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Making Markets Work for the Jamuna, Padma and Teesta Chars (M4C) An Experience in Thin Market Systems Development

Implemented by





FOREWORD

Switzerland has been a long-standing development partner of Bangladesh for the last 45 years. The Swiss Agency for Development and Cooperation (SDC), a part of the Federal Department of Foreign Affairs of Switzerland, has been working in Bangladesh since its independence. Bangladesh has been always a strategic priority country for SDC to concentrate its long-term development cooperation efforts. SDC recognizes that Bangladesh has made huge progress in the previous decades, notably in population control, food security, sanitation, child mortality, malnutrition and access to education. However, inclusive economic growth for sustainable poverty reduction remains a challenge particularly in the hard-to-reach areas.

Making Markets work for the Jamuna, Padma and Teesta Chars, M4C, is an 8 -years mandate project of SDC since 2013 under the Ministry of Local Government, Rural Development and Cooperatives. The project is implemented by the Rural Development Academy (RDA) of RDCD and Swisscontact. Through M4C, SDC has invested significant technical and financial support for developing the agricultural market systems on the remote char islands in north-western part of this country. The chars are extremely hard-to-reach areas where the population is highly vulnerable due to challenging environmental and climatic conditions and limited connectivity to the mainland, resulting in dysfunctional market systems in the char areas. M4C has partnered with relevant private and public stakeholders in crop and livestock sectors and brought together a broad range of public agencies (research, extension), private companies (agro-input, agro-processing) and local service providers (retailers, traders, etc.) to promote and provide quality inputs and improved services on the chars.

The facilitative support of M4C has resulted in an improved access for smallholder farmers on the chars to input and output markets and services, and the piloting and demonstration of viable new business models to serve the chars. Until June 2018, the project has benefitted 103,400 char households with an additional income of CHF 13 million. M4C facilitates greater access of char women to services or goods delivered by private and public entities, which enhanced their level of knowledge related to production, post-harvest handling and marketing. Throughout the M4C strategy, aspects of DRR which are so important in the context of the chars have been considered systematically with a continuous focus on increased resilience of char households. This is achieved by strengthening time-efficient delivery of input and services suited to the chars and dissemination of knowledge on risk-mitigation practices.

SDC is pleased to disseminate the learnings of the M4C experience to all interested stakeholders. I would like to take this opportunity to appreciate the collaborative efforts of Rural Development Academy and Swisscontact in the M4C project. I would also like to thank the Rural Development and Co-operatives Division (RDCD) and the Ministry of Local Government, Rural Development (LGRD) for their commitment to our collaboration on the M4C project, which has made this project so successful.

Derek George

Deputy Director of Cooperation
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Making Markets Work for the Jamuna, Padma and Teesta Chars¹ (M4C) is a project mandated by the Swiss Agency for Development and Cooperation (SDC) and Ministry of Local Government, Rural Development and Co-operatives, Government of the People's Republic of Bangladesh. M4C's aim is to reduce poverty and vulnerability of char households by facilitating market systems that enhance opportunities for income generation. Until June 2018, M4C has benefitted 107,000 char households in ten districts of northern Bangladesh with an additional income of BDT 11,000/households². Swisscontact in collaboration with Rural Development Academy, Bogura continue to implement M4C in Gaibandha, Sirajganj and Kurigram districts until December 2019.

M4C is regarded as a highly successful project that pushed the frontier of market systems development in hard-to-reach, aid-ridden, weak market context. Therefore, Swisscontact as well as M4C wanted to capture the implementation experience of Market Systems Development (MSD) approach in such a challenging context highlighting key interventions, results and lessons; this includes developing long-term private sector partnerships, building effective local market institutions for catalyzing market system changes, addressing cross-cutting themes, using monitoring and results measurement tools for project steering and setting up effective implementation team.



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FOREWORD

Thus, the main purpose of developing this paper titled "Making Markets Work for the Jamuna, Padma and Teesta Chars: An Experience in Thin Market Systems Development" is to provide the M4P practitioners and wider PSD community with a set of lessons on applying MSD in a hard-to-reach and weak market context. There is no denying that each project is unique and applies MSD suiting its context. Nevertheless, the lessons captured in this report will put forward some concrete recommendations for other projects to consider, while dealing with implementation challenges in challenging and thin market contexts. By delving deeper into how M4C adopted the MSD approach to be effective in a weak and mostly disconnected market context, donors and MSD practitioners can emulate specific lessons for bringing systemic change in thin or shallow markets.

This case study has been written by Roel Hakemulder and Foyzul Bari Himel as lead consultant and associate consultant respectively. Both of them have wide exposure and understanding of various market systems development projects around the world. I offer my sincere thanks to the authors for their meticulous and valuable work. Many thanks are also due to Peter Bissegger at Swisscontact; Manish Pandey, Regional Director South Asia; and Anirban Bhowmik, Country Director Bangladesh, for reviewing the draft version and providing their valuable comments. Last but not least, my thanks go to our partners and to M4C staff, whose diligent support to the authors in preparing this case study was invaluable.

I firmly believe that this paper will be useful for development projects professionals operating in Bangladesh and beyond, while designing and implementing MSD projects in challenging and thin market contexts.

¹ Chars are riverine land, susceptible to erosion and soil deposition, which remain disconnected from the mainland either seasonally or throughout the year.

² M4C's impact assessment data; 1 USD is equal to 80 Bangladeshi Taka (BDT)



EXECUTIVE SUMMARY



This paper presents the results of the study on “Making Markets Work for the Jamuna, Padma and Teesta Chars” (M4C) project in North Bangladesh, which aims to draw lessons for other thin market projects from the way it achieved its results. It provides a summary of the results as background information.

Making Markets Work for the Chars (M4C) is funded by the Swiss Agency for Development and Cooperation (SDC) and the Ministry of Local Government, Rural Development and Co-operatives of the Government of Bangladesh (GoB). It is implemented by Swisscontact in collaboration with the Rural Development Academy (RDA), Bogura. It applies the Making Markets Work for the Poor (M4P) (or market systems development) approach, which aims to facilitate systemic change in market systems to benefit the poor, sustainably and at scale. M4C started in December 2011; the Inception Phase was followed by Phase 1 and, from February 2017, Phase 2, which runs until December 2019.

M4C’s goal is to reduce the poverty and vulnerability of the population of the chars in North Bangladesh. Chars are riverine lands, usually islands, formed through soil erosion and deposition. They are themselves subject to erosion and floods, and therefore have a limited lifespan (generally 20 to 30 years). The chars represent a typical thin market, defined as “markets that are relatively uncompetitive in which there are few market players and/or a large number of ‘absent’ supporting functions and rules”¹. The level of poverty is high: the M4C baseline study (2011) indicated that an estimated 50% to 70% of char households were poor, while the remainder were considered extremely poor. M4C expects to achieve its goal by facilitating change in the crop cultivation and livestock market systems.

The project’s overall strategic framework does not differ from M4P projects in developed markets: interventions undertaken with partners in the private and public sectors should contribute to change in market systems that improve access to services (including agricultural inputs), which should improve productivity and market access, and so reduce poverty. Change should be systemic and not disrupt local markets, and should sustain after the project leaves. Given that the M4C project found a lack of trust, fragmentation, and irregular transactions among market actors on the chars (characteristics typical of thin markets), its actual strategy emphasised strengthening local market institutions by working with informal local market actors and creating producer groups, in addition to the more usual partnerships with lead firms. This was to enable char market players to engage effectively with one another and with the lead firms (to become ‘market-ready’). An emphasis on disaster risk reduction was also specific to the environment on the chars.

From Phase 1 to Phase 2 the project’s strategy changed considerably, from being sector-(crop)based and including a broad array of interventions in sectors such as transport and handicrafts, to consolidate in three intervention areas:

- agro input supply and production services no longer specific to selected crops, and including those for livestock. This was added following the completion of the DFID/AusAid-funded asset transfer Chars Livelihood Programme;
- agro output market and post-harvest services (including for livestock);

¹ *The Operational Guide for the Making Markets Work for the Poor (M4P) Approach, 2015, p. 57.*

- financial services for crops and livestock farming households (which was a cross-cutting theme in Phase 1).

In Phase 2 also, the work with producer groups was discontinued, as their formation was costly, and agricultural input companies proved able to reach more farmers without them.

M4C has over-achieved on its goal-level targets and had a positive impact on households' vulnerability and Women's Economic Empowerment. Although there are positive signs of systemic change, its extent still has to be demonstrated and further researched, in particular with regard to independent expansion ('crowding in') to chars not directly targeted by the project.

The study resulted in 18 specific lessons learned. These should be considered as recommendations for donors and implementers to take into consideration when designing and implementing M4P projects in thin markets. In brief, the lessons most important and specific to thin markets are that, in comparison to other M4P projects, thin market projects:

- require a more flexible design and more flexible implementation modalities, and a donor that supports this. This is due to the many unknowns in a thin market and the lack of M4P experience to build on;
- may benefit from a complementary asset transfer programme (such as the Chars Livelihood Programme) where levels of extreme poverty are high. Such programmes increase households' ability to make use of the new market opportunities an M4P project creates;
- will need a longer time horizon, longer-term strategies and less pressure to reach short-term targets to achieve sustainable large-scale change. This is particularly (but not only) true if such change aims to include the public sector;
- offer greater potential to create relatively quick and lasting impact by working in intervention areas which complement each other in terms of addressing inter-related constraints in the market system. This is because in thin markets, basic market functions are not being fulfilled;
- may have to invest in more up-front research to fill the data gaps which are likely in thin markets. Such research is a crucial basis for intervention design and implementation, and for establishing partnerships;
- may need to experiment more to establish what works and what does not;
- will require more intensive partnerships providing increasingly varied support, based on understanding and commitment to the achievement of partners' long-term strategic business goals and long-term partnership contracts. The usual 'light-touch' M4P approach to facilitation is unlikely to be sufficient;
- may need to accept that in the absence of incentives for lead firms, local market actors may need to be developed, even though not all aspects of the business models introduced for them may be sustainable and project replication may be the only way of reaching scale. For instance, while not all aspects of a contract farming model may survive, improved trust and relationships between producers, local traders and large buyers may persist;
- may need to develop partnerships (both for implementation and in terms of developing new services) with local NGOs which have local knowledge, networks and a commitment to their own locality, rather than M4P co-facilitators and national service providers. Such NGOs may also adopt the principles of the M4P approach as a result of such collaboration, which creates scope for improved impact beyond a project's duration;
- may require a more decentralised project set up, which ensures proximity to the often-remote target areas without sacrificing the need to work with national level partners.

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The authors wish to express their appreciation for the excellent support provided by the M4C team, for Swisscontact's comments, and to all those who agreed to be interviewed and participated in discussions.

