

**PRACTICAL ACTION**  
Technology challenging poverty



**Mapping The Market:  
A framework for rural enterprise  
development policy and practice**

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## Executive Summary

### Introduction

Markets matter to the rural poor. It is increasingly clear that in tackling rural poverty, market-related issues – including access to information, institutions, linkages and trade rules – are vital considerations. Failure to address these issues means that the benefits of other developments threaten to by-pass the rural poor.

In the complex contexts of rural poverty, the sometimes bewildered practitioner or policy-maker is proffered a range of solutions or policy prescriptions including: trade liberalisation; more productive agriculture; more effective support services and resources; better local governance; collective action and collaboration by producers; greater public investment in infrastructure; a more attractive investment climate and business environment.

The problem is that, with limited resources, it is rarely practicable to address all such factors simultaneously across the whole economy. This paper will argue that efforts to secure or improve the income of poor rural producers and workers are best pursued through concentrating on the improved overall performance of specific economic channels or market-chains.

Surprisingly there is often little emphasis on market systems and their roles in poverty reduction within the conceptualisation and application of livelihood frameworks, or in professional fields such as agricultural research that seek to promote rural development. The aim of this paper is to help address this deficiency, and in particular to provide a framework for encouraging an outlook which we call '*market-literacy*'.

### The Market Map framework

The Market Map framework is intended to serve two purposes.

- i. For the policy maker and rural development planner, it is a conceptual framework for thinking about the commercial and institutional environment in which small-scale producers (including smallholder farmers) operate.
- ii. For the practitioner, it is a practical and potentially a participatory tool, that can be used to represent and communicate knowledge about specific producers, their market-chains, institutional environments and service needs.

Processes of elaborating the Market Map, if conducted in a participatory way, can also be important interventions in themselves - directly improving linkages and relationships between market-chain actors, and preparing the ground for introducing or generating innovation in products, processes and market access.

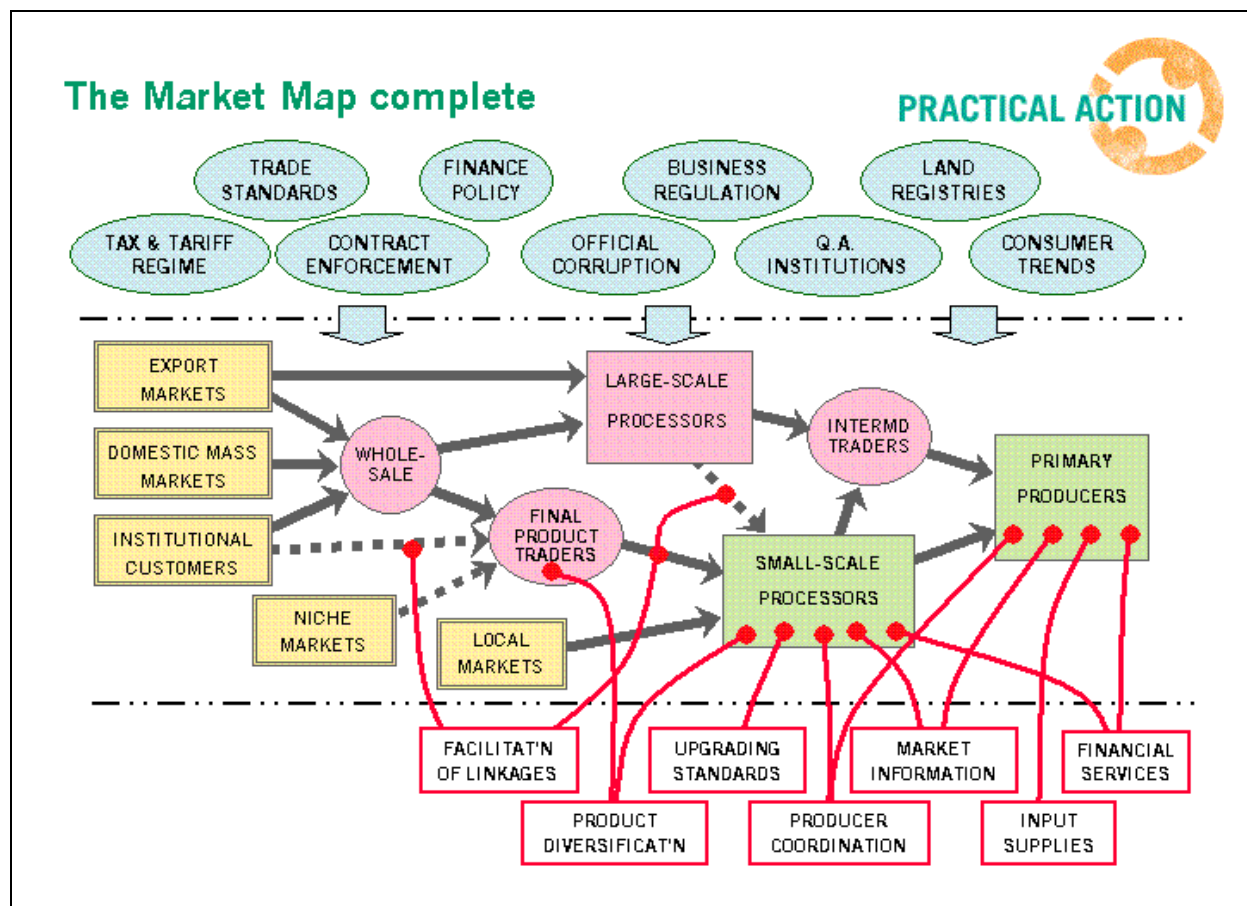
The Market Map is made up of three inter-linked components.

- Market chain actors and their linkages
- Enabling business environment factors
- Business and extension service providers

The central component maps the economic actors who actually own and transact a particular product as it moves through the market-chain from primary producer to final consumer. By better understanding the contribution each actor in the chain brings to the product, the aim is to identify inefficiencies, inequities and losses which could be remedied, or added-value which could be captured by poor producers particularly. While many market-chains are characterised by inequitable relationships between actors, a clear objective of the Market Map approach is to help stakeholders realise mutual benefits by improving the 'systemic efficiency' of the chain. Key to this is helping stakeholders become more aware of functions and processes along the chain that are needed to satisfy more lucrative or reliable markets.

The second component of the Market Map is a charting of the critical factors and trends that are shaping the market-chain environment and operating conditions, but may be amenable to change. These 'enabling business environment' factors are generated by structures and institutions that are beyond the immediate direct control of economic actors in the market-chain. The purpose of charting this business environment is to understand the trends that are affecting the entire market-chain, and examine the powers and interests that are driving change. This knowledge can help determine avenues and opportunities for realistic action, lobbying and policy entrepreneurship.

The third component of the Market Map framework is concerned with mapping these services that support, or could potentially support, the market-chain's overall efficiency. The range of services that can potentially add value is huge and include: input supplies; market information; financial services; transport services; quality assurance - monitoring and accreditation; technical expertise and business advice; veterinary services; support for product development and diversification. Mapping 'services' involves identifying particular service needs and their locations within the market-chain in order to get an overall picture of the opportunities for using services to improve market-chain efficiency or equity. This mapping is a precursor to subsequently assessing the most appropriate mechanisms for delivery of services, in terms of outreach, sustainability and cost-effectiveness.



The Market Map in its entirety has proved to be a very useful way to visually represent and succinctly communicate knowledge about specific market-chains' actors, operations, contexts and needs to different stakeholders.

### Participatory market-chain analysis

Participatory approaches to market-chain analysis contribute to Market Maps that are more likely to be accurate and to represent a wider range of knowledge. More importantly, the participation provokes interest and builds trust. Ultimately it can facilitate the collaboration that is necessary for improving linkages and efficiencies within the market-chain, for effective lobbying on enabling environment issues and for coordinating collective action around services.

For participation to be effective a three stage procedure is helpful:

- i. **Preliminary mapping:** in which an outline Market Map is produced by a facilitating agency, using information gathered from key informants or an 'interest group' of stakeholders
- ii. **Participatory market-chain analysis:** in which specific actors in the market-chain itself are brought together to elaborate the Market Map, explore key issues in detail and build relationships.
- iii. **Moving from analysis to action:** in which the relationships, knowledge and trust generated above is used to effect changes in the business environment and access to services.

In preliminary mapping, the most important aspects are managing immediate expectations of stakeholders and establishing mechanisms for working with market-chain actors. The formation of market-chain interest groups has been an important tactic for engaging those with a stake in market-chain performance e.g., as service providers, or with influence in shaping the business environment.

Participatory market-chain analysis (*PMCA*) is a key approach to operationalising the Market Map framework - converting an otherwise abstract framework into a practical tool which can facilitate efficiency, improve co-ordination, stimulate innovation and bolster trust within the market-chain. Finding a 'hook' to engage commercial actors is critical. The preliminary Market Map can help facilitators identify very specific issues common to all market actors, and turn these into an 'offer' that will draw actors into the process. Actual and perceived imbalances of power within the market-chain can however impede participatory analysis. Building up trust is therefore important to facilitate open sharing of information, and reduce transaction costs. One solution is for facilitators to orientate weaker participants in advance, so they understand their role in these events, and have realistic expectations of *PMCA* process outcomes.

To a limited extent, *PMCA* processes can be an end in their own right: justified simply in terms of establishing linkages, improving co-ordination and bolstering trust among the market-chain actors themselves. However, more significant improvements in market-chain performance stem from a more enabling business environment or from better access and use of business and extension services by these actors. Achieving these wider changes requires longer-term interventions for which *PMCA* is a starting point.

Tackling constraints and bringing about systemic changes in particular market-chains, may require facilitating agencies to adopt strategies that target decision-makers with influence at local, national, and in some cases, international levels. The Market Map can help provide a basis for common understanding and action; and *PMCA* processes can encourage more powerful actors in the market chain to engage with issues that negatively impact on weaker players. *PMCA* processes can also initiate formation of groups or associations that represent and articulate more coherently the collective issues facing weaker actors in the market-chain.

*PMCA* processes are also about diagnosing problems in access to specific services. They can contribute valuably to accurate information about the shape of demand, particularly where there is a high incidence of less visible embedded service provision. By kick-starting enhanced coordination, *PMCA* can also help aggregate demand from many small producers for specific services. Producer organisations with effective organisational and negotiating capabilities have an important role to play in enabling such coordination. This makes service provision more commercially viable, and thus encourages better supply.

### **Implications for development agencies**

Organisations with a strong poverty-focus are used to focusing on the most immediate needs of poor communities. They often 'out- source' market analysis and more commercial aspects of project planning and implementation. This tendency should be challenged. Effective *PMCA* requires the sort of participatory and facilitatory skills that many community-development practitioners have well honed, albeit in a different context. Unlike business consultants accustomed to problem solving on behalf of

their clients, such staff are more comfortable with the premise that participants themselves can most appropriately develop solutions and innovations.

Naturally, community-development practitioners may also lack confidence dealing with more commercial players. The Market Map framework and *PMCA* approaches do need adequate investment in re-orientating staff skills towards a more systemic market-literate perspective. However by employing the tools and strategies described here, misconceptions about 'markets' can be overcome, and the confidence in what they have to offer and positive relationships can be built incrementally.

## Conclusions

The fortunes of poor rural producers and other economic actors in market-chains, are bound up with the capability of the whole market-chain to respond systemically in a pro-active manner to changes in the competitive environment and emerging market signals. Successful market-chains that sustain, grow and generate income for producers will be ones that find effective mechanisms for:

- Investing in market intelligence capabilities.
- Collaborating in production, marketing and procurement of inputs and services.
- Influencing the agencies that provide support services and infrastructure, or that can improve the business environment.

In this context, policies based on general analysis of the business environment and investment climate may be insufficient to stimulate pro-poor growth. Focussed analysis is necessary to understand the specific constraints in channels that are both important in the livelihoods of the poor, and have realistic prospects for sustainable economic growth. Donors, governments and other development agencies seeking to tackle rural poverty need to acquire and promote 'market-literacy': knowledge and understanding of the institutions, competencies and relationships that make market systems work for poor rural producers in specific channels.

