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Towards a more inclusive approach to Market Systems Development



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How can development practitioners get business and markets to work more effectively for people living in poverty?

To generate sustained change for the world's vulnerable farmers we must try to understand how market systems respond to the commercial incentives that drive them. Only by revealing the value of poor farmers as market actors can we create change that takes on a life of its own. Critically though, we must also ensure that those currently excluded are not, after interventions, still excluded from a market system with improved functionality.

The question then for development practitioners is how businesses and markets can better include and benefit people living in poverty. This is central to the [market systems approach](#) and why World Vision has a portfolio focused on Inclusive Market Systems Development (iMSD).

In recent years, the market systems approach has become a key feature of Australia's aid programme through the Department of Foreign Affairs and Trade (DFAT). Some of DFAT's first market systems programmes are now entering second phases and several new programmes are commencing. They span a wide variety of geographies and economies, from the more developed market systems of South and South-East Asia to the relatively 'thin' and nascent markets of Timor Leste and the Pacific.

World Vision today, through the publication of our Policy Paper on Inclusive Market Systems Development, highlights how these types of market-based interventions

deliver promising results, but are often focused only on macro forces and are targeted only at system-level change. In the process, such programmes can neglect to build the productive capacity of the most marginalised so that they are able to participate in the improved market system.

Lessons from World Vision's experience

World Vision Australia, through its own experience in economic development programming, has found that unless market based interventions are intentionally inclusive, they will only reach market-ready individuals i.e. experienced participants in market systems.

World Vision's market systems work in Indonesia is a prime example. World Vision holds a Co-Facilitator (implementation) role in the Australian Government DFAT's Promoting Rural Income through Support for Market in Agriculture (PRISMA) project, under the Australia-Indonesia Partnership.

World Vision's team of national staff, in collaboration with [World Vision Australia's Social Entrepreneurship and Economic Development Unit](#), worked closely with the PRISMA staff and their technical lead (Swisscontact) throughout the design and early implementation of the project. Using the [DCED standard for design and results measurement](#) the project team constructed an effective set of high level market system interventions, each designed in conjunction with a selected private sector partner.

As the PRISMA 1 facility winds down World Vision has commenced a new project with a more flexible funding source in order to complement our indirect market system interventions with direct investments in productive capacity building to broaden market participation. In 2017 World Vision invested \$4 million over four years from our allocation under the [Australian NGO Cooperation Program](#) into a new market systems development programme in the NTT and Sulawesi provinces of Indonesia. The sub-sectors are the moringa tree and maize.

The MORINGA project leverages the capacity that World Vision Indonesia developed through its involvement in the PRISMA programme, with the original project staff taking on more senior positions within the organisation and taking up graduated roles in the new project.

While 10,000 households have been reached so far with World Vision's PRISMA interventions and 4,000 households are showing a measurable increase in income, the team felt restricted by being limited to the outreach of the private partners alone. In this new project, with a more flexible funding source, the team is designing parallel initiatives to complement the market system interventions. The initiatives to be explored will include subsidised facilitation and even direct provision of training

and linkages in an attempt to reach more vulnerable and remote farmers more quickly than we could with the pure market system interventions alone.

Towards a more inclusive approach

Inclusive market systems are those that involve and benefit a range of actors including poor and marginalised groups (such as remote populations, women, youth, the ultra poor and people with a disability) who are often not included – or even exploited – by traditional market systems.

To build inclusive markets, World Vision Australia's approach – what we call Inclusive Market Systems Development (iMSD) – focuses on working with our private partners as well as working directly with farmers and farmer groups when it's needed. Our approach involves both indirect business-focused facilitation to improve the functionality of markets and direct farmer-focused facilitation to broaden market access and participation. The latter farmer-focused aspect is important to build the productive capacity of people who are normally excluded from market systems so they can engage in and benefit from economic activity.