ACRONYMS

AI	Agricultural input	Used by farming producers for pest control or for soil fertility management
AIC	Agricultural input company	Company selling agricultural inputs
BARI	Bangladesh Agricultural Research Institute	Bangladesh's largest multi-crop research institute
BDT	Bangladeshi taka	Official currency of Bangladesh
BEAM	Building Effective & Accessible Markets (BEAM Exchange)	Platform for knowledge exchange and learning about the role of markets in poverty reduction
BJRI	Bangladesh Jute Research Institute	Specialised agricultural and technical research institute for jute
BUET	Bangladesh University of Engineering and Technology	One of Bangladesh's most prestigious higher education institutions
CDRC	Chars Development Research Centre	Specialised centre, part of RDA, dedicated to improving the livelihoods of poor/extreme poor char dwellers
CHF	Swiss franc	Official currency of Switzerland
CLP	Chars Livelihoods Programme	Worked with extreme poor households living on island chars in north western Bangladesh from 2004-16
DAE	Department of Agricultural Extension	GoB department responsible for agricultural research and extension
DCED	Donor Committee for Enterprise Development	Forum for learning about the most effective ways to create economic opportunities for the poor, based on practical experience in private sector development
DFID	Department for International Development	UK government department responsible for administering international aid to promote sustainable development and eliminate world poverty
DLS	Department of Livestock Services	GoB department responsible for providing veterinary coverage, development and extension services
DRR	Disaster risk reduction	Process of reducing damage caused by natural hazards (e.g. earthquakes, floods, droughts, cyclones) through a prevention approach
GoB	Government of Bangladesh	System and group of people authorised to govern the country of Bangladesh
GUK	Gram Unnayan Karma	NGO based in Bogura, Bangladesh
MFI	Micro-finance institution	Organisation offering financial services to low income populations
MRM	Monitoring and results measurement	An important function providing information vital to making good decisions in order to maximise impact throughout the life of a project
M4C	Making Markets Work for the Jamuna, Padma and Teesta Chars	M4P project aimed at reducing poverty and vulnerability of households living on Bangladesh's chars
M4P	Making Markets Work for the Poor	An approach to development which aims to tackle market failures and strengthen the private sector in a way which creates large-scale, lasting benefits for the poor
MJSKS	Mahideb Jubo Samaj Kallayan Samity	NGO based in Kurigram, Bangladesh
NDP	National Development Programme	NGO based in Sirajganj, Bangladesh
NGO	Non-governmental organisation	Not-for-profit organisation which operates independently of government, typically with the purpose to address a social or political issue
PRAN	Programme for Rural Advancement Nationally	PRAN is one of the largest food and beverage brands in Bangladesh
RDA	Rural Development Academy	GoB rural development institution based in Bogura, Bangladesh
SDC	Swiss Agency for Development and Cooperation	Office-level agency in the federal administration of Switzerland, a part of the federal department of foreign affairs
SKS	SKS Foundation	A NGO established in Bangladesh in 1987.
SRC	Spices Research Centre	Part of BARI, dedicated to research into spices
ToC	Theory of change	Comprehensive description/illustration of how and why a desired change is expected to happen in a particular context
TAPP	Technical Assistance Project Proposal/Proforma	Project proposal submitted for approval for inclusion in the Annual Development Programme (ADP)
WEE	Women's economic empowerment	A concept and approach recognising women's ability to participate equally in existing markets; their access to and control over productive resources, access to decent work, control over their own time, lives and bodies; and increased voice, agency and meaningful participation in economic decision-making



INTRODUCTION

01



Making Markets Work for the Jamuna, Padma and Teesta Chars (M4C) is funded by the Swiss Agency for Development and Cooperation (SDC) and the Government of Bangladesh's Ministry of Local Government, Rural Development and Co-operatives, and implemented by Swisscontact, in collaboration with the Rural Development Academy (RDA), Bogura. The project applies the M4P approach, and started in December 2011 with an Inception Phase followed by Phase 1 and, in February 2017, Phase 2. It will run till December 2019.

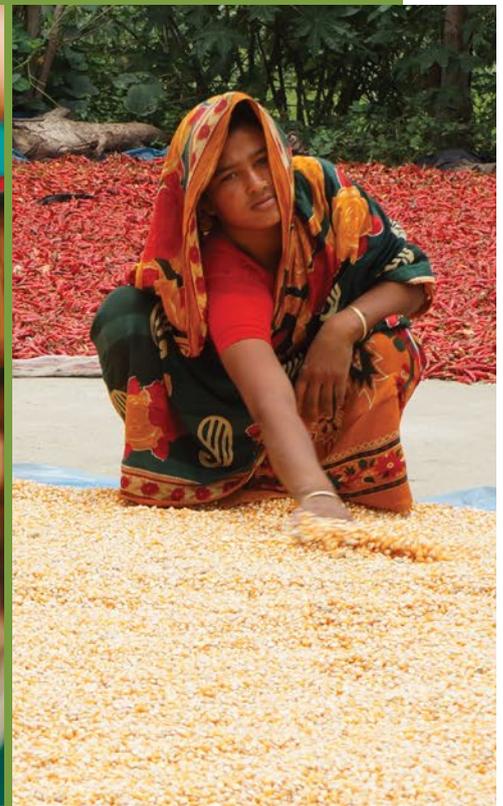
M4C's goal is to reduce the poverty and vulnerability of the population of the chars in North Bangladesh, which numbers around 300,000 households or 1.2 million people². Chars are riverine lands, usually islands, formed through soil erosion and deposition. They are themselves subject to erosion and flooding, and therefore have a limited lifespan (usually 20 to 30 years³). M4C is expected to achieve its goal by facilitating change in the crop cultivation and livestock market systems.

This paper aims to draw lessons from M4C's work that contributes to the growing body of experience in working in thin markets. Other papers commissioned by the M4C project concern the project's impact on vulnerability, the political economy within which it works, and the level of systemic change achieved. The key conclusions of these studies are provided here as background. The focus is on how these results were achieved and what can be learned from them.

The next chapter considers the characteristics of thin markets and the extent to which the chars exhibit them. This is followed by a chapter on the M4C project strategy and how it evolved, its cross-cutting themes, and a brief description of current intervention areas. Chapter 4 gives a brief account of what was achieved in terms of impact and systemic change. Both chapters 3 and 4 are descriptive: the analysis is integrated with the 'Lessons Learned' chapter (Chapter 5), which presents the main results of the study, that is, how M4C achieved its results and the lessons which can be learned from this. The concluding chapter summarises the key lessons for donors and implementers.

² Project Document Phase 1, p.6.

³ Project Document Phase 1, p.1.



THIN MARKETS

02

M4C works in a 'thin market', defined in the M4P Operational Guide as "markets that are relatively uncompetitive in which there are few market players and/or a large number of 'absent' supporting functions and rules"⁴. The BEAM Exchange refers to thin markets as markets "where limited numbers of investors and entrepreneurial firms within the economy have difficulty finding and transacting with each other at reasonable costs"¹⁵.

Several case studies and a series of two BEAM webinars shed light on what this means in concrete terms⁶. The absence of services such as provision of agricultural inputs or information on, for example, cultivation practices, keep productivity low. Incentives for farmers to increase production are also low, as thin

markets are often characterised by a disjunction between demand and supply. Traders with links to larger markets are often absent, in part due to inadequate transportation infrastructure and thin markets generally being remote or hard to reach. With an economy at subsistence level, few transactions take place and there are few formal businesses. Thin markets can be seen as 'lawless' and high risk, not just in terms of the 'rules of the game' as they relate to economic activity but more generally with regard to security. They may be in a post-conflict or post-disaster situation; their population density is often low.

The result is high levels of poverty. Although not emphasised in the M4P literature, this poverty is not merely economic. Regions with thin markets are also

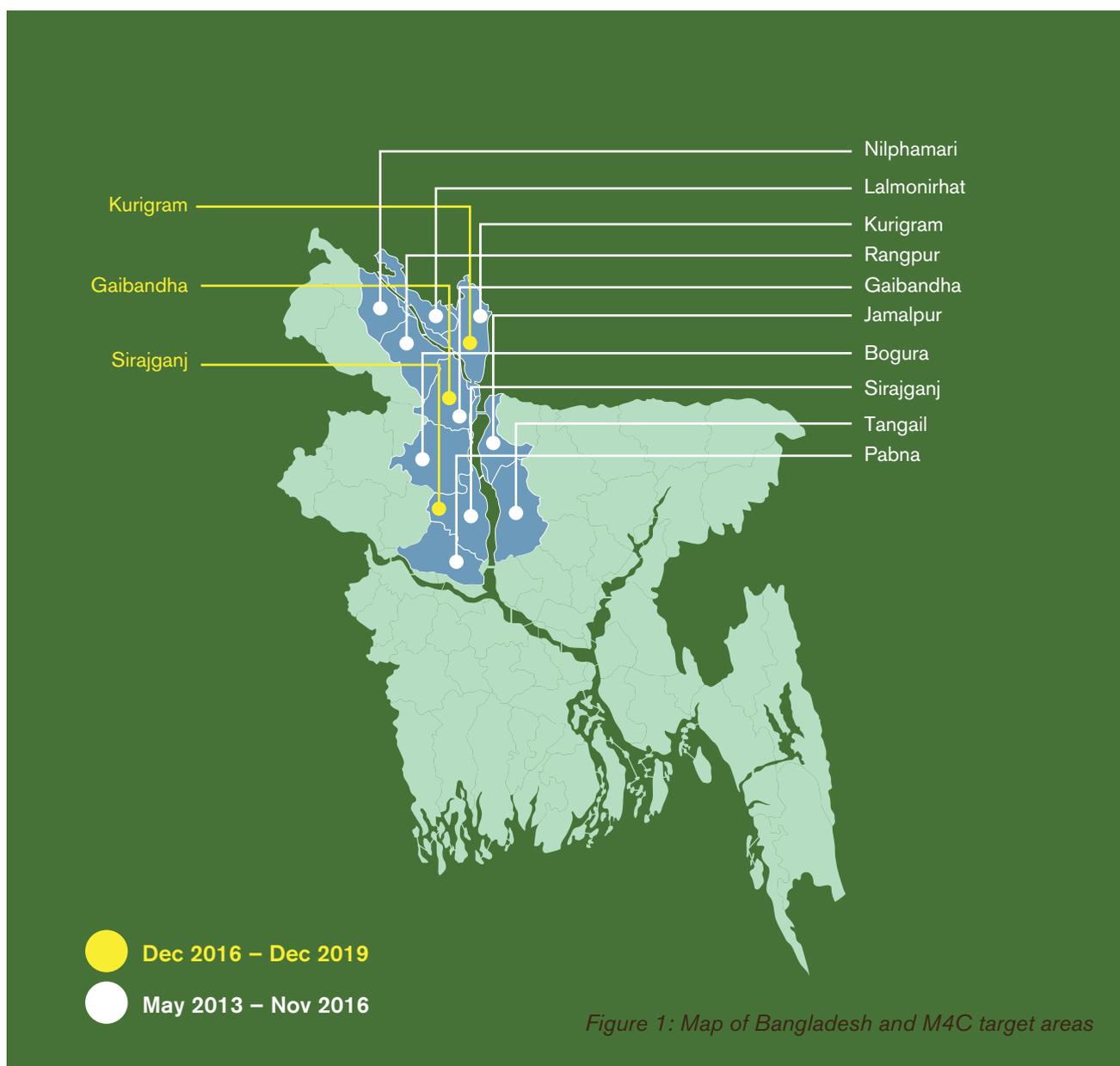


Figure 1: Map of Bangladesh and M4C target areas

⁴ The Operational Guide for the Making Markets Work for the Poor (M4P) Approach, op.cit., p. 57.

⁵ <https://beamexchange.org/guidance/intervention-stages/thin-markets/>, accessed on 25.10.2018.

⁶ Webinar with Sven Gehlhaar (Rural Markets in Bolivia), Philipp Lehne (ÉLAN RDC), Jeton Starova (PRIME Ethiopia) <https://beamexchange.org/community/webinar/thin-markets/>; Ripley, M., Major, A. *The BOSS project in Timor Leste: thin markets, thick impact?*, International Labour Organisation, 2015; Proud, E, Nicholson, D. *Illuminating market systems development in fragile environments; a case study of the alternative energy market in Timor Leste*, MercyCorps. <https://beamexchange.org/guidance/intervention-stages/thin-markets/>.

characterised by few opportunities to access healthcare, education and skills training. There may be no electricity or access to clean water. The quality of life they offer is comparatively poor. This, and the lack of economic opportunities, often engenders high levels of migration, temporary or permanent.

M4C's target area is the chars of Northern Bangladesh, which represent a typical thin market. The chars are hard to reach – by boat when water levels are high, on foot when riverbeds run dry. They are regularly flooded, and erosion means households move frequently to find new land for cultivation or grazing. Compared to the mainland they are sparsely populated. There is generally just one cropping season, and outside the season many men seek work in Dhaka and other mainland areas where demand for labour is high.