The implications can be considered at two levels: the strategies and operational structures of rural development agencies such as agricultural research institutions, government departments and NGOs; and the broad agricultural and rural development policies, and operational approaches, of multinational agencies and national ministries.

A market-literate approach requires institutionalising a new way of thinking. Many agencies with rural development objectives are shifting from a agricultural production focus to a market focus and this requires a new set of priorities. This change needs to be reflected in allocation of resources. Equipping staff to adapt to a market orientation is a process that will take time and needs a commitment at all levels of an organisation. Priorities include:

- Adopt a systemic framework and approach
- Use participatory techniques
- Invest in market-literacy: orientation, skills and learning
- Use influence to communicate issues to macro-level decision-makers

Donors and national policy-makers need to emphasise 'market-literacy' in rural poverty-reduction policy: - making market analysis a prerequisite for rural development programme design (so that the such analyses become as common-place as environmental and social impact assessments). This implies a shift in thinking in rural development more broadly, including agricultural research for example, that is similar to that achieved in the enterprise development field of BDS in recent years

Donors also need to invest in processes of analysis and capacity building. Embedding a market-literate approach in rural development programmes, requires investment and allocation of resources to develop the necessary skills and orientation. Market literacy requires that different players in market systems know their respective roles and commit themselves to undertaking these effectively. Joined up working and consistency of approach is important. Investment in the analytical stage and in *PMCA* is important in enabling subsequent interventions to be more strategic and targeted. Donor should encourage, rather than discourage, programmes which plan for and invest in this type of analysis.

## **Mapping The Market: A framework for rural enterprise development policy and practice**

*Mike Albu and Alison Griffith,  
Practical Action (formerly called ITDG)<sup>1</sup>*

### **1 Introduction**

Markets matter to the rural poor. It is increasingly clear that in tackling rural poverty, market-related issues – including access to information, institutions, linkages and trade rules – are vital considerations. Failure to address these issues means that the benefits of other developments, such as growth in economic demand, improved technologies, better infrastructure and better political governance, threaten to by-pass the rural poor.

This has not escaped the development community's attention. Researchers and practitioners in agricultural economics, natural resource management and rural livelihoods, as well as private-sector and small enterprise development, are all now taking greater interest in 'making market systems work for the rural poor'. However, our diverse professional discourses often make it difficult to establish what this aspiration means in practice. One objective of this paper is to help build a better consensus around the language and concepts we need to work together.

In recent years, better understanding of rural livelihoods has unveiled the complexity of relationships between agricultural activities, changes in the rural economy and poverty. We know that increasingly rural households rely on earnings from outside primary agricultural production. Yet still many non-farm economic activities are intricately linked to agriculture, whether through value adding and processing of raw material, supply of inputs and services, or the use of surplus labour. In fact, the distinction between agricultural and rural non-agricultural employment *per se*, may be less useful than a recognition of the different returns and prospects that arise in diverse agricultural market-chains and final markets.

*Market chains* are a key concept in this paper. They comprise the economic actors who produce and transact a particular product as it moves from primary producer to final consumer. They include smallholders and larger-scale producers, input suppliers, traders, processors, transporters, wholesalers, retailers etc

Because of the wide variety of factors that influence poor rural people's direct or indirect earnings from agriculture, there is necessarily a debate about where the priorities for rural policy and development interventions should lie. In this complex context, the sometimes bewildered practitioner or policy-maker is proffered a range of solutions or policy prescriptions including:

- trade liberalisation – e.g. through removal of trade tariffs and barriers in agricultural products
- more productive agriculture – e.g. through better seeds and breeds, but also through better dissemination of soil and water management technologies
- more effective support services and resources – e.g. through developing commercially viable solutions for business services, information etc.
- better local governance – e.g. through building processes, structures and decision-making that address local needs
- fairer terms of trade – e.g. through more privileged access to international markets for poor countries

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<sup>1</sup> Practical Action (formerly called ITDG) is an international NGO that works with people in poor communities to improve their quality of life today and for generations to come, through innovative practical solutions, which address their real needs

- collective action and collaboration – e.g. through associations and organisations that represent the rural poor, and empower specific marginalised groups.
- greater public investment in infrastructure – e.g. rural transport, roads and communications
- a more attractive investment climate and business environment – e.g. through more consistent policies and transparent legal and financial institutions

Clearly in different situations, these generic policy prescriptions can all have important, or even essential, parts to play in making market systems work for the poor. The problem is that, with limited resources, it is rarely possible to have the luxury of addressing all such factors simultaneously in practice. This paper will argue that efforts to secure or improve the income of poor rural producers and workers often require improved overall performance of specific economic channels or market-chains.

*Improved market-chain performance* may mean, variously:

- greater efficiency, lower transaction costs throughout the market-chain
- enhanced capability to pre-empt and respond to changes in demand
- greater inclusion and earnings for the rural poor, especially women

Ways are needed therefore of identifying and implementing a few select policies or interventions which are most likely to stimulate pro-poor growth in specific channels. These channels (whether individual market-chains or entire product subsectors) need to be both important in the livelihoods of the poor, and have realistic prospects for sustainable economic growth.

Naturally, resource-poor rural inhabitants themselves seldom have a good understanding of how the market systems, that they operate within, work. Typically they have little information on market conditions, prices and quality of goods; limited experience of market negotiation and little appreciation of their capacity to influence the terms and conditions of their engagement with the market<sup>2</sup>.

More surprising perhaps, there is often little emphasis on market systems and their roles in poverty reduction within the conceptualisation and application of livelihood frameworks<sup>3</sup>, or in professional fields such as agricultural research that seek to promote rural development. Even in the field of small enterprise development, where market surveys are a popular tool for analysing potential demand for services, the absence of wider examination of the institutional environment for market development has been noted.<sup>4</sup>

The aim of this paper is to help address this deficiency, and in particular to provide a framework for encouraging an outlook which we call '*market-literacy*'.

*Market-literacy*, in this context, means knowledge and understanding of the institutions<sup>5</sup>, competencies and relationships necessary to make market systems work for poor rural producers in specific channels.

In the next section we set out a basic three-tiered approach called the Market Map. This is a framework for representing knowledge, analysing opportunities and planning interventions in market systems, that embodies a *market-literate* approach.

In section three we describe some examples of market-literacy and the Market Map framework applied in the real world. These illustrate the benefits in terms of communicating knowledge and building linkages and coordination among diverse participants along actual market-chains.

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<sup>2</sup> IFAD, 2001

<sup>3</sup> Dorward, Poole, Morrison, Kydd & Urey, 2002

<sup>4</sup> Bear, Gibson & Hitchins, 2003

<sup>5</sup> 'Institutions' comprise the laws and processes that determine the 'rules of the game' (as described by North, 1990) They help determine access to basic factors like information, finance and contract enforcement etc., without which participation in markets is constrained (Kydd, 2002)



## 2 The Market Map: making market systems work for the poor

The Market Map is intended to serve two purposes.

- iii. For the policy maker and rural development planner, it is a conceptual framework for thinking about the commercial and institutional environment in which small-scale producers (including smallholder farmers) operate.
- iv. For the practitioner, it is a practical and potentially a participatory tool, that can be used to represent and communicate knowledge about specific producers, their market-chains, institutional environments and service needs.

As we will see later, processes of elaborating the Market Map, if conducted in a participatory way, can also be important interventions in themselves - directly improving linkages and relationships between market-chain actors, and preparing the ground for introducing or generating innovation in products, processes and market access.

### 2.1 Introduction to the Market Map

The Market Map is the product of an inter-disciplinary initiative involving practitioners from several fields, including small enterprise development, natural resource management, fair trade, agricultural marketing and community development. It is intended to be particularly relevant in broad-based multidisciplinary programmes, where winning adherence to a coherent shared conceptual framework can often be very difficult.

Practical Action (formerly as ITDG) conceived the Market Map initially during 2002 at an international workshop involving staff from Africa, Latin America and South Asia. Since then the framework has been adopted and adapted as training tool by other organisations such as Traidcraft and Oxfam. These, and other experiences, will be discussed further in the third section.

Many readers will almost certainly recognise aspects of other tools and approaches in this work. The formative ideas that have contributed to our thinking include:

- subsector analysis, as originally conceived in the GEMINI programme<sup>6</sup> and its subsequent elaborations by Action for Enterprise (AFE) for example<sup>7</sup>.
- the sustainable livelihoods framework<sup>8</sup>
- value-chain analysis<sup>9</sup>, and particularly participatory approaches to this analysis<sup>10</sup>
- the territorial approach to rural agro-enterprise development used by the Centro Internacional de Agricultura Tropical (CIAT)<sup>11</sup>
- experiences captured by Swiss Agency for Development and Cooperation's community of practice on 'value-chains in rural development'<sup>12</sup>

The Market Map framework also shares many features with other frameworks and approaches conceived broadly to foster systems of local economic development. A good example is the Rural Economic and Enterprise Development (REED) framework described by GTZ, whose 'ten cornerstones' describe the core functions necessary for successful, self-sustaining development processes<sup>13</sup>.

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<sup>6</sup> Haggblade and Gamser, 1991

<sup>7</sup> Lusby and Panlibuton, 2004

<sup>8</sup> For example DFID's version at Livelihoods Connect website [www.livelihoods.org](http://www.livelihoods.org)

<sup>9</sup> Kaplinsky and Morris, 2005

<sup>10</sup> Mayoux, 2003

<sup>11</sup> CIAT is one of the CGIAR funded network of international agricultural research institutions. More information on their Rural Agroenterprise Development approach is found at [www.ciat.cgiar.org](http://www.ciat.cgiar.org)

<sup>12</sup> See the VCRD community of practice website at [www.sdc-valuechains.ch](http://www.sdc-valuechains.ch)

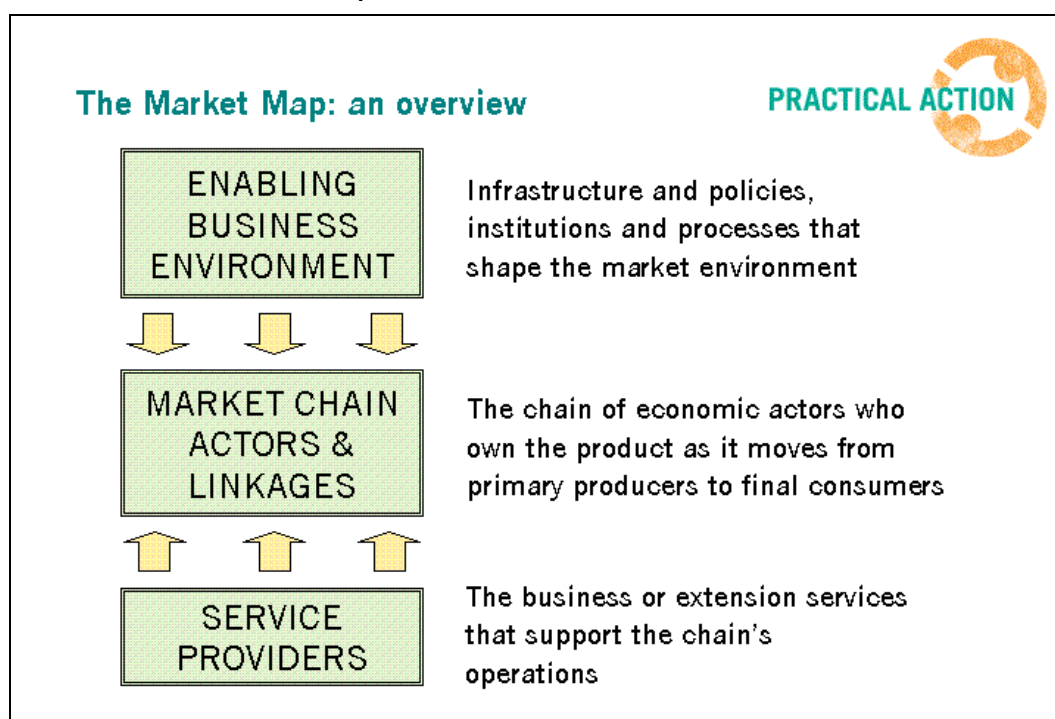
<sup>13</sup> GTZ, 2003

The Market Map framework differs in scope from more broad-reaching approaches such as REED, in that it concentrates on analysis and practical intervention in *specific market channels*. Clearly therefore, the Market Map is intended to be used only after preliminary work has already been conducted to identify specific product groups (trade subsectors or crops), that appear to offer growth potential for rural producers. There is little point in targeting resources or trying to effect changes in channels that are not important to the livelihoods of the rural poor, and do not have realistic prospects for sustainable growth.

