land issues, irrigation, financial services.

Even if the degree of outreach is less than the agricultural activities, income generating activities (small processing units, handicrafts, services, agro tourism...) should also be included and analyzed according to the proposed market frame.

##### – *Strong analysis* (value chain) *and continuous monitoring* (poor inclusion)

Time, skills and resources for a proper initial diagnostic, to be followed by correct implementation are definitely key success points for a market intervention. A full year

<sup>16</sup> Cf also annex 6: example of a strategic frame for the support to agricultural sectors from the South to the North.



assessment is not always required if the previous follow up and contextual analysis were continuously assessed during project implementation. However, it is clear that multi-year interventions cannot be designed based on a rapid few week assessment.

#### – *Multi-stakeholders interventions*

The market actors are from very different backgrounds and interests: from the private to the non for profit and public sectors, from the formal to the informal networks, from the legal macro environment to the micro household levels... In addition, choices can be made to have key partners to run the project, who are then considered as real counterparts rather than “actors” within the market system?

This implies a high standard of analytical skills - not only to identify the diverse stakeholders but also to be able to understand all perspectives.

#### – *Facilitation role*

*“Creating ownership and empowering and enabling people to be autonomous”.*

Sustainability is at stake - International NGOs & donors have no legitimate long term role within a market. This might be a difficult aspect for teams who have been used in the past to be the “implementers”, to assist directly the targeted groups. Time, training and practical actions are needed to be able to create the change of behaviour and attitude.

#### – *Partnerships*

In relation to the multi-stakeholders aspect, methods of working in partnerships must be better identified and harmonized - not only on an administrative point of view but also regarding the technical aspect: how to assess partners’ capacities? How to assess their training needs? How to monitor their work without short cutting and being too much involved? Should partners be selected through a tender process? Or based on previous relations?

→ These are some of the questions that could be addressed in a specific capitalisation and systemised process.

#### – *Information and communication*

Gaps in information are often one of the main causes of market dysfunctions.

For example, it is likely that many farmers would ask for and receive credit from a micro-finance institution if proper information was circulating, leading to more mutual knowledge and trust.

Producers would certainly be in a better position when dealing with middle men if they had access to information such as prices at the end of the chain or if they had at least the knowledge of the whole chain.

How to improve the information system is a key aspect that requires creativity, use of participative methodologies, innovative technologies; and social understanding of information flows...

### – **Advocacy**

Analysing poverty issues and a system (the market) can lead to many and various opportunities for advocacy.

For example, the socio-economic surveillance in the areas of interventions could identify evidence that the problems of the poorest are not being properly addressed by the State. Although this category of the population is not the direct target of a market intervention, it is ACF responsibility to be aware of the situation and to make others aware so they fulfil their own responsibilities.

Another possible issue about which to raise attention could be the legal environment; if it is observed that laws are not favourable (or do not exist / non transparent / not applied...) to micro-finances or to producers associations, ACF and partners could use their analysis and present evidence to the relevant stakeholders to influence a change in the law.

This is without mentioning the specific constraints that will be observed for farmers that can be related to land management and water.

There are many ways of advocating. It is beyond the scope of this document to define an advocacy strategy within market interventions - this would be heavily dependant on the context and the analysis. However, it is critical to find the appropriate intermediary to identify opportunities for undertaking joined advocacy if other partners are facing the same problems. A unified approach to authorities could possible have more weight.

Finally it must be clear that advocacy must be based on strong evidence and analysis, whatever the subject.

### – **Producers organisations**

Weak farmer organisation is often one of the main causes of poor (or expensive, not informed...) access to services, inputs, information, cheap selling prices; promotion of proper production management (selling at the right time, quality production...) as well as of associations - cooperatives, - of producers will also be a current area of work. This also contributes to give more “voice” to the target groups.

### – **Viability**

It makes no sense to support a sector which is “at risk”; ACF-E could only have limited ability to facilitate change - for example, international or regional competitiveness, or international rules over which the organisation would have limited influence in the short term.



For example it can be preferable to focus on staple crops rather than cash crops when these ones are dependant on international market; local market might face less destabilisation risk.

The market to focus on must be carefully identified; this is part of the “do no harm” principle: encouraging poor to invest - money, assets, time, energy ... - in a sector which is in itself at risk is probably more harmful than doing nothing at all. Access to micro finance is frequently a positive step for the poor but it can also become a trap if the client is not ready and puts his productive assets as collateral.