In terms of inclusion in public and private sector services, the char population is basically 'off grid'. There are no roads or grid-supplied electricity. Public services are almost non-existent: char dwellers lack access to appropriate healthcare, education and extension services. Local government is sited on the mainland and there is no police presence. River transport and the chars themselves are plagued by bandits and the poor often depend on patron-client relationships with local elites, including for credit, and are therefore subject to exploitation.

Crop cultivation on the chars is the main source of income and livestock a second source. The land is fertile and grazing land is available, but prior to M4C's

involvement productivity was low, due to lack of access to (1) quality agricultural inputs (AIs), and (2) information on better cultivation and post-harvest and animal husbandry practices. None of the large firms providing quality AIs elsewhere in the country had entered the chars market, and the only source of skills and information was the severely under-resourced government Department of Agricultural Extension, whose outreach was limited compared to the mainland, because of the high cost of reaching the chars. In the output market, relationships between farmers, local and large mainland traders were fragmented and marred by distrust. There was no access to formal sources of credit.

As a result, an estimated 50% to 70% of char households were poor while the remainder were considered extremely poor (defined as per capita food consumption of less than 1805 kcals a day)⁷. M4C baseline studies showed that the average income of char dwellers was less than USD1.25 per person per day⁸. Some 25% of households were functionally landless. Purchasing power was low, and the poor had few resources and little resilience to improve their living conditions. They were trapped in a vicious cycle of dependency, chronic vulnerability and food insecurity. As a result of all these factors, pre-M4C the private sector saw the chars as a market not worth investing in or even exploring. They remained unknown territory.



⁷ Chars Livelihood Programme data, quoted in the Phase 1 Project Document, p.6.

⁸ Project Document Phase 1, p.6.



PROJECT STRATEGY, CROSS-CUTTING THEMES AND INTERVENTIONS

03

This chapter briefly describes M4C's overall strategy and cross-cutting themes, as well as the project's current interventions, providing the information essential to understanding the Lessons Learned chapter (Chapter 5), which includes a consideration of the extent of the interventions' adequacy.

Strategy

The project's goal has remained the same in Phase 1 and 2, namely: "Poverty and vulnerability of char dwellers in Northern Bangladesh is reduced". Increased incomes are expected to contribute to reduced vulnerability and women will become economically empowered.

The general outline of M4C's theory of change (or strategic framework) has also remained the same. Households will benefit from "use of better services, inputs, linkages and relationships in the targeted sectors". This is to be achieved through facilitating market system change (that is, sustainable change at scale), in particular with regard to "core market functions" (such as marketing of produce) and access to inputs and services (including agricultural inputs, provision of knowledge, and post-harvest services). Project interventions undertaken with market actors (partners) will bring about such change, and the theory of change foresees the 'crowding in' of non-partner actors (as they follow the example of the partners) and 'copying' by farmers (who take up the successful practices of farmers originally targeted). This overall framework is identical to that of other M4P projects. The M4P principle was thus to 'facilitate' systemic change rather than providing direct support.

Another aim of the project was to identify specific areas for intervention, using the common M4P analytical framework to identify root causes of constraints in the market system in regard to inclusive, pro-poor development. However, finding itself in a situation where there was a lack of trust, fragmentation, and irregular transactions among market actors on the chars (characteristics of thin markets), M4C decided on an approach to research and design which would be more participatory than usual. 'Participatory markets system development' would contribute to addressing these issues. By extension, the conventional approach to partnering with lead firms and government agencies to test and implement new business models was not considered sufficient in this situation. The project was also to strengthen local market institutions, working with informal local market actors and creating producer groups. This was to enable char market players to engage effectively with one another and with lead firms (to become 'market-ready').

The Phase 2 theory of change included one new element: a selected public institution becoming a

knowledge hub/exchange platform and advocate, with the purpose of fostering public and private sector initiatives for the chars. The aim was to put this project function on a sustainable basis and so attract more market actors and development programmes to the chars. The Chars Development Research Centre (CDRC) under the RDA was selected for the role.

Further significant changes in strategy were mostly initiated in Phase 1, and built on project experience and research as well as some of the recommendations of the 2015 mid-term review (MTR)¹⁰. An unexpected reduction in funding available from SDC forced the project to prioritise, and to reduce its geographical coverage from ten to three districts. The changes were:

- restructuring of the AI portfolio, which was crop-based, to allow agricultural input company (AIC) partners to market any inputs for any crop for which they thought a market could be developed. This was meant to align interventions better with (1) the business incentives of agricultural input firms, and (2) the need of char farmers to cultivate crops suited to the chars, rather than those proposed by AICs or the project.
- addition of the livestock sector, following the completion of the DFID/AusAid-funded asset-transfer Chars Livelihoods Programme (CLP)¹¹. Phase 1 was expected to focus on agriculture and thus to complement and build on CLP, which focused on livestock. With CLP coming to an end in 2016, M4C was able to expand into the second most important sector on the chars, with the aim of bringing benefits to households with little or no land, and to women, who play a significant role in animal husbandry.
- addition of an intervention area dedicated to microfinance, as the project found farmers needed credit to buy the quality inputs marketed by the AICs.
- discontinuing interventions designed to develop producer groups. While the groups had been useful as an initial entry point for AICs and a possible marketing channel for farmers, their formation was expensive and AICs proved to be able to reach more farmers without them. The MTR questioned their sustainability and suggested that excluding many households in order to limit the groups' size ran counter to the principle of equal access to opportunities. In terms of local market institutions, the project refocused on contract farming.
- discontinuing various interventions where sustainability and scalability was doubtful, for example in women-produced handicrafts, communal savings groups, and the manufacture and marketing of vehicles adapted to the chars.

⁹ This and the following paragraphs are based on M4C phases 1 and 2 project documents.

¹⁰ Hakemulder R., Islam K. "Making Markets work for the Jamuna, Padma and Teesta chars". Mid-term review, 2015.

¹¹ <http://clp-bangladesh.org/>; see also Chapter 5.

These changes had two key strategic results:

- a tighter focus on those intervention areas which had the greatest potential to bring about systemic change and increased incomes;
- a design with three mutually reinforcing areas of intervention: (1) agricultural and livestock inputs, (2) output markets, and (3) financial services.

These are explored further in Chapter 5, 'Lessons Learned'.

Cross-cutting themes

The project has four cross-cutting themes: gender equality (women's economic empowerment, or WEE), disaster risk reduction (DRR), governance, and conflict sensitive project management.

The project's Phase 1 gender strategy defined WEE according to the indicators reported above. It reflects common international good practice, with the addition of M4C's indicator, "a balanced workload", which was considered important in the chars. The strategy proposed that the project should ensure women were included in interventions and benefited from them, that interventions should target women specifically wherever appropriate, and facilitate dialogue to increase partners' gender awareness and inclusivity. Phase 2 emphasised the first of these proposals, due to difficulties in scaling up women-targeted change (which was in handicrafts).

The project defines DRR as "an approach to identify, assess and reduce the risks that disasters bring to (or enhance within) market systems around the chars"¹², with its strategy including risks to household assets. This is particularly relevant to the chars, which suffer from flooding, erosion, drought, cold waves and storms. The main components of M4C's DRR strategy are:

- reducing existing risks that disasters bring to the functioning of the market chain – for instance, by better coordination between market actors;
- adapting to changing factors that disasters create – for instance, by improved cropping practices such as early sowing, or using flood and wind-resistant varieties to avoid loss due to disaster during harvest;
- preventing further risks to the market generated by disasters – for example, by facilitating new opportunities for access to financial protection.

The overall strategy did not change in Phase 2, apart from the discontinuation of efforts to introduce financial protection (insurance), which did not get off the ground. The strategy for governance amounted to the application of good governance principles, such as transparency and accountability in relationships with partners and beneficiaries, and a zero tolerance for corruption. Conflict-sensitive project management was not elaborated in the form of a strategy; however, the project has made efforts to take into account the political economy of the chars, including commissioning an assessment of this¹³.



¹² Phase 1 Project Document, p. 13.

¹³ Report not yet available.

Interventions

The project strategy evolved to consist of three intervention areas:

- Intervention Area 1: agro input supply and production services (including for livestock)
- Intervention Area 2: agro output market and post-harvest services (including for livestock)
- Intervention Area 3: financial services for crops and livestock farming households

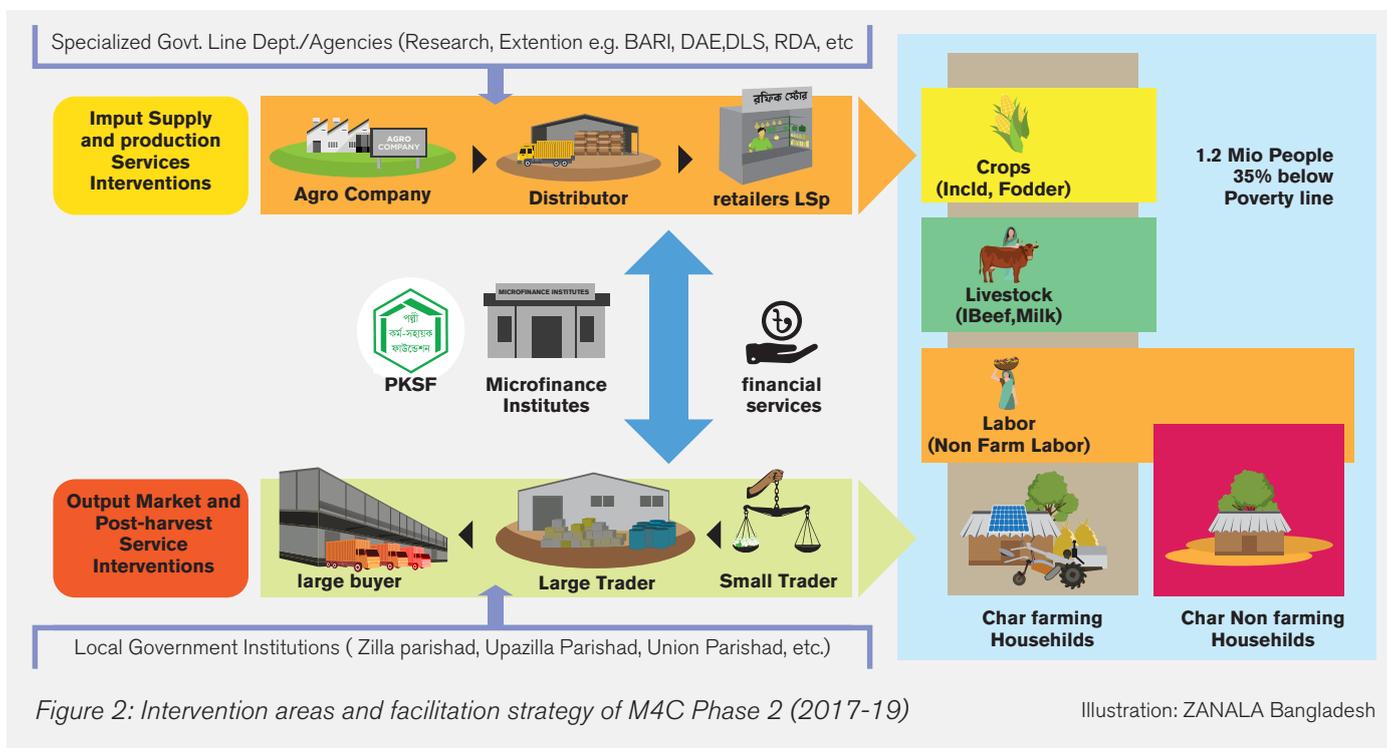


Figure 2: Intervention areas and facilitation strategy of M4C Phase 2 (2017-19)

Illustration: ZANALA Bangladesh

Figure 2 depicts the intervention areas and facilitation strategy of the project, and the following paragraphs briefly describe what the project has done in each area (note: Phase 1 interventions discontinued in Phase 2 are not referred to here).