Market Mapping should, in other words, be grounded in research that has already identified the different market channels within an overall subsector and the competitive relationships between those channels. The processes and criteria that can be used for selecting appropriate crops, products or subsectors have been described extensively by others, for example by CIAT<sup>14</sup> and AFE<sup>15</sup>.

The Market Map is made up of three<sup>16</sup> inter-linked components centred around the market-chain itself (see Figure 1).

**Figure 1: Overview of the Market Map**



## 2.2 The market-chain actors

The central component of the framework is constructed by mapping the economic actors who actually own and transact a particular product as it moves through the market-chain from primary producer to final consumer: smallholders and larger-scale producers, traders, processors, transporters, wholesalers, retailers etc.

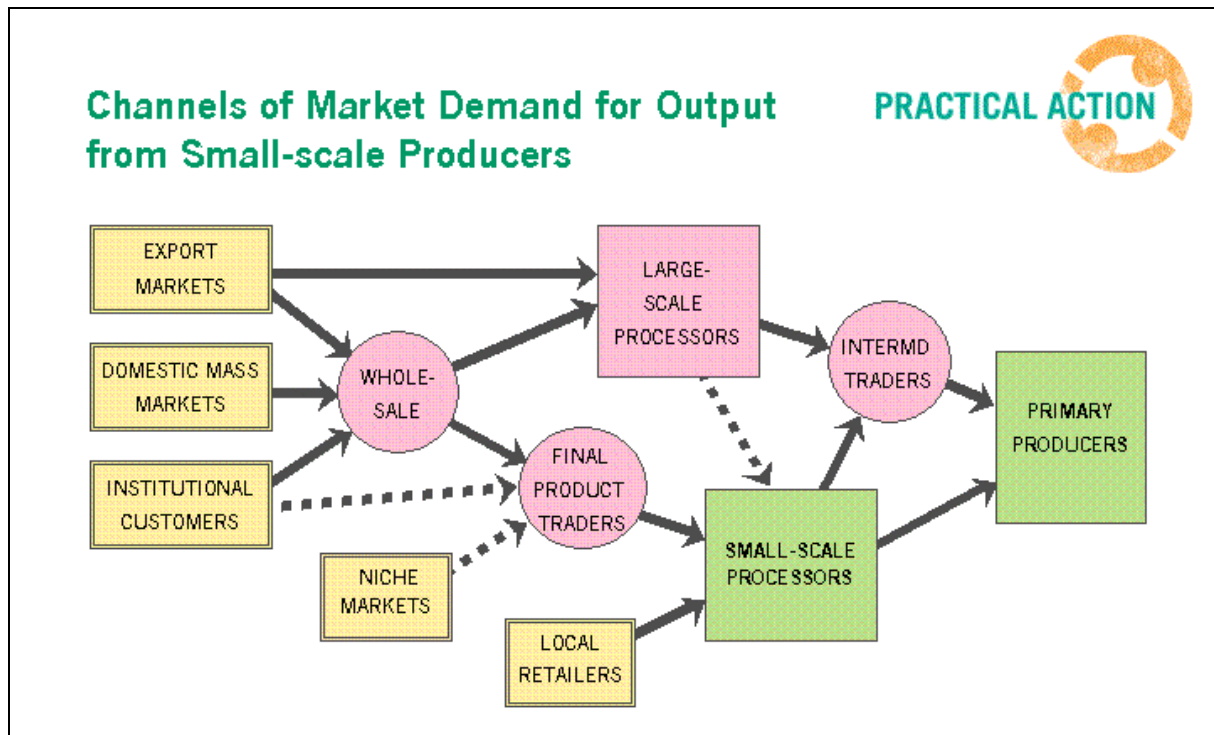
Defying convention, the schematic used (see Figure 2) reverses the 'normal' direction of the chain. It shows the flow of *income* from markets along the chain to primary producers, rather than (as is conventional) the flow of *goods* in the opposite direction.

<sup>14</sup> Lundy et al. 2005

<sup>15</sup> AFE's subsector selection approach is described at [www.actionforenterprise.org/approach.htm](http://www.actionforenterprise.org/approach.htm)

<sup>16</sup> SDC's VCRD community of practice call the different stakeholders in these three components *influencers*, *players* and *supporters* respectively

Figure 2: The market-chain actors and linkages



This counter-intuitiveness is introduced deliberately to encourage a demand-led perspective. It provokes users of the map to consider how market-chain linkages and functions can be improved so as to facilitate the flow of income to target producers who are perhaps furthest from end-markets. Instead of asking “how can these smallholder farmers get more income for this crop?”, it suggests we ask “how might a greater share of, say, urban expenditure on this product reach these farmers?” This mindset can help preclude negative presumptions about the role of intermediaries, and increase understanding of competitive pressures from other channels.

In some cases, the market-chain comprises more than one channel and can supply more than one final market. A comprehensive mapping can, if relevant, therefore describe interacting and *competing* channels (including those that perhaps do not involve smallholders at all) and the variety of final markets into which these connect.

As far as possible, information about product volumes and values, and numbers of enterprises or livelihoods supported at each point in the chain is overlaid on the map – as for a standard subsector analysis<sup>17</sup>. Information about patterns and trends in the data is also incorporated.

A critical early step in applying the Market Map lies in selecting which markets and channels offer the best prospects for enhancing poor producers’ livelihoods. This decision – informed by an overview of the prospects and relationships between competing channels – determines the focus applied to developing the Market Map further. At this stage, the potential for establishing new linkages in the market-chain may also be considered.

Once the potential of a specific market channel (or a number of alternative channels) has been identified the analysis moves into a more detailed consideration of how value accumulates along the market-chain. By better understanding the contribution each actor in the chain brings to the product, the aim is to identify inefficiencies, inequities and losses which could be remedied, or added-value which could be captured by poor producers particularly.

<sup>17</sup> Haggblade and Gamser, 1991

A comprehensive market-chain analysis will explore how the chain is 'governed' since this influences how profit margins are divided up through the chain. It asks in other words, which actors or other institutions,

- a) define the conditions for participation in the chain?
- b) ensure compliance with these rules?
- c) provide assistance with meeting these rules? <sup>18</sup>.

While many market-chains are characterised by inequitable relationships between actors, a clear objective of the Market Map approach is to help stakeholders realise mutual benefits by improving the 'systemic efficiency' of the chain. Helping stakeholders become more aware of the functions and processes that are needed along the chain in order to satisfy more lucrative or reliable markets is key to this. The advantages and challenges of participatory approaches - in all aspects of constructing the Market Map - will be discussed further below.

### 2.3 The enabling business environment

The second component of the Market Map is a charting of the critical factors and trends that are shaping the market-chain environment and operating conditions, but may be amenable to change. These 'enabling business environment' factors are generated by structures (national and local authorities, research agencies etc.), and institutions (policies, regulations and practices) that are beyond the immediate direct control of economic actors in the market-chain.

The purpose of charting this business environment is not simply to record the status quo, but to understand the trends that are affecting the entire market-chain, and examine the powers and interests that are driving change. This knowledge can help determine avenues and opportunities for realistic action, lobbying and policy entrepreneurship.

In thinking about the very wide range of factors, it is useful to distinguish those that relate to *market demand* i.e. prices, quantities, qualities and timeliness of supplies required by buyers; those that bear on *transformation* activities i.e. costs of producing, processing, storing and moving produce; and those that affect *transactions* activities i.e. costs of doing business<sup>19</sup>. The last set include the costs associated with:

- Contracting: building linkages, agreeing terms, monitoring performance and enforcing contracts
- Securing finance: costs of providing (or not being able to provide) collateral
- Legal recognition: licensing and business formalities
- Quality assurance: information and skills needed to understand, monitor and certify adherence to buyer's standards

Transformation costs are naturally a prominent theme in current policy initiatives on rural poverty. It is widely hoped that agricultural productivity could be significantly improved by technological development - in seeds, livestock breeds, farming inputs, storage and processing techniques - and infrastructure investment - in roads, electricity, irrigation for example.

However in market-chains based on smallholder agriculture, transactions costs can easily outweigh the potential benefits of participation in the market - and thus render irrelevant the productivity increases achieved by investment in infrastructure and technological development.

The costs of transactions in market-chains in rural economies tend to be adversely high due to diseconomies of dispersed low-intensity production, inaccessible legal systems, unclear title to property, and low levels of trust generally. In contrast to more developed economies, transactions-cost-reducing institutions and structures (e.g. contract enforcement mechanisms, communications infrastructure, land-registries, trading standards, organisations of producer collaboration) are very weak.

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<sup>18</sup> Kaplinsky, 2000, usefully refers to these three types of governance needed in market-chains as *legislative*, *judicial* and *executive* respectively

Even more problematically, many of the institutions that do exist often hinder and block rather than facilitate people's own efforts to move out of poverty - being simply misused to extract administrative rents from producers, processors and traders. Some of these blockages are legally sanctioned, such as by-laws, licensing regulations and local level taxes; and others take the form of arbitrary small-scale abuses of power by people in authority roles<sup>20</sup>. It is common to find abuse of procedures from authorities responsible for policing transport, ensuring public health, licensing business premises, protecting the natural environment, to identify just a few. As a result the local level policy environment often remains inimical to self-employment and start-up business. Local enterprise often arises 'outside' the regulations, i.e. as an unrecognised informal sector activity, and depends on paying off local officials to allow continued operation<sup>21</sup>.

A particularly pervasive institutional factor that needs to be considered more frequently takes the form of socially-enforced gender roles. In many communities, these roles obstruct women smallholder farmers and entrepreneurs from participating in certain kinds of financial transactions, block their access to markets, deny them ownership of property or control of income. To reiterate then, the factors that are likely to be important in the enabling environment for specific agricultural market-chains include:

*Relating to Market Demand*

- Consumption trends (volumes, prices and quality expectations)
- Tax and tariff regimes

*Relating to Transformation Activities*

- Infrastructure (constraints and investment policies)
- Technological development (seeds, breeds, inputs, processing etc.)
- Transport licensing and regulation

*Relating to Transactions Activities*

- Systems for agricultural finance
- Gender roles in business and financial affairs
- Registration of land and property
- Commercial law and practices (including contract enforcement)
- Business licensing and regulation
- Product standards and quality assurance

In using the Market Map specific factors, issues and trends that are identified as significant influences on the market-chain operations are recorded above the market-chain itself. Priority is given to identifying and unpacking issues that are likely to cause significant impact on the market-chain operations or are relatively amenable to change themselves. See Figure 3.

As before, a key objective in applying the Market Map approach is to help market-chain stakeholders become more aware of these factors and trends. Action to improve the enabling environment usually depends on concerted lobbying, coordinated campaigns or advocacy. Clearly if the process of charting the enabling business environment is participatory, the process is more likely to build the trust, coordination and collaboration between actors in the market-chain needed to achieve this. This will be discussed further below.