### **c. Needed resources (training, HR profiles, teams, time, support...)**

It has been indicated previously in the document that training, and building capacities of the teams and partners are of critical importance. The market being systemic, it also implies good understanding of policy, legal environment, advocacy, macro economy. An effective and well trained technical team, and a strong head of mission is also required in terms of institutional analysis, understanding and advocacy support.

At the headquarter level, to be able to bring sound support to the missions, it is recommended to give training opportunities in market issues and to increase expertise in poverty and socio-economy.

Internally, ACF must think about introducing the approach to the existing training packages<sup>17</sup>.

A specific technical workshop within 1 or 2 years might also be organised.

Externally, the Springfield centre provides a 2 week training focusing on market approach every year in Glasgow; this must be budgeted from the projects. Other external training or other interventions can also be considered.

Socio-economic background or at least good understanding of market & poverty issues (previous experience, education) is also highly recommended for the profiles of the head of projects posted to market oriented projects.

Long term commitment of the human resources coordinating development projects is of course preferable, enabling better understanding of the context, knowledge and trust of stakeholders and continuity in the management.

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<sup>17</sup> The presentation done on the 31st of May to the Heads of Mission in Madrid can actually be integrated in the FS PAD for a start. The present document - and the accompanying CD - also needs to be included in the list of key document to be given to the FS coordinators and heads of projects. Moreover, in 2006, two ACF-E staff working in South Caucasus mission were trained in Glasgow; in 2007 it is also planned to send one person from the mission to training. These persons should be considered as references within the organisation for market issues. The rest of the south Caucasus mission team is also pretty well acquainted to the approach and it'd be good to make this knowledge profitable for other missions / projects.

#### **d. Available Tools (or to be developed)**

The present document and its accompanying CD can be considered as the first capitalisation step. It aims at “planting” the theoretical background of market interventions but can evolve according to feed back, new inputs.

It is necessary to maintain the capitalisation of experiences from the South Caucasus and monitor the two new projects which are the first “market interventions” with which ACF has been involved.

Other “market interventions” in other countries are being developed (in Paraguay for example); exchanges of experiences is highly encouraged so that a wider systematisation process can take place in the mid-term..

This systematization process could for example focus on writing guidelines for sub sector / market assessment based on existing material. Other interesting aspects to learn are the market development monitoring as well as poverty impact evaluation. As previously mentioned, a priority is to capitalise and systematise ways of working with partners (stakeholders analysis, capacity building but also administrative issues).

Of course these are only ideas and the technical development related to markets must be based on demand from the field teams and projects.

#### **e. Collaboration and implication in new forums**

Support to business & market development already generates much experience sharing and research in specific forums and spheres, whether they are virtual or through seminars, meetings...

It is important for ACF to watch over these forums, to stay aware of findings, approaches; it could also be considered to participate actively by publishing and presenting in house experiences in the future.

Some key websites and organisations are mentioned in *annex 7*.

#### **f. Issues to follow up / key questions**

→ Monitoring and Impact Evaluations

“Ready to use” indicators do not exist for monitoring market interventions and evaluating their impact. As for any project, it is important to know from the beginning what we want to achieve and what changes are expected. The identification of indicators should come from that reflection. Nevertheless, the innovative aspect of this type of ACF-E intervention deserves particular attention to be able to give examples of good (and bad!) practices.



### ***Monitoring market development and the direct impact of the project***

- Baseline information (crucial).
- To monitor (“control”) the inclusion (fair) of the poor in the system.
- To monitor the fair distribution of the development (i.e. if not directly included in the market system, social and economic effects of the development).
- To make sure the most vulnerable are taken “care of” (social systems, safety nets...)
  - Can everybody afford the services?
  - Are they included in the system (and how) or left behind, whereas the markets opportunities are taken over by few wealthier individuals?
- Types of indicators might not be always SMART; process indicators - showing a change that is on going, and proxy indicators - showing indirectly the change that we want to measure - will sometimes be necessary.

### ***Monitoring impact on poverty, context and actors’ behaviours (surveillance)***

- Baseline information.
- Indicators of poverty, economic security.
- Several poverty indicators are used internationally, for example, the measure of “1 USD per day”. Although it remains an international reference, is not easily understand and does not ideally contextualise poverty.