- In Intervention Area 1, the project partnered with AICs (starting with one, extending to ten during Phase 1) to facilitate their entry into the char market. Five of these partnerships were successful and are continuing. Facilitation included M4C carrying out research, cost-sharing, training and, in Phase 2, developing relationships between AICs, distributors and retailers, and providing support to enable the development and monitoring of sales plans. A radical change in the working modality and systemic change facilitated with AICs took place in Phase 2, from one which was promotional activity-based to one focusing on sales and building distribution channels (see Lesson 5 for discussion of this).
- Under Intervention Area 2, M4C supported the development of local service providers, with an emphasis on developing local wholesale traders, large farmers, retailers and livestock service providers into 'contractors'. This 'contract farming' model is flexible and does not insist on the introduction of written contracts between contractors and farmers.

Contractors group together farmers to provide them with training and information on inputs and cultivation practices, harvest and post-harvest practices, and quality requirements. Some also provide inputs. Farmers may and do sell part of their crop to them, for on-selling to large traders on the mainland. The project contracts the contractors, and trains and supports them to develop the farmer groups and make the model operational. The project also has facilitated the introduction of maize shelling machines and crop drying materials.

- Under Intervention Area 3, the project has partnered with five MFIs to set up operations for lending to farming households on the chars. Four of these partnerships were successful. M4C initially shared the cost of establishment (including staff costs), more recently paying a small incentive per borrower instead. Key to the partnerships has been the development of a seasonal loan product and capacity building of for MFI staff in linking borrowers to sources of inputs and markets.

With regard to the development of the CDRC as a knowledge and advocacy platform, M4C has supported an internal strategy workshop, is documenting its research for use by private and public sector market actors, and has supported dissemination events for such actors.



IMPACT AND MARKET SYSTEMS CHANGE

04

As stated in the Introduction, this study does not aim to assess or present in any detail the project's impact on incomes, vulnerability and WEE. This is the subject of separate studies, as is the extent to which the project has facilitated systemic change. A brief summary providing basic evidence of the project's effectiveness therefore suffices.

INCOME¹⁴

TARGETS 	ACHIEVEMENTS 
<p>Phase 1: By the end of 2018 the project will have contributed to a net income increase of CHF9 million for 60,000 poor char households, comprising 250,000 women, men and children</p>	<p>Phase 1¹⁵: Up to June 2016, approximately 92,300 char households realised a net income increase of CHF 9.80 million; by June 2018, this had reached CHF 13.0 million</p>
<p>Phase 2 (to June 2018): By end of 2021, the project will have contributed to a net additional increase in income (CHF 6.0 million) for 25,000 char households (comprising 100,000 women, men and children)</p>	<p>Phase 2: Projections show a net additional income increase of CHF6.1 million for 30,000 households</p>

In terms of achieving its impact targets the project has thus been successful.

Vulnerability

The indicator for reduced vulnerability is “an increase in savings, assets, diversification of livelihoods choices, and/ or bargaining power”. An in-depth assessment (largely limited to the maize sector) concluded that the M4C-facilitated change in market systems contributed to reducing vulnerability with respect to human, social, natural, physical and financial capitals, which make up the sustainable livelihoods framework¹⁶. Livelihood options and strategies have also increased. This includes crop diversification and investment in livestock as a result of improved productivity of maize cultivation, expansion of agricultural land, farmers engaging in commodity trading and retail of AIs, work as porters on markets and in maize shelling, and opportunities for migrant work overseas supported by savings made through increased incomes. The study considers this impact to be sustainable in those chars covered by the project: here too the project has been successful.

Women’s Economic Empowerment (WEE)

M4C’s indicator for WEE is “economic empowerment of women evidenced by changes in women’s income, efficiency, skills and/or decision-making”. Phase 2 added the further indicator of “a balanced workload”; a dedicated study to assess the impact of this is still to be done. In 2018, the project’s overall impact assessment found that 46% of female household members reported having an increased influence on household decisions as a result of their increased knowledge and skills¹⁷. In the same year, an impact assessment of financial services found that 60% of respondents believed women had increased decision-making power due to the loans¹⁸.

¹⁴ Impact data is collected through Early Signs of Impact Assessments and impact assessments; analysis uses a difference in differences approach (a statistical technique comparing a baseline approach with a control group). Reported results have been corrected for intervention overlap. Indirect impact on farmers who have started using better inputs and practices but not as a result of the project’s work with its partners is not taken into account. Income increases are attributed to the project for a period of two years. The difference between treatment and control group households has decreased over time as a result of control group farmers copying better practices.

¹⁵ Project Completion Report (Phase 1, December 2011-January 2017), and project data since.

¹⁶ Bokhtiar Ahmed, B., and Maruful Islam, K. “Role of Market Systems in Reducing Vulnerability on the Chars; an Assessment of M4C’s contributions”, January 2017 (draft).

¹⁷ M4C Annual Report 2017-18, p. 8.

¹⁸ Financial Services Impact Study, M4C PowerPoint presentation [date?].

¹⁹ Incomplete draft, no title, no author names. The study did not use the adopt/adapt/expand/respond framework and draft as yet does not consider the issue of sustainability of change.

Systemic change

In 2017, an assessment of the extent to which M4C has facilitated systemic change on the chars, mainly focusing on the maize sector¹⁹, concluded mainly that:

- Strong relationships have been developed between farmers, traders on the chars, and large traders on the mainland, as well as in the AI supply chain.
- Support service market actors who provide crop drying materials, maize shelling services and MFIs have expanded their businesses on the chars.
- Farmers now have better access to inputs, markets and knowledge and information. Productivity, quality, volume and diversity of their produce have improved. Farmers are copying each other's improved practices.
- Overall, market actors now see the chars as a viable market and have begun to invest in this market.
- Non-partner AICs are crowding in and taking advantage of the distributor network created by M4C-supported companies to enter the char market.

- The market has increased in complexity, diversity, number of actors and inclusiveness, resulting in better access to inputs, services and markets.

At the same time however, the project's AIC partners have not expanded autonomously to other chars without M4C support, and the study expresses doubt that this is possible. Interviews undertaken for the current study indicate that expansion is happening on a modest scale; however, all the AICs and most of the MFI partners continue to receive project support, financial and otherwise. Interviews indicate that they are highly unlikely to abandon the chars in which they now market their products, when project support runs out; at the same time, the contracting model has not been replicated without project support, and not all contractors' functions have proven sustainable. According to the project this had not been the intention.

Some aspects of systemic change are therefore still to be demonstrated and need to be better researched.





**LESSONS
LEARNED**

05

PROJECT STRATEGY



Lesson 1

The generic M4P strategic framework enabled M4C to reduce poverty at scale, building in part on the CLP asset transfer programme

While M4C aims to reduce poverty in a thin market, its overall strategic framework is no different from other M4P projects; rather, as intended, it provided the project with sufficient flexibility to develop interventions suited to this particular market, including working with informal local market actors to develop local market institutions. As discussed below, the project has also remained true to the M4P principle: to facilitate, rather than itself being the change (although facilitation is of course a flexible concept and can include intensive support to market actors). Whether poverty reduction was achieved through systemic change as planned for in the strategic framework still needs to be fully demonstrated; however, on the chars targeted by the project the indications are positive. The draft study “Role of Market Systems in Reducing Vulnerability on the Chars; an Assessment of M4C’s contributions”²⁰ (2017) considers M4C’s impact to be sustainable; it can be concluded that M4P work in thin markets.

However, part of this success may be due to the work of CLP on the chars from 2004 to 2016, which prepared the ground for the project’s impact on the extreme poor who make up 30 to 50% of the chars’ population, and who were specifically targeted by CLP²¹. There is an ongoing discussion about the appropriateness of M4P for reducing extreme poverty, especially among those

who are marginalised and/or do not own land or other assets²². The basic argument is that households in these situations do not have the resources to make use of the new opportunities created by a better functioning market system and may instead need emergency, social welfare, infrastructure or asset transfer assistance.

This is precisely the type of assistance CLP offered. Its Phase 1 (2004-10) provided 55,000 extremely poor households in five districts with a package of core support, centred on the upgrading of basic infrastructure (raising homestead plinths, installing latrines and tubewells) combined with a core economic package of productive assets (mainly cattle) and stipends lasting 18 months. In its next phase (2010-16), CLP expanded into five new districts and set up a market development unit to pursue a market systems development approach to the char livestock sector. This benefited 78,000 households, and resulted in rapid growth of the livestock sector, growth in incomes, and investment by the targeted households in land for crop cultivation. The share of landless households decreased from 30% to 25%.

Interviews with M4C project staff indicate that with the completion of CLP, the basis was in place for further development of the sector by M4C. In addition, the increase in the number of crop cultivating households achieved by CLP’s work increased the potential impact of M4C’s agriculture interventions²³. The assessment of M4C’s impact on vulnerability identified what it calls a ‘livestock-maize nexus’, where the growing income from livestock enables households to invest in maize cultivation, while earnings from maize are reinvested in livestock, thus increasing households’ productive assets²⁴. Beneficiary focus group discussions held for the present study confirmed this.

While the debate on M4P’s relevance to reducing extreme poverty continues, in this particular case an asset transfer programme has contributed to M4C’s impact in a thin market where there are high levels of poverty.

Lessons for thin markets:

The generic M4P strategic framework is appropriate to thin markets, as is the principle of facilitation.

In conditions where extreme poverty is prevalent, asset transfer programmes are an appropriate measure to enhance the effectiveness of the M4P approach.

²⁰ “Role of Market Systems in Reducing Vulnerability on the Chars; an Assessment of M4C’s contributions”, *op. cit.*

²¹ CLP data quoted in the M4C Phase 1 Project Document, p. 6.

²² For a useful summary of this discussion, see Blaser, M. “Can the “Making Markets Work for the Poor” (M4P) approach reach the poorest, and are there measures to improve its inclusiveness?”, March 2014.

²³ <http://clp-bangladesh.org/>; M4C Project Document Phase 2; “Role of Market Systems in Reducing Vulnerability on the Chars; an Assessment of M4C’s contributions”, *op. cit.*, pp.18-21.

²⁴ *Ibid*, page 56.

Lesson 2

M4C's evolution from a multi-sector strategy to a design comprising three broad and complementary intervention areas which addressed inter-related constraints in the market system enabled it to have a relatively quick and lasting impact on beneficiaries

M4C interventions were initially largely sector-(crop)focused (e.g. chilli, maize, groundnut) which had implications for the implementation modality (for example, e.g. by sector-focused teams) and partnerships with AICs (that is, AI-specific partnerships) and contractors (crop-specific output traders). However, most of the market system constraints in the chars (including distribution channels for AIs, and logistics) are not sector-specific. M4C therefore restructured its portfolio to consolidate its interventions into three complementary areas: inputs, outputs and financial services.

This increased the business incentives for the AICs, because it meant that they could reach the same customers with more products at the same cost. As a result, AICs started marketing a broader variety of inputs and increased their sales (evident from Figure 1). The change in approach also encouraged them to introduce innovations suitable to the chars, including a less expensive feed variety, and smaller sacks of cattle feed (25 kg instead of 50 kg, and piloting a 10 kg pack) which were more affordable and could be transported more easily.

This change in approach also provided more options for small char-based traders (contractors). Not being limited to specific crops allowed them to become output traders for the farmers' entire produce. This was particularly important given the limited scale of the economy on the chars, where being a single-commodity contractor is not viable. Stronger incentives contributed to increased networks between contractors, farmers and other market actors, more contractors, and greater outreach

(in 2018, there were 286 contractors supporting around 26,300 farmers). More contractors linked up to the large traders on the mainland. At the beneficiary level, farmers were increasingly able to access inputs for crops they wanted to grow and which were appropriate to the chars, rather than being driven by the supply of specific inputs.