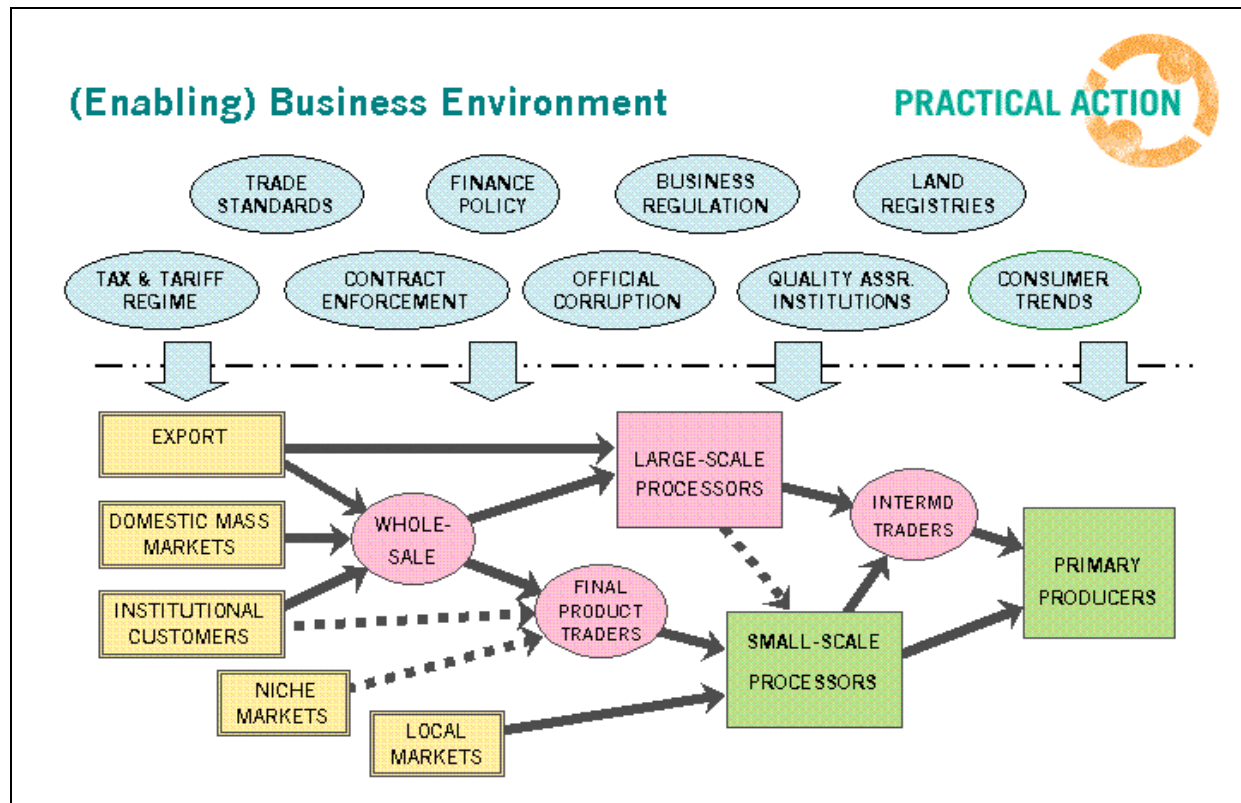
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<sup>19</sup> Kydd, 2002

<sup>20</sup> Ellis and Harris, 2004 for example, list payments required in order 'to stay on the right side of authority' when in business; fake prohibitions on livestock movements or fishing boats created in order to extract fees; gratuities demanded by chiefs for rights of access certain resources and fees required to secure public services that should be delivered free.

<sup>21</sup> Ellis, 1999

Figure 3: The enabling business environment



## 2.4 Business and extension services

In most effective market-chains the economic actors who form the chain (i.e. transact the main product) are supported by inputs and services from other enterprises and support organisations. Once an enterprise has been established, there is an on-going need for it to access services of different types, both market and technical, that will allow it to grow and maintain its competitiveness.

The third component of the Market Map framework is concerned with mapping these services that support, or could potentially support, the market-chain's overall efficiency<sup>22</sup>. The range of services that can potentially add value is huge and include:

- Input supplies (seeds, livestock, fertilizers etc.)
- Market information (prices, trends, buyers, suppliers)
- Financial services (such as credit, savings or insurance)
- Transport services
- Quality assurance - monitoring and accreditation
- Technical expertise and business advice
- Veterinary services
- Support for product development and diversification

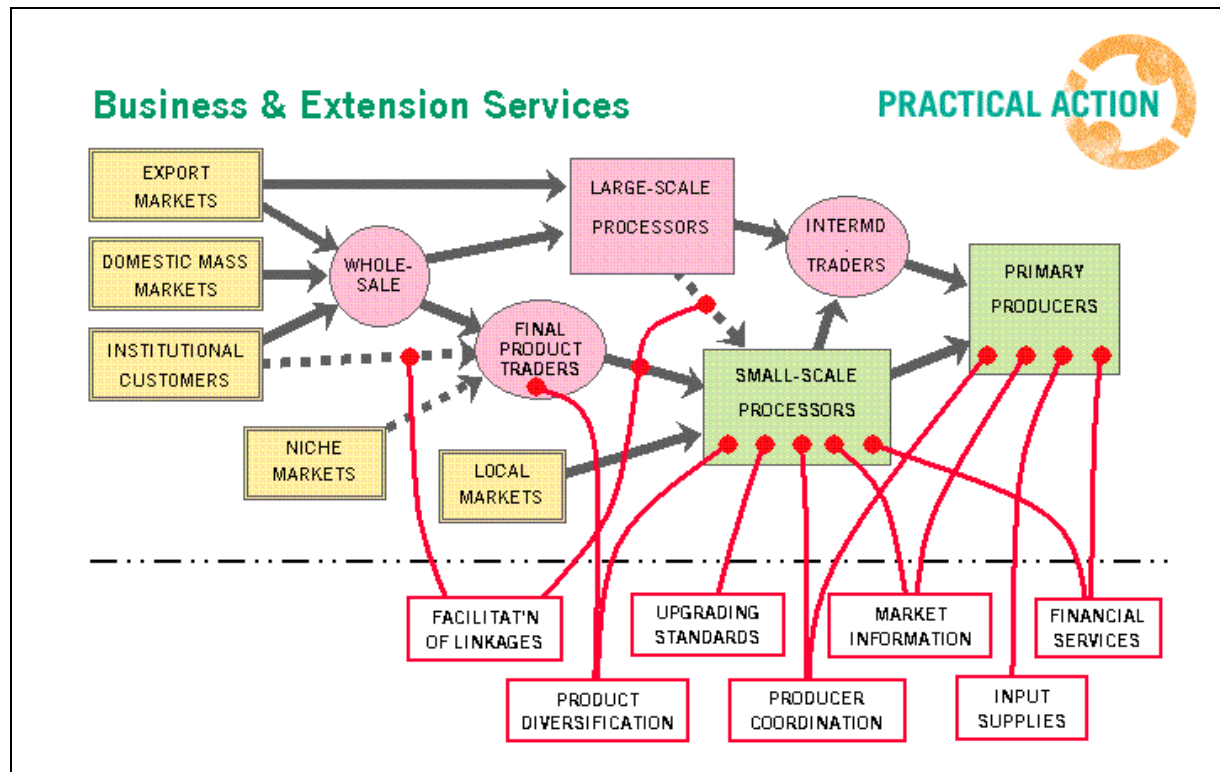
Mechanisms of service delivery can differ substantially. In exploring what already exists, it is important to recognise that the options are not confined to only conventional government *extension services* and private *fee-based services* or input providers. There are also *embedded services*, where services are incorporated within a commercial transaction for another product – e.g. pest control advice offered by a trader to a contract farmer. And finally there are *informally-provided services* where the service, such

<sup>22</sup> These services are most commonly referred to as Business Development Services, although terms such as Business Services or even Livelihood Development Services are coming into use (Miehlbradt and McVay, 2004)

as information or advice, is negotiated through social networks and reciprocal relationships, which may be 'invisible' to outsiders<sup>23</sup>.

At this stage mapping 'services ' involves identifying particular service needs and their locations within the market-chain in order to get an overall picture of the opportunities for using services to improve market-chain efficiency or equity. This mapping is a precursor to subsequently assessing the most appropriate mechanisms for delivery of services, in terms of outreach, sustainability and cost-effectiveness. See Figure 4.

**Figure 4: Business and extension services**



Where fee-based service delivery looks broadly feasible, much can be learned from the field of small enterprise development. Since the mid-1990s research on 'business development services (BDS) market development' has accumulated a persuasive body of experience about creating diverse, sustainable, client-responsive services even where existing markets are weak or under-developed. The goal of the approach is to enable small businesses to buy the services of their choice from a wide selection of (primarily) unsubsidised private-sector suppliers in a competitive and evolving market<sup>24</sup>. The role of governments and donors is then seen to be facilitating this process through interventions that build sustainable market institutions and social structures – but not to undermine the emergence of these institutions and structures by directly delivering or subsidising services.

As a direct result of the emergence of BDS market development field, significant work has been done to elaborate practical methods of assessing the market for services<sup>25</sup>. These methods enable one to gauge what services are potentially viable and understand the demand or supply-side constraints that have to be addressed to develop a vibrant and sustainable market.

BDS market development approaches were initially applied most successfully to services needed by small and medium-sized enterprises, often urban-based, rather than rural micro-enterprises or smallholder farmers. Larger and more formal enterprises may, of course, be important actors in

<sup>23</sup> Hitchens et al. 2004

<sup>24</sup> Miehlbradt and McVay, 2003

<sup>25</sup> See for example Meihlbradt, 2001 & other documents on market assessment at [www.bdsknowledge.org](http://www.bdsknowledge.org)



market-chains that involve smallholder farmers and rural enterprises. More recently however, it has also been suggested that BDS market development approaches have direct relevance even to rural producers in weak economic environments<sup>26</sup>.

An important point is that even where fee-based services are not commercially viable – for example because of high transactions costs encountered in financing services and contracting services at a micro-scale, a market development approach may still be relevant. Embedding services within other commercial transactions is a common and effective way to reduce transaction costs particularly those related to financing inputs. Examples include:

- Inputs (seeds, fertilizers) provided by buyers of crops
- Advice on grading and packaging products from traders
- Training in pest-management provided by input suppliers
- Contract farming in bananas, cacao and coffee

But embedded services can create their own problems of control and coordination with associated risks for the service provider. For example, how does the trader who freely provides a farmer with valuable technical advice to improve her crop yield, ensure the crop is not sold elsewhere? We will suggest below that these risks can be mitigated, by building greater mutual understanding between actors along the market-chain. Greater awareness of the rewards of raising overall market-chain (systemic) efficiency can contribute to achieving the necessary levels of trust and collaboration.

Finally we come to informally-provided services. These are not merely reciprocal arrangements between individuals. In many situations, for example, the requirement for systemic efficiency is better collaboration between large groups of producers to achieve economies of scale – in bulk purchasing of inputs, in assembling produce for storage and transport, in group commissioning of specialist fee-based services, and in access to intelligence on prices, market and technology trends. This co-ordinating function is often best achieved informally by producers collectively for themselves – as a kind of ‘service’ provided by their own social networks and institutions of voluntary collaboration.

The point to note here is that as we move away from purely fee-based services to services that are embedded in other transactions or organised through collaborative institutions, there are substantial advantages to be gained by strengthening relationships and mutual understanding among small producers and between actors along the market-chain. The Market Map can be used to help this happen by

- a) representing and communicating shared knowledge about specific market-chains, and
- b) fomenting on-going dialogues between different actors participating in the process of its research and construction.

## 2.5 Participatory market mapping

The Market Map in its entirety (Figure 5) has proved to be a very useful way to visually represent and succinctly communicate knowledge about specific market-chains’ actors, operations, contexts and needs to different stakeholders. These stakeholders include farmers, traders, project managers, policy makers.