*Annex 8* presents some poverty indicators that can be used in diverse contexts, in relation to basic needs, food basket or average wages in a country. The indicators used for the target 1 of the first Millennium Development Goal are also presented.

- Other (non monetary) aspects of poverty, which indicate the indirect impact on economy from a social point of view (new shops, maintenance of health centre, payment of taxes...). In addition, there are the factors of availability and access to water, sanitation structures and primary health.

Although it will certainly be complex to have quantitative evidence of the impact of the action on poverty (cf. section 3), it would of value to gather local and qualitative evidence to be able to use case studies to be able to demonstrate how change is possible on a larger scale.

→ Diversification

Is the “sub sector” approach in contradiction with diversification and risk management at the household level? How many sub-sectors should be supported in the same geographical area?

Or can we assume that developing a cross cutting sector - such as micro finance - will lead to increased opportunities for diversification (workshops, shops, other smaller scale processing units...).

These are questions that are difficult to answer at the moment, but which must be ultimately addressed. It is important not to discourage the diversification of activities (and savings) in a household as it can be a crucial coping mechanism in the case of sudden crisis.

→ Participation?

How to make sure the process is still participative? How to ensure that the development of identified sub-sectors coincides with the wish of the population?

Participative analysis and decision making, communication, information, motivation of participants are certainly key aspects of the process to ensure that it is not only a “top-down” choice. This of course requires time, which involves sharing and feed back of the market analysis with all stakeholders - the target groups should particularly not be underestimated. Ultimately, this will enable participants to make more informed decisions. The case described in section 4 (Armenia) is a good example, showing that solely participative and community based assessment can lead to wrong - or at least less sustainable decisions. For this example, if the market analysis had been shared with the community identifying constraints, opportunities and priorities - a different decision might have been identified from the outset.

→ Contingency and risk analysis

It must be borne in mind that the people with whom we work are most likely to have been victims of previous shocks, crises or are vulnerable to specific risks. Enabling such populations to have the capacity to withstand and be resilient to these shocks is often the ultimate goal of ACF.

These characteristics of the poor / vulnerable must also be taken into account in market interventions. Participative risk analysis can be undertaken with the project stakeholders and appropriate “contingency plans” established - whether they are set up at the community, government, household or organisation levels - with safety nets, insurance systems created or supported by the development organisation.

These risks could be, for example, related to economic or natural causes (frequent in agricultural sectors).

→ Questions related to the involvement of community and role of “community development” in market development;

The role of the community, even if not obvious from the outset, is of significance and must be considered when examining markets for the poor.

As indicated by the chart representing the market system, the community is part of this environment - not only for social reasons but because the community is often responsible for natural resource management which are necessary to develop a defined



sector (water, irrigation, pastures, land, road...). The community should also benefit from improved economic security of its members - economic development is part of community development.

→ Ethical aspect in market approach<sup>18</sup>

This aspect mainly lies in the notion of “fairness” of the market. It is critical for an organisation such as ACF to promote a system which is supportive of the vulnerable population. Markets are about balanced relationships - decision making processes not being totally in the hands of the powerful. Information is key because the “weak” is often because lack of knowledge. Producers have an important role to play in promoting balanced relationships.

→ A way towards fair trade?

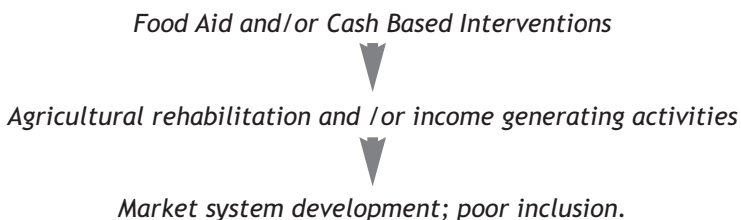
Involvement in fair trade might be worthy of consideration by ACF during this early phase of gaining more experience and expertise in market interventions - an idea for the long-term.

## 5.2. OPERATIONAL PERSPECTIVES OF MARKET INTERVENTIONS

### a. Where and when relevant?

As indicated in the first section of this document, markets are present in a direct or indirect way in all types of food security interventions. Consequently, the systemic analytical frame of the market approach can be adapted to many contexts and activities.

