Facilitating change in thin markets - engaging the private sector in remote areas

A BEAM Exchange webinar
16 September 2015, 2pm BST
The webinar

- Why are we all here?
- What are thin markets?
- A bit more on the programmes
- Challenges faced collaborating with businesses in thin markets
- How are these challenges being addressed?
- Questions and Answers
Why are we here?

- Increasingly working in difficult environments
- What is good practice?
- What is feasible?
- Above and beyond (this webinar)
- Votin’ time
- Meet the speakers
Meet the speakers

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What are thin markets?
Thin markets:

- General conditions
- Infrastructure
- Distances
- Costs
- Prices
- Diversity
- Migration
- Quantity of goods and services

Demand - Supply
Expensive transport limits smallholders’ competitiveness

- Kinshasa, the main market for smallholders in Equateur Province of DRC can only be reached by river transport.

- For traders of agricultural goods physical distance, high fuel costs and rent extraction make transport expensive and risky.

- Expensive transport limits demand for agricultural products and thus reduces incentives for farmers to produce. Many remain subsistence farmers.
Thin and Nascent Markets

• Markets that would have low turnover and good potential for growth with focused development support are referred to as thin markets.
• Those markets are very often nascent and being least developed in the market spectrum for a certain product or service:
  – Often remote;
  – With small number of formal businesses;
  – In early stages of market actors and market rules development;
  – Facing lack of business development support services and infrastructural linkage

Nascent markets do not necessarily and constantly face demand/supply problems, so can be either thin or thick at times; rather the lack of supporting systems is inhibiting their growth.
A bit more on the programmes ...

Supporting the development of markets in the Democratic Republic of Congo

Making markets work for poor men and women in DRC

The Democratic Republic of Congo (DRC) has experienced a recent economic resurgence, with GDP growth reaching 7.2% in 2012 and 8.2% in 2013. However, although growth is recognised as one of the main determinants of poverty reduction globally, not all economic growth is beneficial and inclusive. In DRC, the poor still face an economic growth, and most of the population’s national poverty rate estimated at 71%.

To address this challenge, the Department contracted us to design and implement a programme we have named ELAN RDC, meaning “investment in lasting and widespread improvements in which poor men and women participate and work.”

About PRIME

PRIME (Pastoral Areas Resilience Improvement through Market Expansion) is a five-year project led by Mercy Corps Ethiopia in partnership with international and local organizations. Funded by the United States Agency for International Development (USAID), PRIME focuses on selected districts of Ethiopia’s Afar, Oromiya and Somali Regions.

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Important Links

- USAID Ethiopia
- ILRI
  - http://www.ilri.org/
- FAO
- Feed the Future Ethiopia
  - http://www.feedthefuture.gov/country/

Rural Markets

In Bolivia, small-scale rural producers have limited access to rural markets and services. The project, to be carried out by Swisscontact and Profin (Foundation for financial innovation) and other partners, aims to increase the income of 12,000 production units (at least 40% women) in the Western region by linking them to markets and services, taking advantage of favorable policies and public-private investments.

<table>
<thead>
<tr>
<th>Country/region</th>
<th>Topic</th>
<th>Period</th>
<th>Budget</th>
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<td>Bolivia</td>
<td>Agriculture and Food Security Labor market development Financial inclusion (global &amp; policy level)</td>
<td>01.03.2013 - 31.12.2017</td>
<td>CHF 11’490’000</td>
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Background

With a population of 10 million inhabitants, Bolivia is still among the countries with the highest indices of poverty and inequality. Poverty is 64% in the rural area and 41% in urban areas.
Pastoralist Areas Resilience Improvement Through Market Expansion - PRIME

Complex $62m, USAID funded five years project
Objective: Reduce poverty and hunger and increase resilience to climate change
Implemented by Mercy Corps led consortium of 10 NGOs and Universities
Guiding Principles