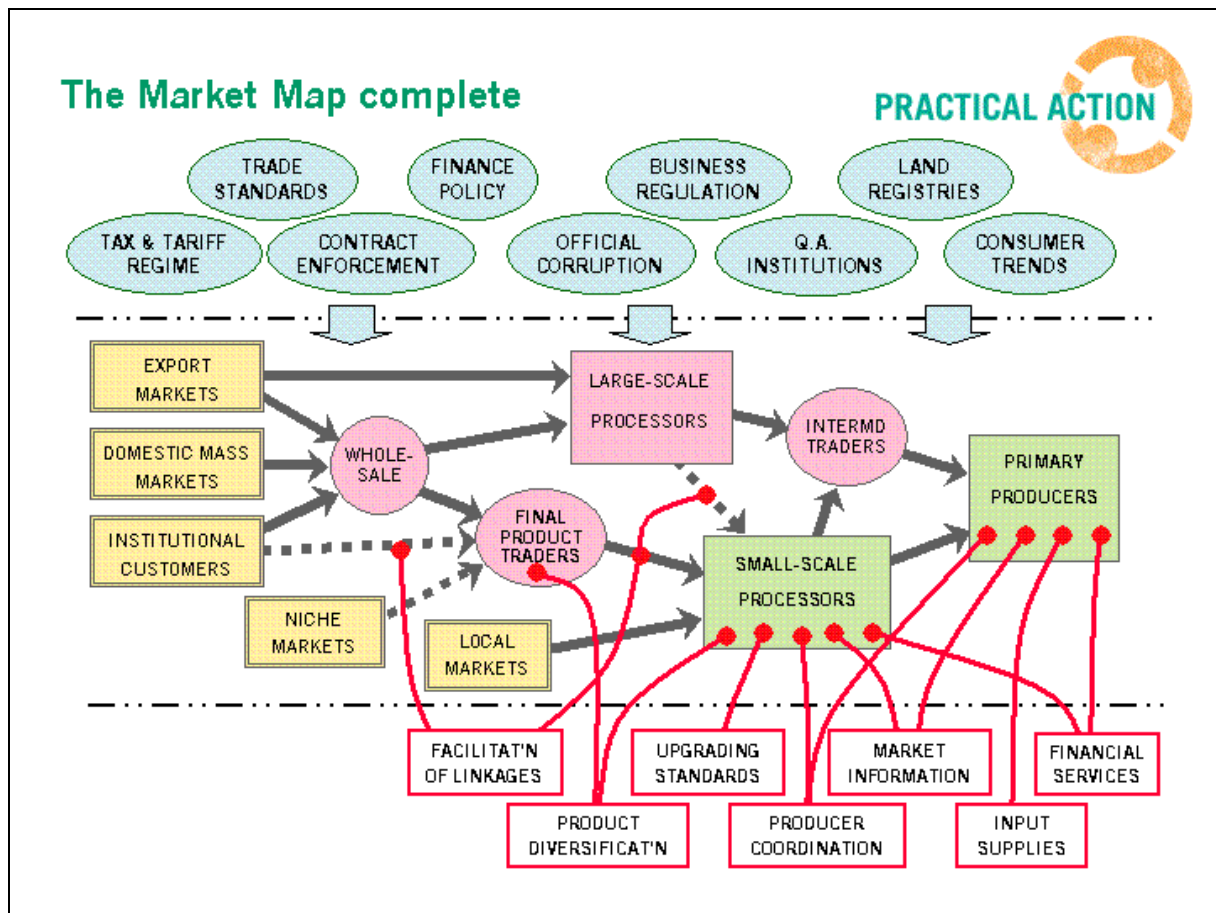
Furthermore (and more importantly), the process of mapping the market-chain structure and actors, diagnosing the key enabling environment issues and assessing service needs can – if conducted in participation with market-chain actors themselves – be a powerful method of building understanding and trust between stakeholders. Following sub-sector selection, a more in depth analysis of the supply chain for the selected product or products is required, through which specific actors are identified and characterised, relationships among actors are understood, bottlenecks are identified and actions proposed for overcoming them.

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<sup>26</sup> Hitchins et al., 2004



Figure 5: The complete Market Map



Participatory market-chain analysis (*PMCA*) has been used by a number of organisations in Latin America where it is seen as a method of involving market-chain actors in sharing knowledge and building trust in order to generate joint innovations. A good example is the work of the Centro Internacional de la Papa (CIP)<sup>27</sup> in Peru. Other examples are summarised here from work described by CIAT (see

<sup>27</sup> CIP is one of the CGIAR funded network of international agricultural research institutions. Their participatory approaches in the potato sub-sector in Peru are described by Bernet et al., 2005

Box 1) in Columbia and the Dutch agency SNV in Ecuador (see Box 2)

Participatory approaches to market-chain analysis contribute to Market Maps that are more likely to be accurate and to represent a wider range of knowledge. More importantly, the participation provokes interest and builds trust. Ultimately it can facilitate the collaboration that is necessary for improving linkages and efficiencies within the market-chain, for effective lobbying on enabling environment issues and for coordinating collective action around services.

The Market Map therefore needs to be seen as a tool for action as well as a framework for thinking about rural development policy and programme strategy. Application of the Market Map can be part of the process of institutional development that needs to happen (with smallholder farmers and others in the market) – encouraging market-literacy at all levels.

Section 3 will describe how to operationalise the Market Map framework and discuss some of the challenges likely to be encountered.

### **Box 1 Collaboration in Soft Fruit Market Chains,**

Growing urban markets in Colombia are demanding more soft fruit, such as blackberries, for the fresh fruit market and the expanding fruit pulp industry. In the Cabuyal area in 2001, blackberry production was managed by an estimated 65 small-scale producers located in and around four villages. Analysis by CORFOCIAL a local NGO, revealed a production system with limited use of appropriate techniques and low yields. A lack of adequate post-harvest management and packing led to product quality degradation, and as a result, much of the fruit produced did not meet quality standards for higher-priced markets. Furthermore, no local organisations existed for supporting blackberry production and marketing.

By bringing together producers, truck owners, intermediaries and input providers it became clear that a major limitation to improved competitiveness in the market chain lay in the lack of farmer organisation. A production system composed of disparate individual farmers increased costs for services like inputs and transportation, and threatened the quality of such a highly perishable and delicate product. It was the intermediaries who transported the product who raised these concerns and offered the farmers more competitive prices if the producers organised themselves and made collection a faster and more efficient process.

Following discussions, blackberry producers formed a community business organisation through which farmers could access bulk quantities of inputs and market their fruit more effectively, for example, through a classification scheme and bulking-up. Source: CIAT, 2001

### **Box 2: Bamboo and participatory market chain analysis in Ecuador**

In Ecuador, the Dutch agency SNV with local NGOs, government officials and market chain actors explored the opportunities to reduce poverty in the bamboo sector. They came up with a strategy for strengthening the entire bamboo production chain, including smallholder producers and traditional bamboo gatherers, as well as small traders, manufacturers and exporters.

SNV conducted an analysis of the bamboo production chain. This diagnosis was based on the participation of actors across the chain and revealed a number of problems. The process and its findings encouraged the actors to jointly discuss their problems. The Ecuadorian Ministry of Agriculture subsequently institutionalised this forum by creating a Bamboo Advisory Council. The idea was to make the forum more resilient and also to provide the sector with an official mechanism for influencing policy.

SNV organised a strategic planning workshop that was attended by the main market actors. The participants drew up a document setting out the Council's strategic objectives, activities, values and principles, as well as the roles and responsibilities of the various actors. The *PMCA* brought together groups who otherwise may never have had an opportunity to work together. One challenging problem at the outset was to overcome the lack of trust between the actors. Used in a participatory way, the *PMCA* enabled actors to have a shared understanding of the market chain in terms of costs and benefits. The aim was to create trust and more equitable relationships.

The SNV is now helping to forge an alliance between small-scale producers, whose assets are: land, labour and bamboo production skills, and agro-industrialists, with their management and investment capacities and commercial contacts. This alliance potentially has more viability and impact than an initiative directed solely at small-scale producers. SNV facilitates the drawing up of long-term contracts between small-scale suppliers and agro-industrialists. Both parties stand to benefit from these: the small-scale producers will benefit in terms of higher, more stable prices, security of sales, provision of inputs and information. The agro-industrialists will benefit from a secure supply of timely, high quality raw inputs. Source: Marlin, 2004

### 3 The Market Map: operational challenges and solutions

The previous section explained how the Market Map framework has been developed for application and adaptation in different and unique contexts. This section gives some examples of how the framework has been used so far, albeit in a limited way. It explores the challenges encountered and draws initial lessons from those experiences.

Within Practical Action (formerly called ITDG), the Market Map has made an important contribution to strategic planning – principally by providing a common language and set of concepts with which to develop coherent international objectives. Operationalising these at country project level has demanded new ways of working in project design and implementation, and the building of new competencies.

However progress is evident, for example from a current project in the Kenyan herbal products sector that is using the framework to explore alternative livelihood options for pastoralists. In this case, which is described in Annex 1, Practical Action is learning how producers and other actors in the aloe market-chain can identify solutions to market-chain inefficiencies, regulatory constraints and service needs.

#### Box 3: Use of the Market Map in the Balkans

An early adaptation of the framework was for a study commissioned by the Southeast Europe Enterprise Development (SEED) programme of IFC for work to support the Balkan medicinal plants sector. The project team used the framework to look at the sub-sector in a holistic way and structure their proposals for interventions. Use of the Market Map to guide an analytical process generated a set of issues, for example, weak regulation. The team proposed that private sector self-regulation of the trade since it has the leverage to promote better standards of practice (e.g., through embedded services).

Recommendations included the development of best-practice standards for sustainable harvesting and fair trade, including minimum prices to be paid to collectors for particular species.

Source: Donnelly and Helberg, 2004

In the Balkans medicinal plants case (Box 3), the Market Map was used by external consultants to help frame their own knowledge of the issues. However, one of the strengths of the Market Map is that it lends itself to participatory processes. This is particularly useful in the analysis of how market-chains operate in practice, and where practical opportunities for improvement lie.

For participation to be effective a three stage procedure is helpful:

- iv. **Preliminary mapping:** in which an outline Market Map is produced by a facilitating agency, using information gathered from key informants or an ‘interest group’ of stakeholders<sup>28</sup>
- v. **Participatory market-chain analysis:** in which specific actors in the market-chain itself are brought together to elaborate the Market Map, explore key issues in detail and build relationships.
- vi. **Moving from analysis to action:** in which the relationships, knowledge and trust generated above is used to effect changes in the business environment and access to services.

#### 3.1 Preliminary market mapping

It is a good idea for facilitating agencies to begin by creating a preliminary Market Map that provides a framework for capturing diverse knowledge about the market chain as it emerges from initial enquiries and analysis. This can form the starting point for the participatory analysis proper where the mapping exercise is completed by market-chain actors themselves as they explore possible solutions and innovations.

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<sup>28</sup> CIAT’s rural agro-enterprise programme have used ‘Interest Groups’ composed of market actors; service providers, and local decision makers.

