

Intervention stages

04

Thin markets

According to the [M4P Operational Guide](#), a thin market exists, "where limited numbers of investors and entrepreneurial firms within the economy have difficulty finding and transacting with each other at reasonable costs." For example, in the Karamoja region of Northern Uganda there are numerous livestock producers, however, market transactions are limited as cattle are deemed to be a household asset. This type of market poses significant challenges both in terms of who you work with, and how you work with them.

In a thin market, your choice of partner can be limited. There may only be one supplier or buyer to work with. In this case, consider the following options:

- Look for outside players who might be supported to expand into your area.
- When faced with a single, dominant player you might attempt to lower barriers to entry in order to create competition. If this isn't realistic, you will need to focus on strengthening supporting functions or rules that restrain anti-competitive behaviour and protect disadvantaged groups from exploitation.
- Related, be wary of only working with the sole supplier.



Facilitative approach for nascent markets

Detail on how to intervene in early-stage markets.

Once a partner is identified in a thin market, the principles of facilitation outlined in [Facilitation](#) still apply. However, these principles need to be understood with a pragmatic lens to market realities. Consider the following:

- **Expanded use of cost-shared subsidies.** You may have to support the expansion of a business by sharing the costs through a grant, or do so more



- > **Intensified pilot support.** Pilots in thin markets may include more support to the business in terms of technical advice, capacity building/training, and financial support.
- > **Appropriate expectations.** Activity outcomes and impact may take more time to be visible. It is therefore essential to set the right expectations with donors.
- > **Supporting businesses crowding-in.** Given the lack of market players, it is important to not only support first-movers but also any emerging competitors.
- > **Proactive outreach.** Field staff must spend more time in the field searching for firms and also have some flexibility around selection criteria.
- > **Enabling environment support.** This means building the capacity of local government service providers, and providing more intense support to business service providers focused around high-potential sectors.



Making the input supply market work for the poor

A detailed case study of a successful inputs intervention in a thin market.

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