- Market-led facilitative approach
- Striving to achieve scale
- Innovation, learning & evidence based
- Responsive to the context
- Gender integration
- Multi-Stakeholder resource management
- Improving household nutrition
Components

1. Increase productivity and competitiveness in the livestock and livestock products markets;
2. Enhanced pastoralists adaptation to climate change;
3. Improve alternative livelihood options for people Transitioning Out of Pastoralism;
4. Enhanced Innovation, Learning and Knowledge Management;
5. Nutrition status of HHs improved through evidence-based interventions

- Innovation and Investment Fund
- Crisis Modifier Interventions
- Increased access to finance
Rural Markets project in Bolivia

- Bolivia, South America
- Implementation by Swisscontact (leader of consortium) together with the foundation PROFIN, and together with 4 national co-facilitators
- SDC-financed
- USD 11.5 Mio for phase 1
- MSD (M4P) approach
Pilars of the project

Inclusive Markets Development

Development of and Access to Markets
Development of and Access to Financial Markets
Improving Business Environment

Economic Empowerment of Women and Regional Development
Where do we work in Bolivia....
Dairy in the Altiplano of Bolivia:

• Around 4.000 metres above sea level
• Rough climate and arid soils
• Disperse settlement patterns
• Poor infrastructure
• Land ownership:
  — smallholdings and patchwork
• Low level of technology
• Migration
• Informal markets
ÉLAN RDC aims to improve the way markets work in the DRC in order to increase the incomes of over a million low-income men and women by 2020.

We partner with and provide expertise to market actors, such as businesses, financial institutions and industry associations.

ÉLAN RDC designs and facilitates the introduction of sustainable and innovative industry changes that will build a more efficient and inclusive economy.
4 pillars: agro-inputs, market access/development, access to finance and business enabling environment.

In Equateur Province, for example, we motivate agro-input providers to invest in market opportunities and facilitate cocoa export through collateral management agreements.

River transport is a flagship activity of ELAN RDC. The envisaged market system change is to boost sales of agricultural products through improved trader-transporter coordination.
The biggest challenges faced ...
Nascent market actors want and have market opportunity to grow BUT;
Financial markets they face are nascent;
Financial services are low due to lack of appropriate saving and lending products and poor financial literacy of the market participants;
Financial Institutions are risk averse and focus on low risk products: social transfers, salaries and remittances;
Sharia compliant banking services nascent
One of the biggest challenges....

Engaging with a lot of stakeholders and managing deep-rooted “expectations of direct support”
Lack of trust

- In river transport, and, connected, production and aggregation of staple crops, mistrust causes fragmentation and unequal access to information.

- Farmers sell to fragmented traders.

- River transporters do not know where they are needed.

- Result: Shortage of boats, rotting products, high risk, low prices.
How are these challenges being addressed?
Support increased access to finance through local banks/MFIs/RUSSACOs and VSLAs;

- TA to MFIs and Banks for developing appropriate banking products for the context;

- Work with small business grantees on financial literacy;

- TA to make small businesses business bankable;

- Facilitate market linkages of supported small-business expansion grant recipients.
Addressing the challenge...

- Managing expectations
- Providing immediate benefits
- Trust building measures
Addressing the challenge...

- Engaging proactively with the public sector
  - Agreement
  - Working agenda
  - Nexus building
Improved supply chains - transport

- Vision: Viable logistic systems through information and advance agreements between traders and transporters and between traders and buyers.

- Private sector partners develop a new business model for advance contracting. Traders and transporters saw a win-win benefit from increasing coordination.

- The information on the produce of Basankusu traders is relayed via mobile phone to a trusted focal point. That person then calculates and relays the aggregate figure to a network of river transport operators to find a willing boat.
1) Groups of traders (association, cooperative).

2) (Individual) contracts between each trader/trader group and the river transporter.

3) Contract between traders association/cooperative and agro-industry (buyer).
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Resources