As far as development and market interventions are concerned, a logical schematic evolution of an intervention might appear as follows:



In such a scheme, market interventions might be considered as an **exit strategy** from the area of intervention. If the experience is managed well and shared with local

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<sup>18</sup> Cf. IRAM, CIRAD, TERCIA (2005) [french only]

partners, the chances of replication in other regions or sectors without ACF presence is high. To achieve such replication - capitalisation and dissemination of experience is critical.

In many contexts where ACF intervenes - especially supporting socio-economic development and preventing risks - projects are limited to a 3 year duration. This is a limited time scale within which to implement a successful market intervention and to determine its impact.

Ideally, the macro economic context should have the following characteristics to be pro-poor:

- multi-sectoral development (country economy not depending on a unique resource)
- balanced sectoral development
- stakeholders involved in diverse sectors

## **b. Advocate towards donors**

The approach can be presented to donors as a good illustration of ACFIN added value in the link between emergency to development. It is a logical and constructive evolution, based on a thorough analysis of the context and knowledge of the situation of the poor.

It is also important to lobby for more resources, and sufficient time allocated for analysis - both at the point of identification and the collation of data of poverty reduction arising from market interventions; this being achieved through an effective of monitoring and evaluation.

Donors also must acknowledge that this type of intervention is highly qualitative, which requires more informal exchanges between donors and implementing organisations.

Finally, donors also have to accept that budgets place additional emphasis on activities such as training, capacity building, consultancies, surveys and overheads

## **c. Missions Strategy**

It is critical that this type of intervention should become part of the global strategy of the mission; therefore, a three to five year mission strategy must be elaborated.

## **d. Tendency within donors**

Donors are becoming increasingly interested in this kind of approach, although, this should not be the reason why ACF becomes engaged in this development strategy.



There are a number of important donors in the international community who are sensitive to this dynamic. (Cf. *annex 9*: guiding principles for donors and specifically DFID.)

### 5.3. INSTITUTIONAL POSITIONING (PERSPECTIVES) ON MARKET INTERVENTIONS

#### a. Involvement of Private and Public sectors

Market interventions might raise some questions related to private sector support versus public obligations to deliver certain basic services to the population, such as drinking water.

Governments are responsible for ensuring, within their capacity, the entire population has access to basic services and that primary rights are respected. This can be done directly or by sub contracting the service provision to a private structure. The State is responsible for ensuring there is no discrimination in the provision of these services (define conditions, monitor the process) and making the legal environment conducive to respecting these basic rights.

It cannot be over emphasised the importance of having an efficient and effective monitoring and surveillance system that can help ACF to raise a warning and potentially advocate if unfair distortions are observed.

#### b. Political implications

The organisation must be aware of its responsibility and potential positioning regarding political and legal aspects - for example, the existence of unfavourable laws, or unfair distribution of wealth granting advantages to a minority of powerful individuals.

#### c. Advocacy on specific subject related to access to markets for the poor, international related constraints

The international component of the market systems cannot be ignored in the globalized context within which we are evolving. More market interventions can lead the organisation to adopt a position on issues related to macro economy and international trade and rules. Evidence of constraints created by certain of these rules might be observed with some action required by the organisation on the international scene.



## **6. LIST OF ANNEXES (please find them in the attached cd)**

### **Annex 1**

Market For the Poor (expanded part 3).

### **Annex 2**

Market and non market roles in different livelihood strategies (in: Dorward and Poole; Markets, risks, assets and opportunities: the links between the functioning of markets and the livelihoods of the poor).

### **Annex 3**

Selection of tools for market assessments.

### **Annex 4**

Common and market approaches to problem of the poor.

### **Annex 5**

Practical tools: Examples of questionnaires and guidelines used in the assessments (ACF-E Azerbaijan 2006-2007). Cf. also accompanying CD for more examples.

### **Annexe 6**

Example of a strategic frame for the support of agricultural sectors towards northern markets.

### **Annex 7**

List of forums and web sites.

### **Annex 8**

Poverty indicators.

### **Annex 9**

Guiding Principles for Donor Agencies - specifically DFID.



## **Annex 10**

Principal causes of poor market performance, market failure and possible donor entry point.

## **Annex 11**

Examples of tools for market assessments.

## **Annex 12**

Pro poor impact assessment; extract “methodological guide for evaluation of pro-poor impact of small scale agricultural projects”.

## **Annex 13**

Final assessments reports from Azerbaijan in preparation of the Market for the poor project implementation.

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