



# Facilitative Approach for Nascent Markets

## BACKGROUND

Mercy Corps believes that “in a market-development approach, facilitation seeks to catalyze a market system (all the elements of the market) while remaining outside that market system.”<sup>1</sup>

USAID agrees and adds that “market facilitators work to stimulate markets to evolve in a way that increasingly involves and benefits both the producers and the businesses without becoming a part of the market themselves. They seek to catalyze ongoing pro-poor market improvement, while keeping ownership firmly among market actors and avoiding dependency”.<sup>2</sup>

To build resilience of pastoralists, agro-pastoralists, and people transitioning-out-of-pastoralism (TOPs) of Ethiopia’s dry-land communities, Mercy Corps’ Pastoral Areas Resilience Improvement Through Market Expansion (PRIME) project, strengthens the systems within which vulnerable households operate. The project does so using a facilitative approach, by integrating activities, and appropriate ‘push-pull’<sup>3</sup> strategies.

### Principles of Facilitation<sup>4</sup>

- Work through entities, whether local, regional or international, that will own the process. Don’t provide services directly to end-beneficiaries.

- Partners and beneficiaries must contribute resources as possible and be in the driver’s seat. Don’t provide a “free-lunch.”
- Keep in the background and let partners lead and take credit. Don’t take the credit yourself.
- Set clear expectations and boundaries in partnerships with entities. Make a clear offer when the time comes. Don’t be vague.
- Work with key actors, influencers, innovators/early adopters that have good history, upwards momentum and appropriate scale. Don’t give in to the pressure to be “all-inclusive.”
- There is no “right” way to do facilitation. Success depends on your understanding of the context and partners.

If done correctly, the facilitative approach will result in local ownership of demand-driven activities that are sustained beyond the project timeline, scaled/replicated, and resilient (naturally evolving and adapting to stresses/shocks). In turn, this leads to increased impact of development objectives.

<sup>1</sup> [www.mercycorps.org/sites/default/files/Tip%20Sheet%207%20Facilitation.pdf](http://www.mercycorps.org/sites/default/files/Tip%20Sheet%207%20Facilitation.pdf)

<sup>2</sup> [www.microlinks.org/sites/microlinks/files/resource/files/Being\\_Market\\_Facilitator\\_Guide.pdf](http://www.microlinks.org/sites/microlinks/files/resource/files/Being_Market_Facilitator_Guide.pdf)

<sup>3</sup> Broadly speaking, “push” refers to building the capacity of individuals to engage in markets and “pull” refers to improving access

<sup>4</sup> Adapted from “The Offer Arsenal”: [www.seepnetwork.org/filebin/pdf/facilitation\\_tools/EWB\\_The\\_Offer\\_Arsenal.pdf](http://www.seepnetwork.org/filebin/pdf/facilitation_tools/EWB_The_Offer_Arsenal.pdf)

## Is facilitation for everyone?

*No, but it is definitely the most appropriate for market development activities. Climate change adaptation, emergency response, education, and workforce development activities, to name a few, will face some limitations in terms of the facilitative approach and will likely have to include higher levels of direct implementation than a pure facilitation approach would prescribe. Nonetheless, using a facilitation approach even for these areas can be very useful to ensure impact and sustainability of project activities.*

## What is a nascent market?

Nascent markets are those least developed in the market spectrum—they are market systems within a specific geographic area, often remote, having a small number of formal businesses of which most are micro- to small and with high risk aversion. They are in early stages of development both in the aspect of consolidation of market actors and market rules. The areas where they operate are characterized by slow economic growth, slow rate of change, poor enabling environment and lack of business development support services such as transportation, finance or technical expertise. Nascent markets do not face demand/supply problems; rather the lack of supporting systems is inhibiting growth. Markets with similar issues, in addition to demand/supply issues, should be considered as “thin markets”.

As such, facilitation in these types of markets requires additional considerations beyond the main

principles of facilitation. The question is, “how can an approach, based on the idea that initiatives are implemented by local actors, like the private sector, be successful in an environment that does not yet have many players in the market that could participate, replicate, innovate, and crowd-in?”

## Facilitative Approach in Nascent Markets

Broadly speaking, the facilitation tools fall into the following four categories, though not all will be used in every project: (1) facilitating linkages, (2) building capacity (through local service providers when possible), (3) buying-down risk providing cost-share or smart-subsidies, and (4) enabling environment support (research/policy).

Though the principles of the facilitative approach do not change in nascent markets, the work must focus on:

- **Facilitating business expansion of established market players.** As nascent markets are characterized by few existing businesses within a given sector, additional emphasis must be placed on encouraging existing entrepreneurs from other regions to expand into “new” markets. For example, in Ethiopia this could mean facilitating the movement of businesses from the highlands to expand their services (i.e. retail outlets for solar products) into the lowlands. Care has to be taken on any political sensitivity with this approach as well as making sure that any monopolistic behavior is not encouraged.
- **Emphasis on linkages.** Besides facilitating the movement of existing businesses from other regions into the thin market region, projects working in nascent markets may also need to emphasize creating linkages between businesses inter-regionally.