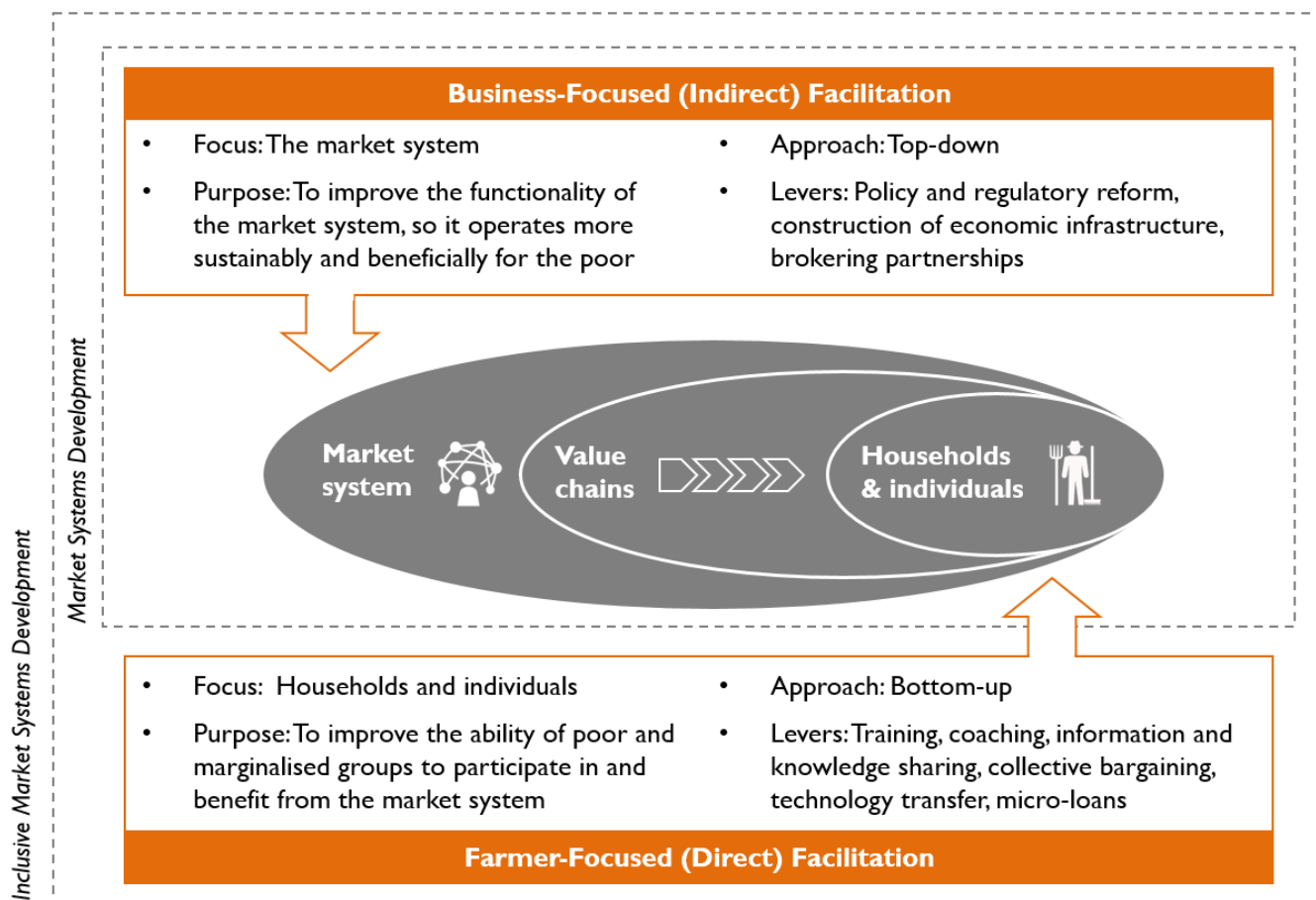


Figure 1: a visual illustration of the push/pull approach

Figure 1 is a visual illustration of the push/pull approach, perhaps best expanded in the [LEO framework for a push/pull approach](#). The figure illustrates the value of both indirect/top-down and direct/bottom-up interventions to make markets more inclusive.

This inclusive approach to Market Systems Development draws on the work of our peers in the sector. But has also evolved from more than a decade of World Vision's experience in value chain programming across 38 countries. This includes its involvement in large facilities such as PRISMA and the World Bank's Productive Partnerships in Agriculture Project in Papua New Guinea.

From working on the ground with producers and among their market systems, we recognise that the poor and marginalised face unique challenges. These include:

- > greater vulnerability to risk
- > lack of information
- > limited business skills
- > fewer resources
- > greater barriers to finance
- > fewer relationships with people who are upwardly mobile

These additional constraints often hinder poor and marginalised groups from accessing opportunities that are traditionally created through Market Systems Development projects.

Under our iMSD portfolio World Vision is committed to unlocking the poverty reduction potential of micro, small and medium-sized enterprises in developing countries. We do so by combining the essential elements of large-scale public and private sector interventions in markets with our ability to leverage the equally important imperative of community access. This access enables us to work with marginalised farming families to build their productive capacity so that they may participate more fully in an improved market system. This more holistic approach will help ensure the benefits of improved markets reach those who need them most.

For the full analysis, see World Vision Australia's report [Inclusive Market Systems Development: sustainable growth for everyone](#).

About the authors

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