### Managing immediate expectations

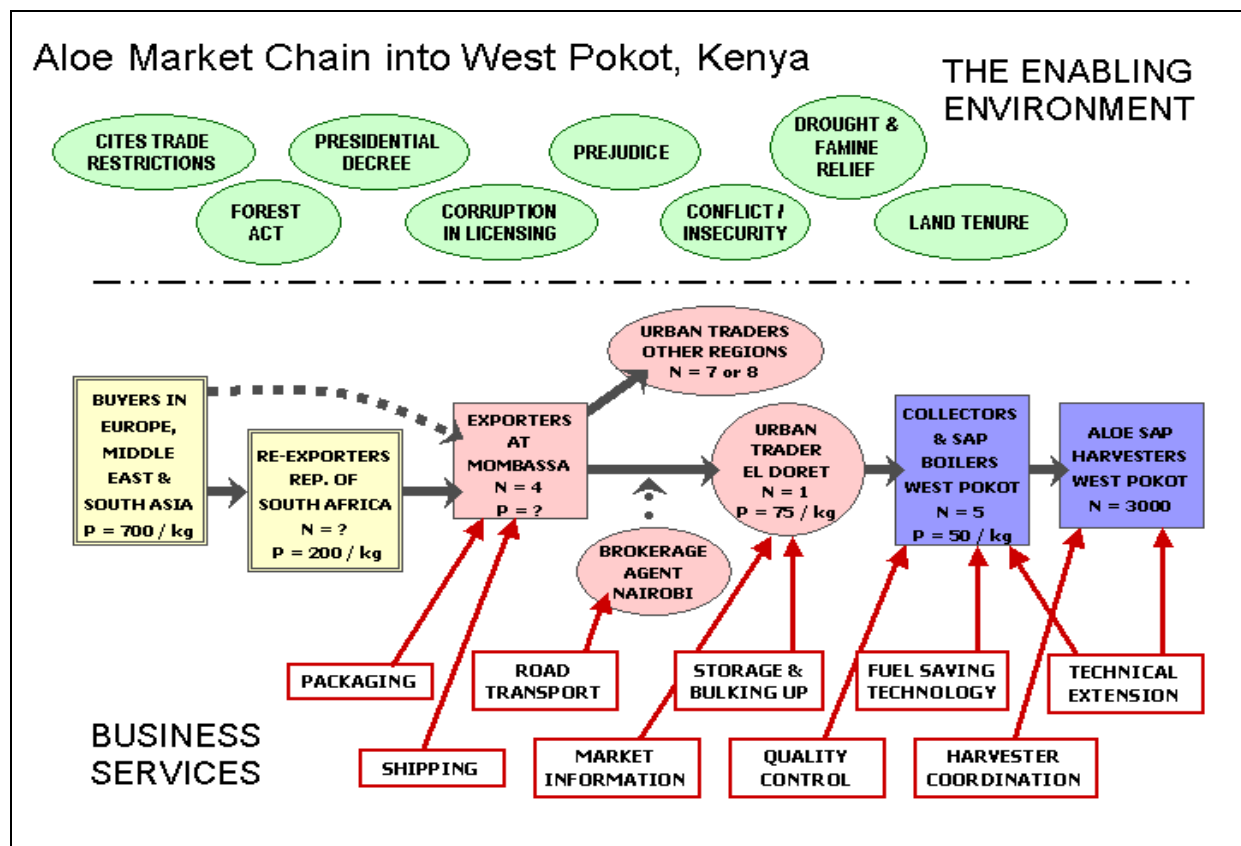
When external agencies get involved in market-chain development, producers and other actors often have unrealistic expectations of immediate benefits, such as rapid increases in prices. These expectations can be mitigated by moving as swiftly as practicable to the *PMCA* stage, taking account of the suggestions below. It may be preferable to have a 'quick and dirty' preliminary market mapping exercise rather than to produce a wholly accurate analysis but lose the confidence of prospective participants in the process.

### Working with market-chain interest groups

The actual market-chain actors who produce and transact a product are not necessarily the only or most important sources of knowledge in this initial process. An important tactic during the initial mapping phase is to create a market-chain 'interest group'. This is made up a wider range of players and institutions who have a stake in market-chain performance, perhaps as service providers, or who have influence in shaping the business environment. Many of these players will be important sources of information: key informants. They can provide a distinct or independent view point to help validate the perspectives of market-chain actors themselves.

For example in the Kenya aloe case (see Annex 1), there are research institutions, government forest department officials, wildlife service agency and local political officials. Building the trust of these stakeholders was particularly important in the Kenya aloe case because of on-going conflict in the region where the product is harvested. The project team facilitators created a preliminary Market Map shown in Figure 6. Having initially identified key costs and added value at each stage of the chain, the facilitators were able to challenge some commonly held assumptions about how revenue is shared along the chain.

Figure 6: Market Map for Aloe in Kenya



### 3.2 Participatory market-chain analysis

Participatory market-chain analysis (*PMCA*) is a key approach to operationalising the Market Map. It can help convert an otherwise abstract framework into a practical tool which can facilitate efficiency, improve co-ordination, stimulate innovation and bolster trust within the market-chain.

The most immediate objective of participatory market-chain analysis is greater shared understanding of how specific market-chains work and the building of trust among actors along the chain. This in turn can generate better co-ordination, improved linkages, lower transaction costs – concerns at the heart of the Market Map (see section 2.2)

Many practitioners hesitate to try a participatory approach because they fear that it will be difficult to get market-chain actors working together to achieve mutual objectives. Their reticence is not unfounded. Bringing together disparate, competing, demanding business people is inevitably challenging. Based on experience from Practical Action's experiences in Sudan, Zimbabwe, Kenya, Bangladesh, Sri Lanka and Peru, this section shares some ideas on what the challenges are likely to be and offers suggestions on how to address them.

#### **Engaging market-chain actors: find a 'hook'**

Few busy market-chain actors, particularly at the buyer's end of the chain, are attracted by the idea of attending a 'development' project meeting - even if it goes with a free lunch. They are likely to be suspicious of the organiser's motives e.g. they might suspect pressure to give their suppliers a higher price. The preliminary Market Map can help facilitators identify very specific issues common to all market actors, and turn these into an 'offer' that will draw actors into the process. Wary participants are more likely to attend if they can see a commercial benefit. Ideally the 'offer' should be achievable and directly relate to specific market-chain issues. Vague and overly ambitious offers such as 'finding new markets' are less likely to keep actors engaged.

In the Kenyan aloe case study (see Annex 1) two specific issues were identified as potential 'hooks' into the process: certification of aloe and quality improvements. In both cases improved co-ordination and services could add significant value for all market chain actors.

#### **Building trust between diverse actors**

Building up trust between market actors is important to facilitate open sharing of information, and reduce transaction costs. This is likely to take time and there may be a challenge to overcome hostility between different stakeholders within the market-chain. Possible strategies include:

- Facilitators visit and interview individual market actors as preparation for bringing the different groups together;
- Facilitators adopt an incremental, iterative approach – engaging on one issue helps to build trust, information exchange and therefore further analysis of more complex or contentious issues.

#### **Addressing 'governance' in the market-chain**

The governance structures of the market-chains in which small-holder farmers and rural producers engage tend to be dominated by buyers<sup>29</sup>. Actual and perceived imbalances of power within the market-chain can impede participatory analysis. Producers and small traders tend to fear that the 'big players' either will not attend, or will dominate the process to their own advantage.

Nevertheless, buyers often rely on other actors within the chain to supply product at the right quality, on time and to order, so it can be in their interest to invest to make this happen efficiently. Research in Kenya on smallholder co-operation and contract farming in the horticultural sector indicates that even the more powerful players (the contractors) needed to address issues of trust and collaboration, or else they could expect a high rate of default, which increases costs and reduces profit margins<sup>30</sup>.

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<sup>29</sup> Kaplinsky, 2000

<sup>30</sup> Coulter et al. 1999

Lessons are emerging about how to promote meaningful engagement that lead to mutually-beneficial changes. One solution is for facilitators to orientate weaker participants in advance, so they understand their role in these events, and have realistic expectations of *PMCA* process outcomes.

In the Kenya aloe product sector, Practical Action is working with aloe harvesters and processors to form 'market opportunity groups', preparing them to engage with other market chain actors, such as traders and exporters, and ultimately supporting them to explore new market links and respond to a changing market.

#### **Coping with physical constraints on *PMCA***

When market-chains stretch over long distances, facilitators should consider several exercises in different places. For example, the Kenyan aloe market chain (see Annex 1) extends from northern Kenya to the port of Mombassa, a distance of over 1200km. A pragmatic approach is to hold partial *PMCA* meetings between interacting actors: for example in the first instance exporters met with the agents who they buy from, while harvesters met with processors. Subsequently all the actors can be brought together to explore solutions to the challenges they have identified. An additional advantage of this incremental approach is that it gives time for trust to build.

#### **Box 4: Advice for *PMCA* workshop facilitators**

- Have a good overview / information about the sub-sector in order to anticipate conflicts and grievances but...
- ...beware of pre-empting what the map will look like.
- Work ahead to 'sell' the advantages of participatory analysis to different market actors.
- Anticipate complaints and grievances of particular groups that may dominate the interactions, so...
- ...negotiate 'norms' for running workshops through individual mediation – e.g. establishing clear agendas in advance.
- Understand that market actors may expect rapid results or changes as a result of the analysis process so...
- ...try to ensure interactions lead to rapid activities – gaining credibility for process.
- Avoid being seen as 'extractive' process – drawing out knowledge from market actors, without giving much back.

### **3.3 Moving from analysis to action**

To a limited extent, *PMCA* processes can be an end in their own right: justified simply in terms of establishing linkages, improving co-ordination and bolstering trust among the market-chain actors themselves.

However, more significant improvements in market-chain performance are likely to stem from a more enabling business environment for them (section 2.3) or from better access and use of business and extension services by these actors (section 2.4). Achieving these wider changes usually requires longer-term interventions for which *PMCA* is a starting point.

As customers of services and the 'voices' of those affected by the business environment, the involvement of the market-chain actors themselves is key to effecting these sort of changes. *PMCA* can be the first step in creating a space or forum for market-chain actors to work together to diagnose problems and put forward solutions.

#### **Relevance of *PMCA* for improving the enabling business environment**

Market mapping in general, and *PMCA* in particular, generate and codify knowledge about what is constraining the development of particular market-chains. Tackling those constraints and bringing about systemic changes, may require facilitating agencies to adopt strategies that target decision-makers with influence at local, national, and in some cases, international levels.

To the extent that such strategies require collaboration between different agencies, the Market Map can help provide a basis for common understanding and action.

Market-chain interest groups can also be cultivated as important long-term players in market-chain development – especially where they include individuals or organisations with influence. The Kenyan aloe interest group for example, (see Annex 1), includes a wide range of local decision makers, service providers, research institutes, regulatory bodies which have a long term interest and capacity to play a constructive role.

*PMCA* processes can encourage more powerful actors in the market chain to engage with issues that negatively impact on weaker players: for example, getting exporters to contribute to negotiations with Kenya Wildlife Service over trade restrictions in the aloe market-chain.

*PMCA* processes can also kick-start formation of groups or associations that begin to represent and articulate more coherently the collective issues facing weaker actors in the market-chain.

### **Relevance of *PMCA* for developing business service markets**

In the first instance, *PMCA* processes are about diagnosing problems in access to specific services and establishing whether there is any potential for developing the market for those services.

*PMCA* can also make a valuable contribution to more specific market assessment exercises. This is particularly the case where there is a high incidence of embedded service provision, whose lower visibility can otherwise make it difficult to gather accurate information about the shape of demand for services.

In the Kenyan aloe market-chain, for example (see Annex 1), distortion and misinterpretation of information about prices, volumes and seasonal factors can severely obstruct business at times. Rural producers want better information than they currently receive imperfectly through the market-chain, as an embedded service. The *PMCA* process should enable participants to work out more transparent and accurate ways of delivering market information, and establish whether there is effective demand for a viable stand-alone service.

Different strategies can be used including focused interviews with market actors on problems, potential solutions, and business benefits that services can provide, rather than on actual services. This can then lead to product concept tests for new services in a group discussion setting<sup>31</sup>.

The *PMCA* process can also improve producers understanding of the need for particular services e.g. quality control. Market information systems, to take another example, are more likely to be valued, if accompanied by greater market-literacy at the market-chain level. The multi-stakeholder ‘interest group’ with a common vision and plan of action based on analysis of market opportunities<sup>32</sup> offers a model of this in practice.

By kick-starting enhanced coordination among market-chain actors, *PMCA* can help aggregate demand from many small producers for specific services. Producer organisations with effective organisational and negotiating capabilities can have an important role to play in enabling such coordination. This makes service provision more commercially viable, and thus encourages suppliers to increase capacity. However, producer group formation without market-literacy is not a particularly useful strategy. The most successful collaborative groups are formed around direct market linkages, for example contract farming relationships. This gives producer groups a focus, reduces the demands of collective decision-making and makes it easier to define and absorb external assistance – e.g. help to achieve technical compliance with buyer’s contract.

