

Market analysis

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Identifying market failures

Markets are not perfect entities. They can be places of corruption, dispute and unfair practices. Market system approaches seek to tackle these failures to make markets more inclusive for poor people.

Systems, power and agency in market-based approaches to poverty

Use systems thinking, power/agency, and dexterity to ensure significant change.

Categories of market failure include market systems that are technically functional but only benefit vested interests, and market systems that are thin or non-existent. When markets function but benefit few people, market failure is a symptom that something else is wrong. Common examples include monopolies, concentration of market power, and coordination failures. In this scenario, analyse the deeper causes of market failure and work with local partners to change behaviours.

Market failures and what may be done about them

A list of market failures and the corrective action required.

Development agencies new to market systems approaches often focus on addressing these types of market failures by seeking to build consensus between various market actors. For example, organisations often bypass local traders and establish contract linkages directly between producer organisations and large buyers. These types of heavy handed interventions should be avoided as they can

A thin market, alternately, tends to be a catch-all term for situations with very few buying or selling offers. These markets could be found in conflict and post-conflict situations, emergency disasters, and stunted markets in which there is limited or distorted private sector activity.

✍ **On market failures - perhaps you are too close**

Understand the broader causes and contexts of market failures.

If you are working in a thin market and think there is no one to work with, the **M4P Operational Guide** advises to 'look again'. Markets can work in subtle ways, transactions could be conducted informally, or the market may not have a consistent physical location. If you still think there is 'nothing going on', reconsider what your approach can realistically achieve as well as other types of 'push' tactics that don't fit the standard definition of market facilitation.

A framework for a push/pull approach to inclusive market systems development

A market-oriented, pathways-based approach to poverty reduction

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