- **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. Cost-shared business expansion grants and vouchers should remain one-off interventions with a specific time bound purpose of expansion, promotion, adoption of new technology or practice and that does not create long term dependency on the subsidy, but rather support acquiring new competitive level.
- **Pilot support intensified.** Like developing-market projects, an important tool for nascent-market projects using the facilitative approach, are quick small pilots to test the response of the market before expanding the activity. These pilots on nascent-market projects may include more support to the business in terms of technical advice, capacity building/training, financial support than developing-market projects.
- **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 for external stakeholders like donors and the host government.
- **Supporting businesses crowding-in.** Nascent markets are characterized by few existing businesses but have the potential for fast crowding-in. Success is swiftly replicated but not always done correctly. While in developing markets no support need be provided to new actors who are crowding-in, 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.

## Nascent Markets: an example of pastoral Ethiopia\*

Ethiopia's lowlands are characterized by low levels and irregular rainfall. Roughly 83% of the population in these areas is either pastoralist or agro-pastoralist whose wealth status, health and resilience are closely linked to the number, health, make-up and productivity of their livestock. These mostly rural areas, with large distances between communities and services, are highly dependent on seasonal rainfall and the livestock value chain which is built around the fattening and sale/re-sale of livestock in rangeland pastures. Increased irregularity of rains, population growth, and mismanagement of natural resources have placed great stresses on the environment and lead to conflict and a slow but steady transition out of "pure" pastoralism of those households that can no longer support themselves as pastoralists (now about 17%). Government services are sparse and poorly funded; rule of law is weak; infrastructure like roads, electricity, and cellular networks are nascent; access to finance and other business services are limited; most businesses are informal and small; and years of hand-outs have contributed to a market that still in a, nascent stage, yet has amazing potential.

\* Statistics cited in this section are from the 2014 Annual Survey on PRIME households in Afar, Oromia and Somali regions.

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

## PRIME's Facilitation Efforts

PRIME's ultimate objective is to build resilience of vulnerable pastoral, agro-pastoral and TOP households to shocks and stresses by strengthening markets. In order to ensure that results are lasting (beyond the project timeline), scalable/replicable (by others), and durable (naturally evolving and adapting to stresses/shocks), PRIME facilitates linkages; provides smart-subsidies; builds capacity of local service providers and groups, like milk collectors, private veterinary providers, rangeland councils, agricultural input suppliers, and village savings and loan associations; and conducts research to facilitate policy shifts in order to strengthen the business enabling environment.

## Challenges and Solutions

While PRIME believes facilitation is the best approach to reach its objectives in the nascent market environment, the path is not easy—here are some challenges and solutions we have found worked in addressing them:

*You can't force partners to respond to offers/incentives.* PRIME learned that the approach and expectations needed to be clearly outlined before initiating an activity. For example, small business expansion grants can be made available but it doesn't mean businesses will apply. Getting to know potential applicants, establishing a relationship, and clearly outlining the approach and expectations, before tendering a grant opportunity to be able to gauge interest and capacity beforehand, was identified as a way to mitigate this challenge. Conducting participatory planning to ensure stakeholder buy-in also contributes to this. The project also bases activities on solid understanding of the needs on the ground through assessments (i.e. EMMA) and monitors changes to ensure follow-on activities take them into consideration. For grants, a minimum 50% cost-share is required.

*The market systems on the ground change constantly.* What worked last year may not work in exactly the same manner this year. Systems are not "islands", they are affected by external events such as global food prices and policy changes (or changes in the interpretation of said policies). PRIME found the solution to this challenge in its use of Adaptive Management tools and principles, such as the Concept Note System, 100% flexible budgets and work plans, continuous monitoring of activities, and a culture of learning.

*Smart subsidies may not always have the intended effect/impact.* Finding the right balance between "enough incentive" and "too much incentive" (which could distort markets and result in other undesirable outcomes), is part art and part science. PRIME starts with understanding the context through research, assessments and observation, followed by pilots, which if successful, are then scaled. We then closely monitor activities and make necessary changes during implementation or follow-on activity.

*Local partner NGOs are new to the facilitation approach and are more comfortable with the traditional "direct service provision" model.* To overcome this challenge, PRIME's Technical advisors have provided refresher trainings, role modeling and exposure to technical workshops to local NGO staff, as well as the opportunity to be part of exchange trips where teams from more successful regions share their best practice experiences. PRIME also uses a "concept note system" through an online platform designed to encourage decentralized decision-making and sub-activity design/implementation.

*External stakeholders and project participants are new to the facilitation approach and are more comfortable with the direct service provision model.* In order to get support from local governments, PRIME continually communicates its approach to its stakeholders through meetings and workshops and joint monitoring, empowering field staff to thoroughly explain and champion the approach, while showing examples of successful community members who have benefited from PRIME.