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<sup>31</sup> Miehlbradt, A. and McVay, M 2004

<sup>32</sup> See CIAT’s territorial approach to rural agro-enterprise development at [www.ciat.cgiar.org](http://www.ciat.cgiar.org)



### 3.4 Building capacity for Market Mapping and PMCA

The Market Map can be a powerful tool – providing facilitating agencies with a shared understanding of the principle needs, opportunities and solutions pertaining to a particular market-chain or subsector. A mutually-held picture (literally) of the issues can encourage collaboration and reduce the incidence of conflicting interventions.

In practice, one impact of Market Mapping could be to discourage inappropriate, market-distorting interventions in favour of more subtle and sustainable influences (the so-called ‘light touch’). At least, the Market Map can help pin-point where more interventionist tactics are justified.

#### Who should lead Mapping and PMCA?

It may be necessary to challenge agencies inclination to conduct market-chain analysis independently (often employing consultants for the task) so that they can decide interventions. A participatory approach, we have seen, has significant advantages for determining specific interventions, and the extra resources required should be justified by the quality of information and interventions yielded.

Effective *PMCA* requires the sort of participatory and facilitatory skills that many community-development practitioners have well honed, albeit in a different context. Unlike business consultants accustomed to problem solving on behalf of their clients, such staff are more comfortable with the premise that participants themselves can most appropriately develop solutions and innovations.

Naturally, this may also mean they lack confidence dealing with more commercial actors in the chain. However by employing the strategies described here, the confidence in what they have to offer and positive relationships can be built incrementally.

We believe that the tendency to ‘out- source’ market analysis and more commercial aspects of a project should be challenged. Lessons from the BDS field<sup>33</sup> indicate that there are considerable benefits for facilitating agencies from being directly involved in market assessment, of services for example. There is increasing recognition amongst agencies that formal surveys conducted by research firms are less effective than active engagement at a local level<sup>34</sup>. In the process of gathering information about markets, practitioners build their understanding of how the market works, and establish their credibility as facilitators with market players. The implication for donors and practitioners is that adequate time and resources must be committed to developing capacity for engagement with market-chains.

#### Invest in re-orientation

Organisations with a strong poverty-focus are used to focusing on the most immediate needs of poor communities. Practical Action’s experience shows that the Market Map framework and *PMCA* approaches need adequate investment in re-orientating staff skills and experience. In the Kenyan aloe case, the project team had to ‘learn by doing’ with sometimes slow and uncertain results.

The resources required to collate information along an entire market-chain may also be greater than expected. In the Kenyan example, the aloe market-chain stretches from remote northern Kenya to Mombassa and onwards to South Africa.

In the first instance there may be a need to develop basic ‘market-literacy’ and explore misconceptions or mis-understandings about how market-chains work. To address this an interactive training tool for programme and field staff called the *Value Chain Game* (Box 5) was developed by Traidcraft and Oxfam, using the framework of the Market Map.

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<sup>33</sup> As described by participants to SEEP Network’s Practitioner Learning Programme on BDS market assessment in final workshop at Jaipur, India, March 2004. Synthesis of lessons to be published [www.seepnetwork.org](http://www.seepnetwork.org)

<sup>34</sup> Practical Action, 2004

### **Box 5: Value Chain Game**

The Value Chain Game involves participants mapping out a rice value chain and identifying the value added by each member of the chain. For example, a trader adds value to both the farmer from whom she buys, and the rice miller to whom she sells:

For example: Value added by a trader to a rice farmer:

- May often provide general market information, e.g., contacts, developments
- Will provide specific market information for the product s/he wants to buy
- Provides market for the product, and often provides transport
- Will feedback on satisfaction with product and service.

Value added by a trader to a rice miller:

- Amalgamates small quantities into larger ones that make economic sense for the next buyer, and often transports it to mill
- Carries out quality control
- Differentiates between different classes of product
- Presents product in form and at price specified by mill.

Some participants take the role of market-chain actors; others become service providers or actors in the operating environment (e.g., tax regulator). The service providers and regulators then approach actors in the chain to try and sell services or impact on their business with a 'requirement'.

The main messages participants receive from the training include:

- 'Middlemen' add value to the product and often have an important role in the chain
- Service provision is important at various points in the chain if it is to work efficiently and effectively, so when considering interventions don't focus just on the service needs of producers

Source: Traidcraft and Oxfam UK, 2003.

The enabling environment can seriously impede the chain and market-chain actors all have a strong interest to address this (leading to more effective *PMCA*). The purpose of the training tool is to unpack the framework for project managers. It shows how a holistic approach to developing market systems requires a full understanding of all the actors in a value chain, and the issues that affect them, in terms of services and the business environment in which they operate.

Where agencies have tended to promote alternative value chains on the premise that exploitation by 'middle-men' is the primary reason for inadequate incomes at producer level, the training tool can help facilitators question these assumptions more critically.

#### **Minimising distortions and biases**

As far as possible it is important to minimize the 'visibility' of the facilitating agency, especially where this is an NGO. One strategy could be to get better organised market actors who have influence (e.g. exporters' federation) to organise discussions and events. However is important to mitigate against the dangers of introducing bias.

Alternatively, it may be possible to exploit government agencies that have a mandate to promote particular product groups or sub-sectors. In this case, the facilitator needs to be aware of perceived political biases.

## 4 Conclusions & Policy implications

This paper has argued that the fortunes of poor rural producers (such as smallholder farmers) and other economic actors in market-chains, are bound up with the capability of the whole market-chain to respond systemically in a pro-active manner to changes in the competitive environment and emerging market signals. Successful market-chains that sustain, grow and generate income for producers will be ones that find effective mechanisms for:

- Investing in market intelligence capabilities.
- Collaborating in production, marketing and procurement of inputs and services.
- Influencing the agencies that provide support services and infrastructure, or that can improve the business environment.

In this context, policies based on general analysis of the business environment and investment climate may be insufficient to stimulate pro-poor growth. Focussed analysis is necessary to understand the specific constraints in channels that are both important in the livelihoods of the poor, and have realistic prospects for sustainable economic growth.

Donors, governments and other development agencies seeking to tackle rural poverty need to acquire and promote 'market-literacy': knowledge and understanding of the institutions, competencies and relationships that make market systems work for poor rural producers in specific channels.

This final section considers the implications and challenges of building market-literacy, and adopting the Market Map framework and associated tools such as *PMCA*, for policy-makers, organisations and programme managers concerned with reducing rural poverty.

The implications can be considered at two levels:

- Meso level*: concerning the strategies and operational structures of rural development agencies such as agricultural research institutions, government departments and NGOs
- Macro level*: concerning broad agricultural and rural development policy, the operational approaches of multinational agencies and national ministries

### 4.1 Challenges for rural development agencies (meso-level)

At the meso-level a market-literate approach requires institutionalising a new way of thinking. Many agencies with rural development objectives are shifting from a agricultural production focus to a market focus and this requires a new set of priorities. This commitment should lead to changes in allocation of resources. Equipping staff to adapt to a market orientation is a process that will take time and needs a commitment at all levels of an organisation. Priorities for organisations aiming to develop successful market-chains that sustain, grow and generate income for producers include:

#### **Adopt a systemic framework and approach**

The starting point for market-literacy is systemic thinking. Agencies need to understand how the interaction between different actors, services and business environment components in any particular market-chain, can determine its overall performance. Agencies need to think outside the boxes (e.g. services, input supplies, infrastructure, transport, regulations) that have traditionally compartmentalised support rural programmes. Achieving this requires diverse professional fields to work together around a mutually shared analysis of constraints and opportunities.

The principles of inter-disciplinary working are illustrated by the sustainable livelihoods (SL) approach<sup>35</sup>, even though the SL framework itself rather downplays market issues. This is where the Market Map contributes: by providing an inter-disciplinary framework for understanding and communicating knowledge about the market system that poor producers operate within.

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<sup>35</sup> See [www.livelihoods.org](http://www.livelihoods.org) for DFID's guidance on the Sustainable Livelihoods approach

The benefits of systemic analysis should include a more nuanced, coherent and coordinated response by meso-level agencies to opportunities for pro-poor growth. It should generate solutions that are commercially viable and led by emerging market opportunities, rather than being determined by whatever services or interventions different development agencies are hoping to push.

### **Use participatory techniques**

Participation is clearly not a panacea, but it is important to the processes envisaged for developing a reliable Market Map. It is important for accuracy of information because in the commercial sphere, businesses and especially informal enterprises, tend to be very reluctant to divulge sensitive information in formal interview. It can be a means to acquire more accurate commercial information in situations where businesses, and especially informal enterprises, tend to be very reticent in formal interviews. A participatory process, if facilitated skilfully, can provide the setting in which sufficient informality and anonymity exists for participants to be more open about sharing critical information.

More significant than accuracy, however, is the potential for participatory techniques to begin the process of building trust and transparency among diverse actors. This is especially so, where there are actual or apparent imbalances in power along the market-chain that need to be redressed. It can also be important among competing producers, where some forms of collaboration would be beneficial.

### **Invest in market-literacy: orientation, skills and learning**

It is important to recognise that these approaches may initially take more resources, and certainly can take more time, than past strategies that depended on heavily subsidised supply-driven delivery of business or extension services. Agencies need to develop capacity to understand and apply a market-literate approach (including the use of appropriate analytical and participatory tools and methods). Learning by doing is not necessarily adequate. It is important for practitioners to learn from others<sup>36</sup>.

Organisations may need to invest in re-orientating staff, and in particular in the capacity of facilitators with appropriate technical knowledge, social and analytical skills. This investment is justified by the inherently greater potential which results for reducing dependence and creating sustainable impacts.

Better coordination and shared frameworks between agencies also creates opportunities learning, which is vital in a relatively new approach. This can be formalised, through learning alliances or project partnerships, or it can be less formal, creating networks of those developing expertise in the area. A good example of this is the BDS market development field that has a variety of forums for practitioners to share learning (Box 6)

### **Use influence to communicate issues to macro-level decision-makers**

Market mapping and participatory market-chain analyses can identify the business environment constraints in particular market-chains. To tackle those constraints and bring about systemic change, market-chain actors and the agencies that are facilitating change, need to develop communication strategies that target decision-makers in relevant institutions at the macro-level. Meso-level organisations accustomed to delivering services and information downward to producers, may have to learn to communicate and influence upward to national or international audiences: acting for example as catalysts for producer representation on the specific issues affecting their product sectors and market-chains.

## **4.2 Challenges for governments and donor policy**

At the macro-level, recognition of the market-literacy concept involves an orientation and commitment similar to that described for meso-level organisations above, with clear priorities for governments and

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<sup>36</sup> This is exemplified by the practical advice generated by SDC's VCRD community of practice. For example, a typical contribution advised "do not waste time and money trying to make marketing specialists out of farmers, instead, work to promote better conditions and linkages between farmers and other actors".

donors that involve adopting a more market-literate approach. The implications we highlight here are heavily influenced by best practices emerging in market development work more generally<sup>37</sup>.

**Recognise market-literacy as a key objective:**

The first step is to put market-literacy explicitly at the heart of organisations' strategies and aims, so that the broad objective and approach is embedded in organisations' realities. The Market Map provides one tool for aligning organisations' work with a clearly shared view of pro-poor market development.

By introducing and emphasising 'market-literacy' in rural poverty-reduction policy it is possible, necessary even, to make market analysis a prerequisite for rural development programme design (so that the such analyses become as common-place and well established as environmental and social impact assessments).

This implies a shift in thinking in rural development more broadly, including agricultural research for example, that is similar to that achieved in the enterprise development field of BDS in recent years (see Box 6)

**Box 6: Shifting the paradigm: market development in BDS approaches**

Donor and development programme strategies in the field of small enterprise development have radically altered since the mid-1990s – most dramatically in the realm of non-financial services (or BDS). Starting with a series of conferences sponsored by the Committee of Donor Agencies for Small Enterprise Development, the field coalesced around a set of core principles for BDS delivery, sometimes referred to as the market development paradigm. This reversed previous heavily subsidised strategies in which small enterprise support agencies typically tried to push free services out to their target clients. Instead, it rapidly came to be accepted that the role of donor-funded agencies should be to act as facilitators of the market for services – stimulating demand for a variety of services among customers and building the capacity of private service providers to fill that demand.