The financial services intervention area (which was a cross-cutting issue in Phase 1) allowed the project to dedicate more resources to addressing a market constraint whose importance had become evident during Phase 1. Credit, especially for farmers and for contractors, enabled the former to invest in inputs and bulls for fattening, and the latter to buy the farmers' produce. Most borrowers (around 80%)²⁵ bought agricultural inputs from retailers selling M4C partner products. Although the scale of outreach remains limited (to some 11,000 borrowers), early indications are that access to credit is strengthening the effectiveness of the other changes in the market system. This is facilitated by some of M4C's MFI partners linking borrowers to sources of information and inputs.

Lessons for thin markets:

Working in intervention areas which complement each other in terms of addressing inter-related constraints in the market system has the best chance of creating relatively quick and lasting impact on beneficiaries in thin markets. While projects in developed markets also often develop complementary interventions, the opportunities and need for doing so are greater in thin markets, where most market functions are not being fulfilled.

Caution:

Complementary interventions in a specific geographical location result in the overlapping of beneficiaries. This needs to be taken into account when assessing impact.



²⁵ Financial Services Impact Assessment Report, PowerPoint presentation [July, 2018].

RESEARCH AND INNOVATION

Lesson 3

In a data-poor environment, M4C invested in extensive research, which enabled it to draw in partners, and to better plan and implement interventions with them

“We were partners of Swisscontact in other projects before M4C. So [at first] our activities were as usual around promotional activities. When M4C came back with proposals on engaging additional salespersons, we were a bit reluctant at first. But then they showed us data based on research, and took our senior salespersons to visit the chars. Only after that were we convinced to increase our sales force targeting chars.”

MM Huda, Chairman, NAAFCO Group

The project's Inception Phase and Phase 1 saw a significant amount of (1) research and analysis of constraints to reducing poverty, and improving productivity and market access in the chars generally, (2) analysis to enable selection of sectors (or crops), and (3) specific analysis of the sectors themselves. The research used the M4P analytical framework and aimed at identifying constraints to improve performance in the selected market systems and their underlying causes. This provided the basis for the design of the project's overall strategy and interventions (this kind of research, mostly for internal use, is expected of any M4P project). It was sector-specific and therefore sufficiently concrete to develop convincing business models and interventions, while providing the foundation for the market function-based approach of Phase 2.

However, the project soon realised that an analysis of market systems would not be sufficient. The chars were virtually unknown territory for government agencies as well as for the private sector. This meant that basic data on numbers of households, villages and their location, and crops grown was not available. While most M4P projects can do without such information, M4C found that its arguments for convincing AICs and MFIs to enter the char markets lacked an adequate basis. For example, the project needed to be able to give the AICs an indication of the market size. Its work on improving

In its work with innovation in chilli drying, M4C started by distributing a small number of tarpaulin and polythene sheets to farming households for free, to demonstrate the advantages of drying chillies like this, instead of on the ground. When this created demand, the project provided nominal support to around 70 traders to market the sheets – and by the end of Phase 1 an additional 120 were retailing them successfully, without project support. They are now used widely on the chars.

output market channels also needed detail on what traders were located on the chars and where. The project therefore embarked on a series of censuses, which were expanded to obtain directly relevant data on, among others, retailers and distributors (on the mainland), traders on the chars, and boat transportation between the chars and mainland markets. These data, coupled with arranging visits to the chars for private sector actors, were instrumental in bringing the private sector on board. Data on crops, traders and retailers provided a strong basis for implementation of the contractor intervention.

Such research remained a feature of the project's work. For example, at the start of 2017, when an Early Signs of Impact Assessment found that AICs did not reach the more remote parts of the chars, M4C undertook a market assessment to identify the business potential and reach of existing distributors and retailers. This contributed to AICs revising their distribution strategies²⁶.

Lesson for thin markets:

In data-poor thin markets, projects need to conduct an assessment of what data are required for their partners and for implementation of interventions, what is available and how the gap can be filled, and incorporate this into their intervention design.

Caution:

Much of M4C's research was market research, which is a market function of the private sector. Taking on this function as a project risks creating a dependency on the part of the project's private sector partners. M4C partly addressed this by involving its partners in research, building in a requirement for some of them to cover part of the cost. However, in thin markets it is likely that projects will generally have to take the lead.

²⁶ M4C Annual Report, July 2016-June 2017.

Lesson 4

Extensive project-driven experimentation and learning from failure was pivotal to the overall success of M4C, but so was eventual prioritisation on the basis of what worked and what could reach scale

In a market not served by public and private market actors, and with little data available to indicate what would and would not work, M4C took the lead in extensive experimentation, to find solutions to constraints in each of its intervention areas. An example from Phase 1 was transportation. This included a joint effort with the Bangladesh University of Engineering and Technology (BUET) to increase the efficiency of boats, and to work with local ghat (river port) coordination committees to improve landing stations, and with local engineering shops to adapt small vehicles for use in the chars. The project also introduced several initiatives to improve varieties of groundnut and mustard, and facilitated experimentation in technological innovation in chilli (in the form of a drying machine) and maize (shelling machines). Some efforts (for example, the drying machine) were not successful, in that the project could not prove them to be effective within the stipulated timeframe. However, an important part of the M4P approach is the continual assessment (and, if necessary, revision) of results, with an understanding that interventions frequently need to be adapted, "pushed", or in some cases dropped. M4C identified the reasons for the lack of positive impact of these innovations, and made changes accordingly. For example, the marketing of char vehicles was successful on one char, but their manufacture proved not to be scalable and the intervention was therefore discontinued. Conversely, other experiments resulted in an innovation being taken up at scale. These included improved jute cultivation and retting techniques, improved chilli drying methods, and mechanised shelling services for maize.

In accordance with the M4P approach, M4C discontinued interventions if they appeared unsustainable or not scalable. The project's only women-focused intervention, in handicrafts, was dropped for this reason. Although at the time of the MTR the model appeared to work well, with very poor and largely landless women producing for the Dhaka market, the role of private sector partners proved unsustainable, and rather than tinkering with the model it was discontinued. The entire transport sector was also discontinued, because in spite of some 'nice' results their scale and impact was small. The unexpected reduction in the project's budget for Phase 2 also played a role in the decision to focus on a few things that really worked well and on a sector (that is, finance) where demand for services and the need for innovation was strong. Some development organisations would consider this somewhat ruthless. However, it also sprung

from the realisation that after a period of experimentation there was a need for consolidation.

Lessons for thin markets:

While all M4P projects experiment, thin markets with their unknowns and little experience to build on may require more extensive and more project-driven experimentation, as well as accepting, learning from failure if it comes.

In thin markets also, the temptation may be stronger to keep testing innovations; however, as with every M4P project, a period of experimentation needs to be followed by consolidation.

Caution:

Research, and the knowledge of innovation partners of the constraints and context of the thin market is as important as their technical competence. Project donors must be made aware that a higher percentage of failures in thin markets may be necessary for eventual success.

"Before M4C, we worked with the CLP project, implemented by iDE in the chars. Our role was to conduct awareness programmes, vaccination camps and training for farmers, which we got money for from the project. But we were unsure whether our sales were increasing as a result of those activities – and we had to produce a lot of reports. M4C, however, focused on sales not on activity reports. Evaluation of performance is very easy if you base it on sales. After working with M4C, our sales from the chars increased threefold."

Debashis Paul, Head of Sales & Marketing (cattle feed), ACI Godrej Agrovet Pvt Ltd

PARTNERSHIPS AND IMPLEMENTATION

Lesson 5

Supporting AICs to work towards their long-term strategic business goals and committing to this for a longer period of time, rather than providing short-term assistance on the basis of delivery of activities, enabled M4C to facilitate their entrance into an 'off-grid' market

Partnership with the private sector has been pivotal to the success of M4P projects. M4C's partnerships with AICs initially followed the pattern set by these projects: short agreements which focused on provision of information to and capacity development of farmers as 'embedded services', through supporting the AICs' promotional activities. Over the course of Phase 1 however, M4C realised that in addition to lack of awareness among farmers, the absence of a distribution

system (such as that which existed on the mainland) was a key underlying cause of farmers not accessing AIs, and that creating 'awareness' was therefore not sufficient. AICs not having set up distribution networks was due to their lack of knowledge of the markets and market actors (for example, potential retailers) in the chars, logistical problems, and the investment required.

M4C therefore shifted its partnership focus from promotional activities towards longer-term strategic business goals, including development of distribution networks and increasing sales. This required longer-term commitments and contracts (three years, compared to the usual six months for delivery of activities), more intensive engagement, and project staff "thinking like partners", rather than just facilitating and monitoring promotional activities. M4C facilitated the expansion of the distribution network by identifying new distributors and sub-distributors near the chars, retailers and small traders on the chars, and co-funding sales staff and other costs. The results are reflected in Table 1 below. The number of distributors of partner companies increased from 17 at the start of the project to 98 by 2019, and retailers from 144 to 1,466.

Table 1: Status of distributors and retailers before and after M4C interventions

Company	Before 2012-13	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	Total
PCL	4	1	2	0	3	4	6	5	25
NAAFCO	1	2	0	1	5	2	11	2	24
ACI	9	1	0	3	1	9	6	1	30
ACCL	3	1	0	0	6	1	7	1	19
Total	17	5	2	4	15	16	30	9	98

Company	2012-13	2013-14	2013-14	2013-14	2013-14	2013-14	2013-14	2013-14
Type of service provider	Initial	Additional						
Agro input retailer	144	513	344	82	159	224	1466	

M4C worked with these distributors and retailers, and the AIC district managers, to develop three-year sales development plans, which were reviewed on a regular basis with participation of M4C. The project also supported sales monitoring through the introduction of a sales tracker used at every level of the distribution channel. That the AICs were willing to accept this relatively intrusive approach is likely to be in part due to the relationships of trust built in Phase 1 and the extensive research on which collaboration was based.

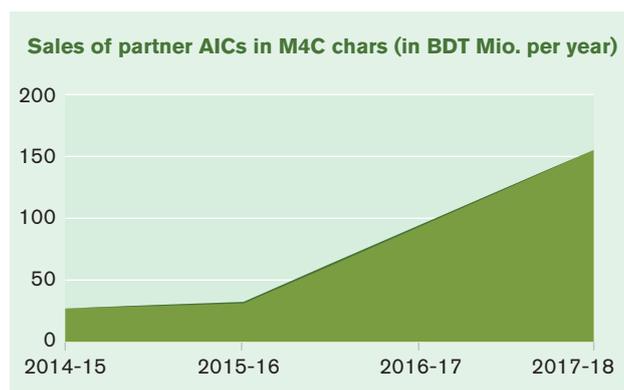
Cost sharing has hovered around 50% in both phases, but the actual cost has reduced since the introduction of the new approach, indicating that AICs taking more independent action. In Phase 2, payments became

linked to AIC revenue under the partnership, making clear that what mattered was not the activities undertaken but their results.

The approach had benefits for both AICs and char dwellers. Partner AICs report the bulk of their recent regional sales comes from the chars²⁷. This enhanced their interest in further expanding char distribution networks. The three-year contracts with M4C gave the collaboration a strategic focus. Sales increased rapidly, as Figure 4 demonstrates. Char dwellers are now accessing quality inputs from top tier AICs, and accessing information and advice from visiting sales staff and retailers.

²⁷ This is also reported in the draft systemic change assessment.

Figure 4: Year-wise sales data of partner AICs in M4C chars



Lessons for thin markets:

Working with lead firms in thin markets requires intensive, long-term engagement and commitment (financial and otherwise), reflected in long-term contracts between projects and firms.

Working with lead firms in thin markets is likely to be more successful if based on in-depth understanding, not just of the market systems but of partners' goals and the way they operate as a business, and engaging with them on those terms (that is, 'getting into the business').

