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# Is the market systems approach effective in thin/nascent markets?



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All blogs

**Lorenz Wild questions whether the approach and activities market systems practitioners use in thin versus nascent markets should differ.**

I'd really like to know the answer to the title question, and if it's 'yes', is the benefit worth the effort?

Writing this blog I feel I am supposed to have the answers, and I do have some but I am more interested in your thoughts!

I recently started the discussion, [thin markets, nascent markets, what are they?](#) in anticipation of a BEAM Exchange webinar series on [facilitating change in thin markets](#), because I believe there is a difference between thin and nascent markets, a difference that should matter to market systems practitioners.

**In my opinion, the difference between thin and nascent markets is that nascent markets do not face supply and demand problems; rather the lack of supporting systems inhibits growth.**

Markets that have weak support systems and supply and demand issues, should be considered thin markets. The livestock market system in Ethiopia's Somali region, for example, is inhibited by the lack of financial services, infrastructure, transportation, animal health services and other inputs – but not by a lack of supply or demand. There is constant sizable demand for livestock products from Middle Eastern markets and the Ethiopian Somali region is one of Ethiopia's leading regions in livestock sales, especially of sheep, goat, and camel.

In comparison, the market system for fish in Borena, in Ethiopia's Oromia region, in addition to support system issues, has serious supply issues – which in the near/medium-term, will not change.

Thus, the approach and activities market systems practitioners use in thin versus nascent markets should differ. There may even be some markets that would not be worth the effort or cost to work in if supply/demand challenges are too great. Perhaps these markets are thin beyond our abilities?

Do you agree?

A recent [Learning Brief from Mercy Corps' PRIME project](#) in Ethiopia looks at how the market systems development approach can be customised to work in thin/nascent markets. In a nutshell, my opinion is that best practices for facilitation do not always work well in thin/nascent markets and therefore need to be adjusted accordingly. Below I list a few examples from the learning brief:

*\* Broadly speaking, the term 'developing market' is differentiated here with 'nascent markets': 'developing markets' are further along in development.*

- **Expanded use of cost-shared subsidies.** Developing market\* projects may only provide technical assistance and linkage support to a business, while nascent-market projects may support the expansion of a business by sharing the costs through a grant, or do so more intensely
- **Pilot support intensified.** Quick, small pilots test the response of the market before expanding the activity. Compared to developing-market projects, pilots on nascent-market projects may include more support to the business in terms of technical advice, capacity building/training, and financial support
- **Appropriate expectations.** Due to the challenges in nascent markets, activity outcomes and impact may take more time to be visible. It is therefore essential to set the right expectations internally and share with external stakeholders, such as donors and the host government
- **Supporting businesses crowding-in.** Nascent markets are characterised by few existing businesses that have the potential for fast crowding-in. Success is swiftly replicated but not always done correctly. In developing markets, support is not needed to new actors who are crowding-in, while in nascent markets, support to early players crowding-in will ensure that the successes gained are lasting and contribute to strengthening the system
- **Proactive outreach.** Nascent markets require a more pro-active and flexible approach than developing markets where simple tendering processes can be used. Field staff must spend more time in the field searching for firms and also have some flexibility around selection criteria.

- **Enabling environment support.** Projects in nascent markets may have to invest in research and assessments that can be shared with market actors, build the capacity of local government service providers, and provide more intense support to business service providers focused around high-potential sectors.

To help answer the question on whether the market systems development approach is effective in thin/nascent markets, BEAM organised a [webinar series](#) with Sven Gehlhaar (Rural Markets), Philipp Lehne (ÉLAN RDC), and Jeton Starova/Netsaalem Bahiru (PRIME Ethiopia). The first webinar looked at the challenges faced by practitioners in thin/nascent market development, focusing on access to finance, engaging with many stakeholders and managing deep-rooted expectations of direct support, and lack of trust between market actors. The second webinar focused on strategies for crowding-in other businesses, and working with other market actors.

After listening to both webinars, I came away convinced that the three market systems development projects in thin/nascent markets presented were effective. However I may be biased, as I am working for Mercy Corps' PRIME project in Ethiopia. While the three projects were effective, in general is the market systems development approach effective in thin/nascent markets? And if yes, is the benefit worth the effort? And finally, do you agree with what I've suggested are thin/nascent markets?

I look forward to your hearing your thoughts, having my opinions challenged, and engaging in discussion with you. Join the discussion on [LinkedIn](#).

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See also: [Programme snapshot on PRIME Ethiopia](#)