The widespread change in strategy among donors and practitioners, internationally, was achieved through a variety of ventures and activities that built momentum and enough consensus to support a new set of principles. The support for innovating and learning in this field is considerable, indicated by the new BDS Knowledge website ([bdsknowledge.org](http://bdsknowledge.org)), which contains information from over 100 agencies working in 70 countries. The initial investment required to bring about such a significant change was considerable and involved significant, co-ordinated and sustained support from donors. Examples of this support include the International Labour Organization (ILO) BDS seminar, which is an important annual event for practitioners from over 90 countries; practitioner learning programmes such as the SEEP programme on BDS Market Assessment funded by USAID; and comprehensive training programmes for decision makers, managers and specialists such as the Springfield Centre's intensive summer courses that have trained over 300 practitioners from 30 countries.

**Invest in processes of analysis and capacity building**

Embedding a market-literate approach requires investment and allocation of resources to develop the necessary skills and orientation. Investment in the analytical stage and in *PMCA* is important in enabling subsequent interventions to be more strategic and targeted. Donor should encourage, rather than discourage, programmes which plan for and invest in this type of analysis.

Market literacy requires that different players in markets know their respective roles and commit themselves to undertaking these effectively. Markets cannot be built by one organisation alone. Joined up working and consistency of approach is important.

To stimulate such processes more generally in the rural development sector might involve some of the following activities:

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<sup>37</sup> See Gibson, Scott & Ferrand, 2004

- Establish a supporting framework from key donors [e.g. USAID, DFID, SDC] with resources to influence the field
- Cultivate an identifiable community of practice among policy makers, donors, researchers and practitioners to network innovation and experience about market literacy in the agricultural sector
- Build this community around a high-profile recognised annual event (e.g. a seminar)
- Allocate donor funds for action-research that consciously brings together researchers and practitioners from around the world to share practices and stimulate South – South learning
- Establish a dedicated website to collate knowledge, papers and articles describing market-literacy practices, project experiences and toolkits
- Create high-quality training course(s) to disseminate knowledge among field practitioners and project managers, and establish benchmarks for best-practice.

### **Final thoughts**

A contributor to an international discussion on enterprise development, recently argued that “More than a framework for understanding – a market development approach is about how we intervene. How we put sustainability at the heart of our work. How we pursue the genuine systemic causes of weak market performance. How we develop appropriate roles for the state and other players. How we catalyse systems rather than becoming artificial and distorting parts of them”.<sup>38</sup>

This sentiment is one that the authors share. The Market Map is more than just a framework for understanding a particular market-chain situation: it is intended to encourage market-literacy in general, and it can help facilitating agencies develop a shared view of how specific market systems could work more effectively for poor people in the future. It can also help tie intervention strategies to these shared understandings. In this way, the Market Map makes a contribution, among other tools, to the wider relevance of market development approaches.

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<sup>38</sup> Alan Gibson, personal communication to Defining Enterprise Development e-discussion in May 2005 (synthesis available at <http://www.seepnetwork.org/content/library/detail/2384>)

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## **Annex 1 Market Mapping in the Herbal Products sector, Kenya**

Practical Action has been exploring the application of the Market Map to create knowledge and build linkages. A project in the herbal products sector in Kenya is a good example of how it can be used.

### **Context – improving livelihoods of marginalised pastoralists**

Pastoralists in Northern Kenya have been facing the long-term erosion of their traditional livelihoods as a result of declining livestock prices, environmental degradation and conflict. Practical Action has been working with pastoralist communities in Kenya for over 10 years and technology-led solutions were failing to improve livelihoods. The areas they inhabit contain potentially valuable natural resources, including herbal products showing increasing demand in export markets. In 2004 a project<sup>39</sup> was initiated by Practical Action, Traidcraft and Kenya Gatsby Trust that aims to learn about approaches for successfully integrating marginalized producers into viable market chains<sup>40</sup>.

#### **1. Initial mapping of the aloe market chain**

The initial mapping exercise by the project team highlighted a number of challenges and issues at each of the three levels of the market map:

##### **i) Improving linkages in the market chain**

The project team carried out preliminary research, which identified herbal products as a viable and growing sub-sector. Further research identified a product group, aloe, as important to the livelihoods of communities, and that there is growing demand on world markets. For the first phase the project focused on West Pokot, an area that characterises typical aspects of the product sector. The project approach is to:

- Enable producers (harvesters and boilers) in West Pokot to establish a “Market Opportunity Group”
- Facilitate further market exploration to select the most promising market channels
- Conduct a Participatory Market Chain Analysis (*PMCA*) with market actors in the selected channels to identify and tackle bottlenecks and opportunities.

Challenges include:

- Harvesters of aloe are disparate and disorganised;
- Harvesters have misconceptions about what happens to their product; its value, destination;
- Market chain actors are very secretive about the trade because of the unresolved regulatory issues.

##### **ii) Creating an enabling business environment**

Factors affecting the enabling environment were identified by interviewing key informants (including market chain actors), producing a preliminary analysis of the local policy and regulating issues preventing effective participation by the communities in trade in aloe. In addition research of international trade issues (regulations, barriers) was initiated. Examples of issues emerging from the analysis:

- Trade restrictions – CITES<sup>41</sup> requirement on aloe export since 1999 has pushed the trade “underground” and considerably reduced the earning potential. All exports go, illegally, via South Africa “hidden” with other products. The so-called “Presidential Ban”, which never actually became law, has created further confusion making market chain actors even more secretive.

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<sup>39</sup> Funded by Ford Foundation and Comic Relief

<sup>40</sup> The project also includes coastal communities producing neem, for learning about the approaches in different contexts.

<sup>41</sup> CITES is the IUCN Convention on International Trade in Endangered Species of Wild Fauna and Flora

- Corruption is endemic throughout the chain, adding costs and creating distortions of power and interests e.g. boilers pay bribes to local chiefs which enables them to negotiate lower prices (chiefs negotiate prices on behalf of harvesters).
- Prejudice against Somali traders causes a high degree of mistrust and a lack of co-operation.

### iii) Access to better business services

Initial analysis indicated that some embedded services exist in the chain, for example:

- Quality checking – boilers have devised a system to test the sap before purchase (based on its absorption); they also advise on best harvesting methods.
- Storage and bulking – urban traders buy regularly from many boilers, taking higher quantities in the rainy season.
- Market information – an order from the exporter triggers action in the chain and information is passed down.
- Transport – market chain actors absorb the cost of transport.

Additional services actors could require were also identified:

- Harvester co-ordination – the current arrangement, of relying on the local chief, leaves them vulnerable to exploitation.
- Technical extension services to harvesters e.g. sustainable harvesting techniques (to protect supply since the source is getting depleted in many areas); Advice on harvesting methods to improve quality e.g. technology which extracts sap through gravity.
- Energy efficient technology for boiling, to reduce fuel costs.
- Environmental impact assessment is required by other stakeholders (such as the government environment agency NEMA).
- Certification by Kenya Wildlife Service (KWS) to get CITES appendix II.

Potential for services (assessing potential demand and supply) could then be explored during the *PMCA*.

The Market Map created by this information gathering exercise gave the stakeholders a picture of the market system which they could further develop in the next stage, *PMCA*.

## 2. Participatory Market Chain Analysis

Having completed the initial mapping exercise the team then addressed the challenge of engaging in a participatory market chain analysis exercise. Getting competing and disparate market chain actors to work together was not under-estimated. The practicalities and associated lessons of the *PMCA* exercise included:

### Developing trust in the aloe market chain

There is a high degree of mistrust in the chain. Harvesters generally believe that boilers take an unreasonably high margin, whereas the reality is apparently quite different. The main issue affecting revenue and margins for actors in the chain is trade regulation (linked to “unsustainable” supply issues). A strategy to tackle this problem is to apply for certification of the aloe (see below), which requires co-operation and co-ordination. In this case it is in the interests of exporters and central agents to work with other actors to address issues of sustainable harvesting at the production end of the chain, by for example, ensuring that harvesters and processors have access to the services they need to produce a certified high quality aloe.

### **Engaging aloe market chain actors: finding a 'hook'**

The aloe market mapping exercise identified two issues to attract the market chain actors to participate in the process:

1. Exploring the potential for a specific market chain to acquire certification - from sustainable harvesting to accredited exports. This involves all actors from harvesters in West Pokot to the exporter in Mombasa and a number of key stakeholders, such as Kenya Wildlife Service who manage CITES certification. The "hook" in this case is that certified exports would enable direct sales to final buyers and therefore considerably more value will flow into the chain (\$10/kg instead of \$2/kg paid by the South African buyers). Exporters and agents cannot achieve this without harvesters and boilers following sustainable harvesting techniques.
2. Quality improvements: all market chain actors are affected by quality issues, though there are certain stages in the chain where they may be critical. The processing stage (boiling) converts sap to bitters, which is the stable form of the product for export. Improvements in efficiency and subsequent increased revenue in the chain depends on this vital stage.

### **Physical limitations: the challenge of a long distance market chain**

The aloe market chain is dislocated with actors spread over 1200 km, from remote Northern Kenya to the coast, so the project is addressing this problem by holding initial partial market chain participatory meetings between interacting actors:

- Harvesters and boilers
- Boilers and traders/central agents
- Central agents and exporters.

The segments of the market chain overlap, so boilers for example will interact with both harvest and urban traders. The next step is to bring as many representatives from all groups in a central location to explore solutions and innovations to the issues they have identified in their market chain sub-section. This incremental approach also builds up trust (see above).

### **Addressing Imbalances of Power: Preparing producers for a *PMCA***

Aloe harvesters belong to pastoralist communities (often the women and youth) who are living in relative isolation, with little exposure to commercial environments. The project is working with them to create "Market Opportunity Groups" which prepares the harvesters to engage with other market players in a constructive and informed way, and in time, to be proactive so they can explore new market links and respond to a dynamic market environment.

### **Balancing external influences: Aloe interest groups**

As the Market Map illustrates the aloe market chain is dependent on a large group of stakeholders. It is important that they provide targeted support to market chain actors, but their role should not be confused with the actors themselves (i.e. those in the middle section of the map) who take ownership of the product. The Aloe Interest Group has a different function from the Market Opportunity Group (which is for producers). It comprises of a wide range of local decision makers, service providers, research institutes, regulatory bodies e.g. Local Chiefs, Kenya Wildlife Services, Forest department, as well as selected market chain actors (boilers and representatives from women's groups involved in harvesting). The West Pokot Aloe Interest group links with a national stakeholder group the Kenya Working Group on Medicinal and Aromatic Plant Species, which has a specific working group on aloe. These groups are distinct from but vital to the successful aloe *PMCA*.

### **3. Developing solutions**

The *PMCA* will lead to a better understanding of where blockages and constraints in the aloe chain are so that stakeholders can jointly develop commercially viable solutions. An example of this process is the information needs of the aloe chain:

**Assessing service needs: market information in the chain**

Market information services in the aloe market chain are currently embedded i.e. each market-chain actor passes down information to the next. The whole chain responds to orders from the exporter, although this becomes more dislocated further down the chain and is, to some extent, “smoothed out” by the actors who bulk and store. The initial analysis indicates that there is a need to improve market information services, highlighted by the example of a group of harvesters who, discovering the world market price of aloe bitters, refused to sell to the boilers at their offer price, even though in reality the boilers find it hard to make a profit.

The *PMCA* process will facilitate the discovery of new solutions as the market-chain actors consider how information can be passed down the chain more accurately. It will be important to assess demand for ‘stand alone’ services to strengthen or complement the embedded ones, and explore how these might be developed as a commercially viable service. Members of the wider ‘Interest Group’ are key stakeholders in assessing the potential for developing market information services.