## Examples of PRIME's Facilitative Approach by Technical Component

| Facilitation tools                 | Economic & Market Development   | Climate Change Adaptation   | Nutrition & Behavior Change   |
|------------------------------------|---|---|---|
| Smart Subsidies                    | <ul style="list-style-type: none"> <li>Competitive cost-shared business expansion grants</li> <li>Trade fair vouchers for products new to the market</li> <li>VSLA-private sector provider stipends</li> <li>Cost-share for product development</li> <li>Scholarships for people transitioning out of pastoralism to attend vocational training institutes</li> </ul>   | <ul style="list-style-type: none"> <li>Cost-share for natural resources rehabilitation, supporting rangeland management councils' dialogues to strengthen governance</li> <li>Supporting pre and post-harvest assessments</li> </ul>  | <ul style="list-style-type: none"> <li>Partnering with food processing companies for food fortification</li> </ul>  |
| Linkages                           | <ul style="list-style-type: none"> <li>Business-to-Business linkage events</li> <li>Support for livestock traders and other producers and manufacturers to regional and international trade fairs</li> <li>Support to national association events</li> <li>Linkage events between private veterinarians and community animal health workers</li> <li>Linkage between vocational training institutes, one-stop business centers, large employers and potential employees through job fairs and job matching services.</li> </ul> | <ul style="list-style-type: none"> <li>Establishing institutional linkages between the rangeland councils and the formal government structures at different levels</li> <li>Institutionalizing the participatory scenario planning process into local government's early warning system.</li> </ul>   | <ul style="list-style-type: none"> <li>Linkage between producers, retailers, wholesalers, processors on fortified food and flours</li> <li>Enhancing the linkage of the government sector in improving multispectral response on nutrition</li> </ul>   |
| Capacity Building                  | <ul style="list-style-type: none"> <li>Technical capacity building for producers, processors and service providers</li> <li>Exposure and demonstration visits</li> </ul>  | <ul style="list-style-type: none"> <li>Material (hand tools) support for customary institutions or rangeland councils</li> <li>Working with the national meteorological agency to downscale and localize their forecasts and rehabilitating their met stations.</li> <li>Experience sharing visits for community institutions and local government partners</li> <li>Trainings for regional and zonal level disaster risk management bureaus</li> </ul> | <ul style="list-style-type: none"> <li>Training for health, education, agriculture and women's affairs extension workers on infant and young child feeding and cooking demonstrations</li> <li>Local theater groups training in inter-generational communication, nutrition messages and material support.</li> </ul> |
| Enabling Environment Strengthening | <ul style="list-style-type: none"> <li>Policy reviews</li> <li>Working with private sector and financial institutions in the implementation of regulations</li> <li>Exposure visits for regulators</li> </ul>   | <ul style="list-style-type: none"> <li>Participating in the national rangeland management platform to facilitate the harmonization of approaches and share learning and best practices.</li> <li>Partnering with the LAND project and supporting the communal land certification program in Borena and Afar</li> <li>Policy review for prosopis management</li> </ul>   | <ul style="list-style-type: none"> <li>Supporting national nutrition policy cascade to regional and zonal level</li> </ul>  |

## PRIME's facilitation in practice

*An example of a PRIME facilitation activity are linkage events, like the “Business-to-Business” forum held in January 2015 in Dire Dawa, Ethiopia’s second largest city located in the eastern part of the country. The objective of this event was to create market linkages between livestock traders, several domestic export abattoirs, and the Ethiopian Meat Exporters Association. The event allowed participants to engage in an open exchange to share ideas, build relationships and exchange information for potential business transactions. This helped traders and abattoirs build trust and confidence in each other. Although results of facilitative approaches are not always immediate, the livestock traders of Biki and Muli made an agreement with Mojo Abattoir at the forum and within 3 weeks supplied 714 heads of shoats - tripling the number of households they source the animals from. At the event, the Ethiopian Somali livestock trading company of Shekh Musa also established a permanent contractual partnership with Luna export abattoir. Many livestock traders that are engaging in these strengthened market linkages have increased confidence in the market outlook and are now planning to change their business model, consolidating and adding value to the livestock they trade by constructing feedlots. PRIME’s role of support to the community of livestock trading companies thus adapts to the needs of its beneficiaries, and can now focus on providing technical support for feedlot construction/management and separately to financial institutions to finance these expansions. Where necessary, PRIME provides small cost-sharing grants to kick-start and leverage traders’ investment in those expansions.*

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PRIME (Pastoralist Areas Resilience through Market Expansion) project is a five-year, \$62 million USAID-funded Feed-the-Future and Global Climate Change effort implemented by Mercy Corps, to increase 250,000 pastoral households’ incomes and enhance resilience to climate change through market linkages in Ethiopia’s dryland areas. PRIME works through five main components, or Intermediate Results (IRs), and cross-cutting areas of gender, disability, and emergency response.

*The author’s views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.*

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