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Approaching markets in rapidly growing cities: What makes them different?



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Markets are not especially rural, but market systems approaches have tended to be. Is there something about cities that makes a market systems approach less suitable?

The short answer is: only if it ignores the specifics of city systems and their markets. Of course cities all have their peculiarities, but there are some common features that makes cities and urban contexts unique and are worth keeping in mind when trying to get urban markets to work better for poor groups. We recently wrote a [paper](#) where we explore the implications these features may have for market systems programmes and draw some lessons for adapting these programmes to city settings.

Agglomeration and the urban land nexus are the two commonly characteristics mentioned to describe why cities or urban setting are unique. City systems exert a pull on people and enterprises, not primarily because of where the cities are, but because of the benefits the 'agglomeration' of people and enterprises can generate. Along with benefits, agglomeration also creates crowding as more and more people value being close to the action, with negative as well as positive spillover effects. City systems however, often struggle over location, space and the

distribution of people, enterprises, activities, physical structures and infrastructures across the 'urban land nexus'. The benefits of cities cannot be secured just by crowding a large number of arbitrarily selected people and enterprises into a city-sized space. They depend on how people and enterprises sort themselves, or are 'sorted', into suitable locations. This sorting is often mediated by markets. Both the agglomeration and the distributional outcomes affect and reflect the qualities of urban markets, but also involve interactions and collective efforts that circumvent markets, but are integral to a city system's dynamics.

Agglomeration and the urban land nexus help explain how cities emerge and how they continue to develop. The benefits of being in proximity to others drive people to move to cities, while the costs or negative spillovers of proximity provide a counter-drive. Together, along with other factors, they keep cities emerging and evolving over time as open, driven systems that never reach a true equilibrium.

Rapid population growth in the city systems of low and middle income countries, resulting from both high overall population growth rates and urbanisation, can make the sorting of people across the urban land nexus particularly challenging. Authorities rarely want to plan for or encourage such rapid growth. Partly as a result certain groups - including low-income urban residents, untrained rural-urban migrants, and especially women within these groups - are put at a disadvantage when it comes to accessing the benefits of urban agglomeration. The livelihood opportunities of these groups ends up being informal, and does not conform to official plans and regulations. The markets that operate in urban informal settlements and economies often demonstrate the ingenuity of their residents and workers, but also create problems for them - and opportunities for well-conceived market systems approaches.

One of the challenges facing urban residents in the informal settlements often include unavailable public services and the unaffordable private alternatives. Water provides a good example of the issues involved. On our paper, we explore the case of the urban water market in Manila, where public and private actors experimented with more integrated city-wide systems with surprisingly positive outcomes, even in informal settings. Government regulation and planning plays a larger role on urban settings, and understanding how to enhance urban agglomeration and reduce congestion are central to good urban planning, and need to be part of urban market systems approaches.

As well as informal settlement is an emergent property of urban systems in most countries, so is the informal economy. It includes economic activities that lie outside the purview of official regulation, whether because the regulations do not apply or through some combination of weak enforcement and evasion. The other example explored in the paper is one of informal enterprise and innovation in the urban charcoal stove market in Nairobi. Informal urban markets are effective at revealing

the capacities and needs of disadvantaged urban groups, and offer new partners or opportunities for market systems practitioners to work with, but bring their own challenges

The point of the examples is not for the successful innovations to be copied, rather to show a different way of working and to provide relevant lessons for other market innovations in cities.

The specific features of cities have implications for the way that market systems practitioners understand urban systems and analyse, design and implement their programmes. Given the high degree of interconnectedness and the dynamic nature of urban systems, with unforeseen (and unpredictable) side effects of actions, complexity-informed analysis should favour demonstrating how patterns emerge over making assumptions about which systemic features cause which other features. It also suggests an iterative and participatory approach to constructing and mapping urban systems, in dialogue with system actors.

The **paper** tries to develop some rules of thumb for applying a market systems approach in cities in urbanizing countries, meant as a set of heuristics rather than a 'how to' guide. First, we try to adapt some common heuristics from market systems approaches to city settings. What does it mean to be experimental in the city, to work with the grain of the market when possible, to align business models to more desirable outcomes, to look beyond targeted changes, and to work with a range of market, public and civil society weaknesses? Second, we try to develop more specifically urban heuristics that respond to the benefits and costs of urban agglomeration, take advantage of urban informality, and increasing the influence of (organised) informal settlement residents and informal economy workers.

In short, the **paper** offers a framework to understand certain key features of cities in urbanising countries, and a series of rules of thumb, backed by examples, to help inform the responses of market systems practitioners.