“We have to have chilli with the right colour, scent and moisture content. Farmers in the chars are producing a huge quantity of chilli, although we don’t need to go to the chars to collect it as they bring it to the markets near the landing stations on the mainland. I don’t have a problem with going to the char to collect bulk amounts of chilli – but the companies that I supply (like PRAN, DEKO and Square) won’t pay me extra for char-produced chilli.

Md. Johurul Islam, large chilli trader and Square purchase centre manager, Sariakandi, Bogura

Cautions:

Senior management of lead firms is often reluctant to work with development agencies on their sales and marketing strategies. A project which proposes close collaboration in these areas will have first therefore to develop relationships of trust through shorter term engagements and joint research, as M4C did. At the same time, close and intensive partnerships may lead to the firms' dependence on project support and a lack of sustainability after the project exits.

Lesson 6

M4C's flexible local contractor model provided an effective solution for the commercialisation of outputs generated by char farmers and strengthening relations among market actors, but is resource-intensive and requires project-supported replication to reach scale

To increase access to markets, M4C approached national level processing companies such as PRAN²⁸ but encountered little enthusiasm for and interest in their buying from the chars directly. This was because the char products were not differentiated from mainland products, which were easier to source. Large traders also had no incentive to invest in expanding their supply channels. Small, char-based traders and those nearby therefore provided the solution to bridging the gap between char producers and large traders. M4C built the capacity of these traders as 'contractors', facilitated their formation of the farmer groups they work with, and improved their relationships with large traders on the mainland.

Lesson 2 has already indicated the importance of de-linking contractors from specific crops (such as maize, initially). Contractors are also not obliged to provide inputs on credit and farmers are not required to sell contractors a designated quantity of produce. In fact, there are no contracts, which is in keeping with local practice which depends on verbal agreements. The MTR recommended that M4C consider formalising the relationship between farmers and contractors; instead, the project adopted an 'anything goes' approach: any type of market actor can become a contractor, and their transactional relationship with farmers depends on them and the farmers (apart from the contractor providing or arranging training and information on the use of AIs, harvest and post-harvest good practices, and quality requirements²⁹).

²⁸ PRAN (Programme for Rural Advancement Nationally) was established in 1981 and has become one of the largest food and beverage brands in Bangladesh, exporting to 138 countries. In 2016-17, the company exported USD231 million worth of agro food commodities.

²⁹ With regard to the latter point, PRAN continues to play a role in providing such information.

This flexibility has worked well in the thin and cash-strapped markets of the chars, where a formal contractual model would have increased entry thresholds; M4C can now list 286 active contractors. The improving access to finance may eventually lead to some degree of consolidation, when some contractors become able to buy larger quantities of produce and offer more to the farmers in terms of other services.

However, working at the local level without involvement of scale agents (such as national level processing companies and large traders) meant M4C was closely involved and managed a large number of contractors (around 500 at the time of writing) through the field staff of implementing NGO partners. The project's approach is therefore far from being 'light touch'.

Lessons for thin markets:

A flexible and fluid local 'contractor' model, adaptable to many crops and livestock and to use by different types of market actors, may be appropriate where market actors are scarce, relationships among them need to be developed and strengthened, and there are no incentives for large buyers to invest in sourcing from the thin market. At a more generic level, this may indicate that specialised market functions are less viable in thin markets, and that supporting the development of more multi-faceted and flexible functions may be more appropriate. Interventions may require intensive support at different levels in supply chains.

Caution:

Not all national level output buyers in thin markets will be unwilling to invest in sourcing from them directly, and this needs to be attempted first.

Lesson 7

Effective implementation partnerships with local MFI NGOs enabled M4C to facilitate their entry into the chars as microfinance providers and eventually attract a national MFI

From inception, M4C worked with local NGOs (SKS, NDP and MJSKS) as implementing partners at district level (Lesson 16 considers why it did so and what can be learned from these partnerships). It partnered on the development of microfinance services for the chars with two of these NGOs (SKS, NDP), also with a third local NGO (GUK) and a national provider (United Finance) after the project had tried unsuccessfully to interest large national players like Grameen Bank and BRAC in the "high-risk" chars and agricultural sector. A relationship of mutual trust had been established with SKS and NDP; they and GUK knew the conditions on the chars well and had already developed a wide network there through their non-financial work for other projects. They considered the risk acceptable for a pilot

intervention. This resulted in the eventual successful establishment of lending (coupled with savings) to char dwellers through nine branch offices, some of which were newly established on the chars (the partnership with National Finance was not successful as it persisted in lending to the same small number of borrowers).

M4C supported market research, assisted the NGO/MFIs in developing a loan product which met local demand (that is, seasonal agricultural loans with a single repayment at the end of the loan period after the harvest), and supported the MFIs in expansion of their branches, initially through cost-sharing and then through small (BDT300) per-loan incentives. This proved effective, with the NGO partners disbursing over BDT267 million worth of credit among more than 10,000 (female) char dwellers during the 2014-18 period. The repayment rate, reported to be 100%, is said to be considerably higher than that of mainland borrowers of conventional loans, and the MFIs are considering further expansion. Their success contributed to BRAC's decision to conduct a pilot intervention, which started in October 2017, with seven mainland branches targeting the chars and providing seasonal agricultural loans to around 1,100 borrowers. In October 2018, this was being evaluated, and if the results are positive BRAC will consider expansion in the chars and spreading its new loan product throughout the country. This would be a major systemic change, as other MFIs have so far avoided agricultural lending.

Lessons for thin markets:

Local partners (such as MFI NGOs) may have greater incentives to contribute to local development and have better local knowledge than national partners. They may therefore be less risk averse and more effective in thin markets than national level players.

MFIs may be willing to enter thin markets on the basis of market research and, given the right support, to develop suitable products.

Caution:

Projects should assess the capacities and limitations of local NGOs realistically, and build partnerships accordingly.

Lesson 8

M4C's partnerships with public agencies promised potential scale and sustainability. However, the agencies' budget limitations and their slow pace of decision-making, coupled with M4C's limited lifespan and the pressure to reach targets per phase, contributed to limited success

Public agencies in Bangladesh, including agriculture extension and research departments, provide a sustainable, nationwide resource of services. However,

their capacity and resources are usually limited. M4C worked to build partnerships with a wide array of public agencies, including research institutes – Bangladesh Jute Research Institute (BJRI), Spice Research Centre, Bangladesh Agricultural Research Institute (BARI), Chars Development Research Centre (CDRC) – public universities (BUET), and extension agencies (Department of Agricultural Extension (DAE), and later the Department of Livestock Services (DLS). Of these, the partnership with BJRI was effective in terms of the project interventions in the jute sector, with the introduction of improved cultivation and retting practices. M4C worked with upazila-level³⁰ offices of the DAE and DLS to introduce agricultural inputs, although this was without any formal partnership with their head offices. The CDRC was selected to become the chars' knowledge hub, which has a dedicated output in Phase 2's logical framework (see Lesson 14).

Overall, considering the number of initiatives that M4C started, success in facilitating systemic change with public agencies was limited compared to that achieved with private sector and NGO partners. One possible reason for this is the continuous shifts in partnership objectives and modalities which did not provide the time that public agencies typically require to take on new tasks. Partnerships were originally crop-specific and focused on producer groups, but this changed when the portfolio was restructured. The project made an attempt at a formal partnership with DAE but this was discontinued due to the lengthy bureaucratic proceedings involved. Livestock was mandated as a sector at a very late stage of the project, which did not allow the time needed for establishing a formal relationship with DLS. Generally speaking, the pressure to achieve its targets contributed to M4C focusing on private sector partners who could generate comparatively rapid results.

The shortage of resources provided another constraint to the willingness of public agencies to engage in partnership with M4C. Both DAE and DLS are government ministries, with specific activity- and location-based budgets, and little room for flexibility. This is similar for the other public agencies which the project worked to engage. Consequently, M4C covered all the costs of collaboration, which was not sustainable and does not lead to systemic change. This could have been addressed in the longer-term by M4C working with local and national advocacy bodies to influence high level decision-makers to make budget provisions for work on the chars. However, the project had neither the mandate nor the time-frame to do so. DAE and DLS agents nevertheless continue to be an available resource for char farming households, who can call on them for advice; these government agents are also able to participate in meetings of the groups set up by contractors.

Lessons for thin markets:

Working with public sector partners requires a longer time horizon and less pressure to reach targets than most projects have or experience. While this is true for most other M4P projects³¹, it is more so in thin markets where public services are hardly (or not at all) functional, meaning that their providers have to make a major change in practices and budget allocation.

Working with public sector partners usually requires fully funding their activities in thin markets; this is therefore unlikely to become sustainable unless new public budget allocations are made, specifically for work in thin markets.

Working with public sector partners also requires influencing the government level at which programmes are conceived and budgets are allocated, and therefore needs a longer time frame.

Caution:

Projects need to achieve a fine balance between interventions with the private sector (which deliver rapid results) and intensive policy level interventions (which hold the potential for change in the longer term).

Lesson 9

M4C found a 'light-touch' approach with its partners, successful in M4P projects on the mainland, was insufficient, and that developing relationships between partners increased effectiveness

The preceding paragraphs indicate a general lesson on the partnerships and interventions that M4C developed: they required upfront investment in research, were resource intensive, included close collaboration between the project and partners, long-term engagement, and aspects of institution building. Much had to be built up from scratch, and as demonstrated by the limited success of the initial activity-based partnerships, the usual 'light-touch' approaches of M4P projects were not appropriate. All M4C's partnerships are, however, time-bound and do not commit the project to open-ended collaboration.

In addition to the scarcity of market players on the chars, an important aspect of the char market system was the lack of trust among them of networks and relations³². M4C addressed this by intensive facilitation of relationships between different and similar types of market actors. For example, contractors could call on retailers, AIC sales agents and public sector extension agents to provide information and advice to the farmers in their groups; MFIs brought farmers and AIC providers

³⁰ An upazila is the administrative sub-unit of a district.

³¹ See Nasreen, F. and Shahan, Asif M., "Katalyst's experiences in market systems development ; a framework for engagement with public agencies" (August 2018) for guidance on working successfully with public agencies despite limited capacity and resources, few incentives, lack of ownership, and bureaucratic or politicised decision-making.

³² Phase 1 Project Document.

and contractors together in 'market facilitation' meetings. Project involvement in the selection of AI retailers was instrumental not only in building relations of trust between them and AIC sales agents but also with contractors. Although these factors have not been assessed, it is likely that in a context of limited sources of knowledge and information this has contributed to their more effective use.

Lesson for thin markets:

Partnerships in thin markets in general require more than the usual 'light touch' approach, and interventions may have to include building relationships among a variety of market actors.

Caution:

Intensive engagement can lead to dependence, and projects should have a realistic exit strategy to counteract this risk. Partnerships need to be time-bound.

WEE AND DRR

Lesson 10

Women's significant involvement in crop cultivation and in particular livestock enabled M4C to increase their participation in economic activity and women's empowerment. However, uncondusive natural and sociocultural conditions limited this impact.

Women play an important role in post-harvest activities and in animal husbandry on the chars, especially when men migrate for seasonal work, women bear the main burden of agricultural work. In theory therefore, the project was well-placed to have an impact on WEE, particularly through intervention areas 2 (contractors) and 3 (microfinance), and in the livestock sector in Phase 2. AICs reported positive results of including women (27%) in promotional activities, which resulted in their passing on the information to their households, and contractors found it beneficial to include them in their groups (36% in cultivation, 28% in livestock)³³. All microfinance clients are women (they have to be), and although they do not necessarily decide on the use of the loans themselves, they do have to repay them. About a third of the services developed or improved with M4C facilitation are of particular relevance to women (for example, maize shelling, crop drying)³⁴. Women's participation in markets has increased³⁵ and, as reported

“During recruitment, we specifically called for female staff in our project with M4C. We even provided special incentives. However, we did not find enough female staff. One lady joined but resigned on the first day when she visited a char. The conditions on the chars are too harsh for women.”

