

# Broadening market participation vital to breaking the poverty cycle

by Dane Moores and Andy Hunter

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A Cambodian cucumber farmer participating in the MASE project (Credit: iDE)

Today is the world's second Micro-, Small and Medium-Sized Enterprises Day.

At first, it may seem odd to declare an international day for formal and informal small businesses. However, when you find out that these small enterprises account for 60-70 per cent of total global employment and 50 per cent of gross domestic product, you can see how small businesses and the markets they comprise affect everyone.

But for the poor – who have fewer resources, weaker informal networks and often limited access to services – small businesses and markets are especially vital. They provide the direct means through which the poor participate in economic activity: as producers (small-holder farmers and micro-entrepreneurs), as employees (labourers and workers) and as consumers (buyers and beneficiaries of goods and services).

The question, then, for development practitioners, is how businesses and markets can be made to work more effectively for people living in poverty. This is the central question of market systems development.

## Introducing market systems development

Market systems development is an international development approach. It seeks to address the underlying causes of market dysfunction through business-focused facilitation, influencing structural changes at the macro, meso or even micro system level to expand livelihood opportunities for the poor and provide a sustainable pathway out of poverty. This is also known as the making markets work for the poor or M4P approach.

Today, market systems development programming is a key feature of Australia's official development assistance, with some of Australia's first market systems projects now entering second phases and several new programs commencing. These programs 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.

However, these types of market-based interventions, while delivering promising results, often have too narrow a focus on macro forces and are targeted too high at system-level change and, in the process, they can neglect to build the productive capacity of the most marginalised so that they can participate in markets.

As development practitioners, we must ensure that those currently excluded from the market system are not, at the end of the project, still excluded from a market system with improved functionality.

### **Lessons from World Vision's experience**

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

World Vision's Micro-franchised Agricultural Service Expansion (MASE) project in Cambodia is a prime example. As part of a partnership between World Vision and International Development Enterprises, the project recruited and trained more than 40 farm business advisors in the past two years to empower 1500 smallholder farmers in Cambodia's Takeo province with the right skills, knowledge and market connections to improve their livelihoods. The project achieved a 186 per cent increase in annual sales in its first year.

However, an evaluation of the first phase of the project showed that the poorest farmers did not realise as much benefit from the M4P intervention as their wealthier counterparts.

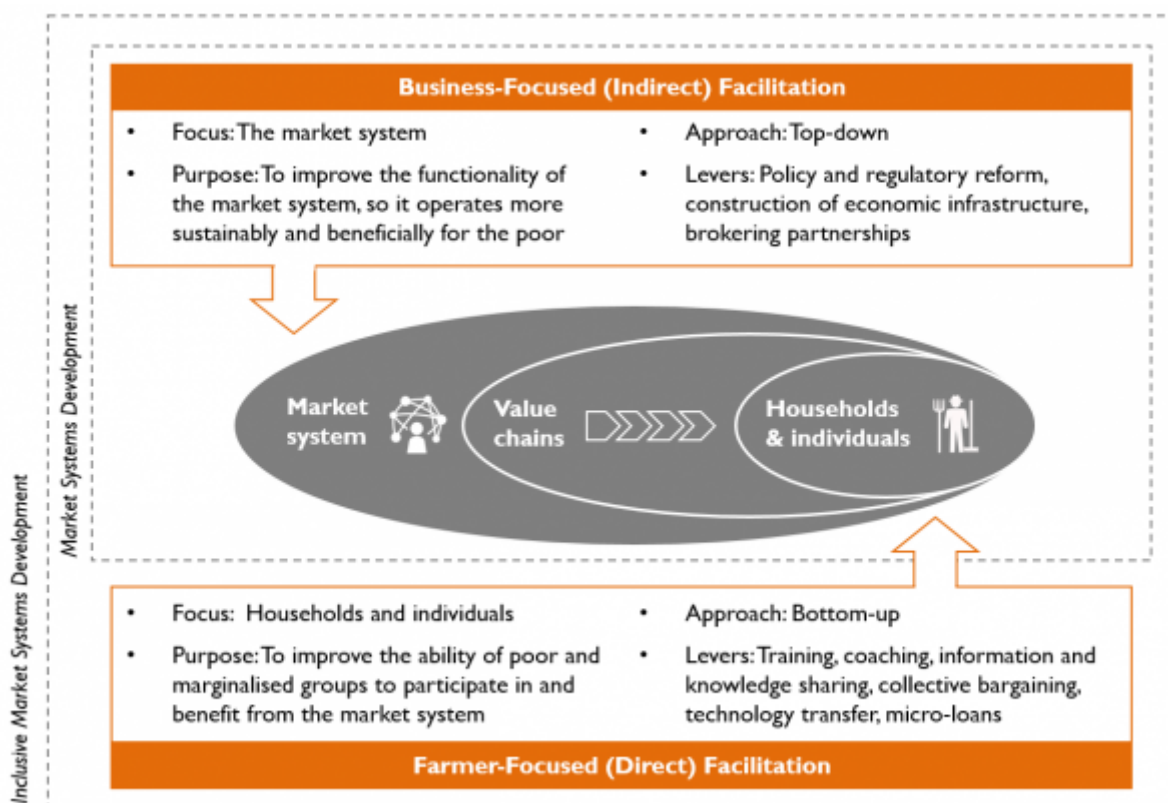
In phase two of the project (starting in 2018), World Vision is expanding the original business-focused intervention while also targeting the ultra poor in the same Cambodian districts with graduation-style programming that will help them access the agricultural inputs and improved market system that their less poor counterparts are benefiting from. These more direct capacity building measures will include training, support and productive asset transfers.

### **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 – focuses on working with our private partners as well as working directly with farmers 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 illustrates the value of both indirect/top-down and direct/bottom-up interventions to make markets more inclusive.

**Figure 1**



This inclusive approach to market systems development has evolved from more than a decade of World Vision's experience in value chain programming across 38 countries, as well as its involvement in large facilities such as the Australia-Indonesia Partnership for Promoting Rural Income through Support for Markets in Agriculture (AIP-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: greater vulnerability to risk, lack of information, limited business skills, fewer resources, greater barriers to finance, and 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.

Only inclusive markets can sustainably reduce poverty on a large scale, enabling all segments of a population to benefit from increased economic activity.

To unlock the poverty reduction potential of micro, small and medium-sized enterprises in developing countries, the Australian Government should combine the essential elements of large-scale public and private sector interventions in markets with the equally important community access and direct facilitation ability of local NGOs. 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](#).*

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Link: <https://devpolicy.org/broadening-market-participation-vital-to-breaking-the-poverty-cycle/>