Dr. ABM Shazzad Hossain, Director-PRM, National Development Programme

in Chapter 4, this tends to have a positive effect on their decision-making power in the household.

These are positive results, and (1) the fact that women do have a role in agriculture, (2) the inclusion in Phase 2 of the livestock sector, and (3) the emphasis on including women in interventions rather than developing women-targeted interventions has made them possible. Nevertheless, there is a general consensus in the project that “more should have been done”, although it is not clear what. M4C has made some efforts at gender analysis, but these were limited to considering the roles of women in the various sectors rather than identifying gender-specific constraints on the greater participation of and benefits to women. These efforts were therefore not a good starting point for intervention design. At the same time, the project's gender strategy was too generic to provide concrete guidance. The gap between principles which could have been applied in any country, and what needed to be done in the context of Bangladesh's chars, compromised the strategy's usefulness. Recognising that interaction between women and men is circumscribed by strict norms which emphasise women's inequality, the project tried to encourage women on the chars to set up as retailers and contractors; this had little success. It also attempted to hire female staff to enable better interaction with women on the chars; however, attracting and then retaining them proved challenging, as few qualified women were willing to work in northern Bangladesh or in the difficult environment on the chars.

Apart from the harsh natural environment and the problems posed by getting to the chars, the sociocultural context on the chars is very conservative compared to the neighbouring mainland. To quote one of the (female) project staff, “Men do not actually see women [outside the home environment], and someone like a distributor

³³ Annual report 2017-18, p. 8.

³⁴ Phase 1 Project Completion Report.

³⁵ Vulnerability study, p. 56.[date?].

often does not want to talk or open up to me” (Jannat Adib Chowdhury, Cross Cutting Themes and Capitalisation). More women staff, a concrete WEE strategy, and more staff time to enable gender mainstreaming would have enhanced the project’s potential to affect WEE. However, it may be an illusion that, under the circumstances, the project could have contributed much more to gender equality. On the mainland some progress towards gender equality has come about as a result of decades of economic development, better education, public and NGO-sector social services, exposure to media and many more factors.³⁶ M4C’s work in the chars is only the beginning of this process.

Lessons for thin markets:

The scope for WEE is circumscribed by women’s involvement in the economy and the sociocultural context with regard to gender roles. This is true for any M4P project, but may be more so in thin markets with high levels of poverty and little exposure to the outside world. Strategic changes in gender roles are less likely in this situation and not a priority for an M4P project. Donors and implementers need therefore to have realistic expectations regarding the impact on WEE that projects can have in isolated areas with high gender inequality.

Lesson 11

M4C’s partnerships with the private sector enabled the project to have DRR solutions introduced on a commercial basis

Farming on Bangladesh’s chars is highly vulnerable to natural disasters, including floods and storms, and irregularities in temperature and rainfall. Conventional DRR thinking in this context focuses on infrastructure development, including plinth-raising and embankment development. Other M4P projects typically work on disaster awareness raising and early warning systems. M4C, on the other hand, worked on ways to enable char dwellers to adapt their agricultural practices to tolerate disaster. On the basis of the opportunities it identified, the project worked with BARI to popularise a flood-tolerant variety of rice which withstands rising water levels. In addition, the intervention with BJRI introduced an early variety of jute, enabling the crop to be harvested before the typical flooding period.

Major success came through partnerships with private AICs, which commercialised and spread a number of DRR solutions. A maize variety was introduced to withstand powerful storms. Special fungicides were

introduced which can be applied not only to control but also to prevent fungal infections resulting from an early or late winter. AICs also introduced weedicides to control excessive weed growth, common in the fertile char soils. Other partners introduced drying and processing methods designed to avoid damage resulting from extended rainy seasons. DRR solutions introduced by the private sector increased their sales as well as the benefits to the farmers; early indications are that these are sustainable.

Lesson for thin markets:

Private sector partners need to be made aware of DRR opportunities related to their services and products, to enable them to market relevant products and information.

Caution:

Not all DRR issues can be solved through commercial solutions; research is essential to contextualise disaster dynamics for each specific thin market.

REACHING SCALE AND SUSTAINABILITY

Lesson 12

Working with multiple AIC partners over a long period of time enabled M4C to facilitate their probably sustainable presence in the targeted chars, while promoting the success of partners to non-partner AICs is resulting in more private sector actors entering the chars

M4C found that, due to increased competition and saturation of agricultural activities in mainland areas, AICs were continuously searching for new markets. Their partnership with the project created the opportunity for them to expand their business into chars. While all five partners continue to receive limited project support, increases in sales (BDT85.9 million additional sales for AI partners and BDT37.5 million additional sales for the livestock input partner) and statements made by AIC representatives interviewed for this study indicate that it is unlikely that partners will retreat from the chars where they have begun work. Increased sales prompted more investment in further expansion from the

³⁶ See, among others, Islam, M.S., and Dogra, S. 2011. “Women Empowerment in Bangladesh: Rise of the Other Half. ISAS Working Paper”, Institute of South Asian Studies.

partner AICs. Recent spontaneous and independent crowding in from competitors (such as Syngenta) also promises increased scale, although it is unclear to what extent this will involve additional chars.

In addition, M4C uses the common M4P approach of using local actors to 'spread the word'. In July and September 2018, meetings between regional representatives and distributors of non-partner AICs arranged by CDRC and M4C provided a level playing field for all the industry actors, and shared information on data-based prospects in the chars and models for increasing business there, with presentations by partner AICs. Visits to the chars shortly afterwards by sales personnel of non-partner AICs and their recruitment of char-focused staff indicate early signs of crowding in. That M4C has partnered with five rather than just one AIC, and that these partners are among the top tier AICs in the country, is likely to have strengthened the demonstration effect. Again, strong competition in (and saturation of) developed mainland markets contributed to the speedy response; also likely to have helped is the expansion by char farmers of their areas of cultivation, as a result of the changes facilitated by M4C.

Lessons for thin markets:

Sustainability and crowding in thin markets can be achieved through (1) long-term partnerships (see also Lesson 5), (2) working with multiple partners to reach a critical mass of transactions, and (3) making non-partner market actors aware of partners' successes. Saturation of developed markets and expansion of the thin markets (for example, farming households increasing their area of cultivation) will facilitate the crowding in process.

Caution:

Crowding in may result in the entry of AICs which provide low quality or counterfeit products (a general problem in Bangladesh). This may require action at another level, such as better enforcement of existing legislation and making farmers aware of the advantages of using high quality products.

Lesson 13

M4C's local 'contractor' model improved producers' access to markets, but char-by-char replication was required to reach scale

As a result of M4C's intervention in the chars, contractors now have sufficient incentives to continue at least some of their functions: better relations with farmers with the resultant increased secure access to produce, increased business and income, and better relations with AICs, large traders and financial services.

Nearly all contractors interviewed in 2017 also reported an increase in social status³⁷. However, while M4C lists all 286 contractors as 'active', not all have continued the functions they took up initially, such as the provision of training to farmers. What has been achieved is new and strengthened relationships between contractors, farmers and other market actors, including large traders, which may prove sustainable as a result of the benefits experienced by those involved³⁸.

There are no incentives for potential scale agents such as large processors to develop a contract farming system. Information does not flow freely within and between the chars, and spontaneous crowding in on untouched chars has not taken place. In addition, M4C's efforts to 'spread the word' have not yet led to crowding in. Currently, char-by-char replication is the only available pathway to scale.

Lessons for thin markets:

In thin markets it may be more difficult to draw in scale agents due to a lack of incentives, and because of information on success flowing less freely. The only option for reaching scale may be to replicate a business model area-by-area.

Introduction of business models with limited sustainability could still result in sustainable change, for example, in stronger relationships among market actors (for example, trader-farmer relations can be strengthened even though a contractor model does not survive).

Caution:

As scale agents are only interested when a thin market offers unique or high value products, one way to get them on board may be facilitating the introduction of distinct products and value addition.

Lesson 14

M4C's strategy to develop CDRC as a knowledge hub and advocacy forum for the chars may, given time, enhance the scale of its impact. Success is likely to depend on intensive and long-term support, including to influence budget allocations, as indicated by lessons 5 and 8

CDRC is an entity under the RDA which works to accelerate progress in improving incomes and livelihoods of the extreme poor char dwellers through research and dissemination of information. It specifically aims at facilitating better market access and improving business services for char dwellers. M4C supported the RDA in competency building of the CDRC to internalise

³⁷ *Early Signs of Impact Assessment 2016-17; Trader OS Intervention; M4C PowerPoint presentation.*

³⁸ *"Role of Market Systems in Reducing Vulnerability on the Chars; an Assessment of M4C's contributions", op. cit.*

information, knowledge and lessons learned, and covers part of CDRC's budget (along with the RDA, the remainder coming from projects the CDRC undertakes). It is also working on knowledge products to be held by CDRC; these include the results of its census of the chars, a business case for MFIs on the chars, and an analysis of data for use by AICs and extension services. M4C also supported CDRC to conduct seven dissemination events aimed at mobilising public and private initiatives or investments in the chars.

Capitalisation is a common M4P strategy, particularly in the case of matured projects, to ensure a repository for and future utilisation of knowledge developed. It is typically done through partnership with relevant public agencies, including government research institutes and universities (for example, Katalyst's capitalisation with entities such as the Bangladesh Agricultural University and BARI). In the case of M4C, CDRC with its char-specific mandate was a natural choice. It can work with both the public and the private sectors, and has already conducted a number of studies through which solutions were introduced to resolve the problems of char farming households. Already the organisation has proposed specific char-focused programmes, which are under consideration by the government. CDRC thus has potential to become a knowledge hub/exchange

platform and an advocate for the betterment of char dwellers, which could contribute to increasing the scale of M4C's impact. Similar centres under the RDA have proven sustainable.

Lesson for thin markets:

An appropriate public sector partner which functions as a repository and disseminator of knowledge and advocacy forum could be a vehicle for reaching further scale and development of new programmes; however, developing this function is likely to require long-term and intensive support.

Caution:

While public agencies are often the best option for ensuring that a project's knowledge and experience will be used beyond its duration, their mandate and focus are usually at the national level, where thin market issues can be diluted or less prioritised. Non-government advocacy bodies could also be considered. In M4C's case there is potential to influence government budgets and programmes through the Char Alliance³⁹, which is already advocating at the level of the national parliament.



³⁹ The Char Alliance is a macro level advocacy platform comprising of various stakeholders including INGOs, NGOs, civil society, business organizations, researchers and academicians among others, formed for the development of the impoverished char dwellers.

FLEXIBLE AND ADAPTIVE MANAGEMENT

Lesson 15

Decentralisation to ensure close interaction with national and local level market actors and the target group, and continuous adaptation of its organisational structure and capacity building in a context of change in strategy and high staff turnover, increased M4C's effectiveness

M4C has a lightly-staffed head office in Dhaka (staff are expected to be in the field two weeks per month), with regional offices in Bogura and Kurigram in the target areas. This has enabled the project to maintain close relationships with national level public and private sector players, and to have a strong local presence. This study found the project staff's local knowledge and networks to be impressive.

The project's organisational structure has changed several times in line with the implementation approach and its changing priorities. At the start of Phase 1, key responsibilities were assigned on a sector (largely crop) basis. With the restructuring of the portfolio and to limit logistical difficulties, after several permutations the structure is now district-based. This has contributed to closer relationships with local partners and AIC representatives at the district level.

In Phase 1, when M4C covered ten rather than three districts, in some districts part of its portfolio was contracted out to a private sector co-facilitator with M4P experience. This was discontinued because the facilitator depended on field visits from Dhaka (which was not effective), and also because of the decreased geographical scope of the project in Phase 2. The project has worked with NGO implementing partners throughout; their role has changed over time (see Lesson 16).

The project found it difficult to hire qualified staff, usually based in Dhaka, who were willing to relocate to regional offices; at the same time, local personnel were generally less qualified. This applied even more to female staff recruited from Dhaka, with whom security concerns, the need for frequent travel, and the very conservative gender inequality context on the chars weighed even more heavily. The team (including the implementing NGO partners) is therefore heavily male-dominated. The project also suffered from a high turnover of skilled, experienced staff in senior positions, primarily due to the need for their heavy involvement in work on the chars and because of better opportunities presenting

themselves. M4C adapted by promoting some members of staff, shifting others to fill the gaps on a short-term basis, hiring consultants, the rapid recruitment of replacements, and heavy investment in building staff capacity (on M4P, market facilitation, MRM, business communications, time and stress management, sales development and contract management), including that of locally hired project staff and NGO partner staff. This has enabled the project to maintain effectiveness under difficult circumstances.

Lessons for thin markets:

Continuous adaptation of the organisational structure to a project's evolution enhances effectiveness. This is one of the central tenets of many M4P projects. However, thin market projects, where the unknowns tend to be greater, are likely to face greater challenges, and therefore may have to change strategy more radically in response to realities in the field.

Projects' organisational structures need to ensure proximity to the target areas and the ability to interact effectively with national level players.

It may be difficult to attract and retain qualified staff to work in thin, remote markets; projects may therefore need to hire staff locally and invest more in the capacity building of staff, on a continuous basis.

Lesson 16

Implementation partnerships with local NGOs enabled M4C to pilot and scale up its interventions relatively quickly, because of their widespread network among key stakeholders and the target population, and strong knowledge of geography, demography and the local economy; this resulted in adoption of a facilitative approach by the NGOs

From inception, M4C partnered with local NGOs based in the project districts – SKS Foundation, National Development Programme (NDP) and Mahideb Jubo Samaj Kallayan Samity (MJSKS) – and allocated responsibilities on a district basis. Initially, NGO engagement was confined to forming producer groups, which due to their extensive local knowledge they were well-placed to do. After the MTR in 2015, the project changed its partnership modality, with its NGO partners becoming extended M4C teams to support all the interventions on the chars. They rapidly deployed field level personnel from the locality, through whom potential retailers and contractors could be identified, relationships with local government institutions established, and a quick and reliable information flow from the chars to the project could be developed. NGO staff thus worked as part of the project team (located in the regional offices when not actually on or near the chars) and not as subcontractors, as was the case prior to the MTR.

“Our partnership with Swisscontact in M4C was different from other projects we implement. In this project, there was no ‘MJSKS personnel’ or ‘Swisscontact personnel’ – staff from both organisations worked in the same team, sat in the same office and went to the field together. We used to call it the “M4C” team. This was a very effective modality for generating good results as we could blend our knowledge about locality and relationships with local people with the vast market development knowledge and experience of Swisscontact.”

Shyamol Chandra Sarker, Executive Director, MJSKS, Kurigram

This was a major breakthrough for the project, as it provided vital market intelligence for the AICs in extending their distribution network in the chars, and effective sales planning based on firsthand evidence. It also helped gain momentum in the output intervention, and it enabled a widespread network of contractors to be established, managed and retained.

These partnerships also helped build the capacity of the NGOs, as their staff gained knowledge on the M4P approach by being embedded in the project team, and through ‘on-the-job’ and formal training. A shift in strategy on the part of these NGOs was notable during the field visit undertaken for this study. Top management now want to adopt a facilitative approach in other projects and are communicating this to their respective donors. A resource has therefore been created for future government- and donor-funded projects targeting the chars through effective implementation of market development interventions.

Lesson for thin markets:

Local NGOs with local networks and knowledge are likely to be more effective implementing partners than distant co-facilitators who may have more M4P experience, while over time and with project support such NGOs will develop M4P expertise and may adopt the principles of the approach.

Caution:

Projects should foresee investment in the NGOs’ capacity building.

Lesson 17

Effective use of a high-quality MRM system and frequent team interaction contributed to M4C’s achievements

It is generally accepted that a good MRM system lies at the heart of every M4P project⁴⁰. Early on in Phase 1, M4C set up a system based on the DCED Standard for Monitoring and Results Measurement. A December 2014 audit against the Standard gave M4C the highest possible ratings for ‘must have’ and ‘recommended’ ‘control points’, which is a not very common achievement. The system has been updated regularly since then.

Much of the M4C’s data collection is conducted by the field staff of the partner NGOs, while analysis and reporting are shared among the small MRM team and the Portfolio team. The project collects a great deal of qualitative information through direct observation in the field in the course of implementation of the activities. It share results and observations are shared and discussed at monthly team meetings, six-monthly reviews and an annual MRM meeting. The regional teams (including NGO field staff) also meet on a monthly basis. In addition, team members exchange information via Skype, telephone and e-mail. This all results in a rapid, free flow of information throughout M4C’s structure, contributing to the project getting quick feedback, particularly regarding innovative activities and structural/functional changes. It also contributed to the capacity development of staff members, particularly those working in close proximity to the beneficiaries.

MRM analysis, complemented by additional research in which the MRM team also plays a role, has contributed to the adjustment or revision of strategies and interventions, including through cost-benefit calculations when the project had to refocus due to a reduction in the Phase 2 budget. Other examples of the MRM contribution to the project development and implementation include to the shift from activities to sales targets in its partnerships with AICs, when results were found to be below expectations. When sales are below target, staff meet and support AIC sales staff to address the causes. An assessment of the livestock interventions in December 2017 resulted in an expansion plan for the livestock contractor programme, including a broader range of market actors.

In the finance intervention area, Early Signs of Impact Assessments showed that borrowers with access to information and inputs would be better able to repay their loans. This led to MFI partners accepting the benefits of assigning staff to initiate linkages between them and market players such as retailers and contractors, as well as to facilitate training⁴¹. This is now being piloted.

⁴⁰ For example, see «The Operational Guide for the Making Markets Work for the Poor (M4P) Approach», *op. cit.*, (from p. 39) and the DCED website, <https://www.enterprise-development.org/measuring-results-the-dced-standard/>.

⁴¹ Annual report 2017-2018, p. 7.

These examples indicate that the M4C team has made effective use of its MRM. The 2014 audit found that staff considered MRM to be part of their job⁴²; interviews for the current study confirmed staff consider it a benefit rather than a burden. That the chars were little-known territory may have made effective MRM and continuous learning from it even more important than in M4P projects in more developed markets.

Lesson for thin markets:

As thin markets are less well-known and therefore less predictable, good MRM and use of MRM data, frequent interaction among staff, openness about failure and continuous learning are even more important than in projects in developed markets.

Caution:

Good MRM does not consist merely of an Excel workbook with all the required sheets; informal, field-based observation and feedback is equally important.

Lesson 18

M4C's results were enabled in part by SDC allowing Swisscontact to adopt a flexible and adaptive management process.

SDC took a 'hands-off' role throughout M4C's implementation period and allowed Swisscontact to make crucial changes, including to the organisational structure and implementation approach. Swisscontact provided enough evidence-based justification for every

change, while the response from SDC was quick, allowing the project flexibility and timely adaptations. SDC also provided continuous oversight (including through the MTR) and counselling, which also contributed to effective implementation.

Although SDC had committed to M4C for eight years, the fact that the project was divided into two phases created some uncertainties which affected its management and planning. Phase 1 focused only on reaching its specific phase targets, without developing strategies for the longer term. This factor, along with the Phase 2 budget cut, and pressure to achieve quite a number of short-term targets, contributed to discontinuation of some of the more time-consuming interventions which required a longer-term commitment, particularly those with public agencies. If flexible targets for the entire eight-year period had been set from the beginning, M4C might have continued with some of these interventions, with enduring results.

Lesson for thin markets:

Donors need to provide projects with sufficient strategic and implementation flexibility, offer a long-term commitment, and ensure that projects are less driven by short-term targets.

Caution:

Long-term implementation without results may create uncertainty among donors, and even anxiety among project staff regarding the effectiveness of their efforts. There needs to be a balance between interventions which achieve short-term results and those which will deliver high impact in the longer-term.



⁴² Auditors' Report, M4C/DCED Standard for Results Measurement, 23 December 2014, p. 13.



CONCLUSION

06

M4C's experience of working in the thin markets of the chars has yielded a number of lessons applicable to thin markets. Its strategy and interventions have evolved significantly over the years, based on better knowledge of and experience in the char market systems, and of its partners, particularly in the private sector. This has increased its effectiveness and the potential for sustainable change at scale.

While it may be true in the abstract that the challenges in thin markets are "not so different from those in other markets, but more intense"⁴³, M4C's experience demonstrates that more severe constraints may require qualitatively different interventions.

The way M4C's partnerships with AICs evolved is the most obvious example of this. The conventional M4P approach of stimulating demand through short-term contracts with AICs which cost-share promotional activities did not address the issue of lack of distribution channels. The realisation that this was ineffective led to a change in partnership modality which was long-term, focused on and rewarded increasing sales, and provided intense guidance to its partners from project staff.

The 'contractor' model is another instance where thin market conditions forced the project to depart from the usual M4P approach. The lack of incentives for agro-processing firms to source directly from the chars forced M4C to focus on small, local level actors to improve farmers' access to markets. While the approach has limitations in terms of sustainability and scalability of the model itself, it did result in improved relationships among market actors both on and off the chars, while market access to farming households improved.

The extensive research that M4C carried out in order to lay the groundwork for its interventions was also unusual for an M4P project, and was critical to engaging AICs and MFIs in entering the chars for the development of distribution channels and of contractors.

The way DRR has been integrated into partnerships with AICs is in particular a good instance of how M4C adapted interventions within the exceptional context of the chars.

Finally, most M4P projects do not implement their work by partnering with local NGOs, but through professional M4P facilitators. In contrast, M4C's local NGO partners were critical to its success; at the same time, the collaboration has changed the way these NGOs view their own role in economic development.

Each of the lessons put forward in this study should be considered as a recommendation for donors and implementers. The most important consideration, and the most specific to thin markets, is that in comparison to other M4P projects, thin market projects are those which:

- require a more flexible design and more flexible implementation modalities, and a donor which supports this. This is because of the many unknowns in a thin market and the lack of M4P experience to build on;
- may benefit from a complementary assets transfer programme, such as CLP, where levels of extreme poverty are high. Such programmes increase households' ability to make use of the new market opportunities that an M4P project creates.
- need a longer time horizon, longer-term strategies and less pressure to achieve short-term targets, so as to achieve sustainable large-scale change, in particular (but not only) if such change aims to include the public sector;
- offer greater potential to create relatively quick and lasting impact. This can be achieved by working in intervention areas which complement each other in terms of addressing inter-related constraints in the market system (where, in thin markets, most basic market functions are not being fulfilled);
- may have to invest in more upfront research to fill the data gaps which are likely in thin markets. Such research is a crucial basis for intervention design and implementation, and for establishing partnerships;
- may need to experiment more to establish what works and what does not.
- require more intensive partnerships, providing increasingly varied support based on understanding of partners' long-term strategic business goals and long-term partnership contracts, and the commitment needed to achieve them. The usual 'light-touch' M4P approach to facilitation is unlikely to be sufficient.
- may need to accept that in the absence of incentives for lead firms, local market actors might need to be developed, even though not all aspects of the business models that the project introduces to them may be sustainable and project replication may be the only way of reaching scale. For example, not all aspects of a contract farming model may survive after the project exits, but improved trust and relationships between producers, local traders and large buyers could continue.
- may need to develop partnerships (both for implementation and to enable the development of new services) with local NGOs which have local knowledge, networks and a commitment to their own locality, rather than with M4P co-facilitators and national service providers. As a result of collaboration, these NGOs might also adopt the principles of the M4P approach, creating scope for improved impact beyond a project's duration.
- may require a more decentralised project setup, which ensures proximity to the often-remote target areas without sacrificing the need to work with national level partners.

⁴³ Ashley Aarons, moderator, BEAM Exchange Webinar 1 on facilitating change in thin markets.



