



# Market Development

in Swedish Development Cooperation



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## WHY DOES SIDA GIVE SUPPORT TO MARKET DEVELOPMENT?

People living in poverty depend on markets for income and the purchase of goods and services. But often markets for jobs, staple foods, essential services, and inputs for production do not operate in a way that meets the needs of people living in poverty. Sometimes markets are not accessible and market systems need to be improved in order to increase the economic choices and opportunities. Development of functioning market systems and a vibrant private business sector have linkages to many other development dimensions, such as human security, democracy and human rights, gender equality and sustainable use of natural resources.

The OECD defines *inclusive growth* as economic growth that is distributed fairly across society and creates opportunities for all<sup>1</sup>. However, not all growth is inclusive, and external interventions should be designed to ensure that people living in poverty are able to benefit from engagement in markets. Accordingly, the Swedish Policy Framework for Development Cooperation<sup>2</sup> highlights the importance of sustainable inclusive economic development. Sida's support to market development aims to enhance the ability of women and men living in poverty to participate in, contribute to and benefit from economic development.

Swedish development cooperation has an important role in creating better conditions for inclusive market development. This booklet gives examples of how conditions that benefit people living in poverty can be created. The examples on the following pages illustrate some results from completed and ongoing projects.

### MSD in a nutshell

The MSD approach starts with a context-specific analysis of the market system. It aims to address the underlying causes of poor performance that matter to people living in poverty, producing scalable long-term change.<sup>3</sup> MSD is about stimulating changes in the rules, services, relationships, barriers and incentives that affect how public and private actors behave, helping important market functions to perform more effectively. If successful, this improves the whole market system – enabling businesses and other organisations to innovate, grow, reach out and serve a larger population. In figure 1, the market system is illustrated.

<sup>3</sup> [beamexchange.org](http://beamexchange.org)

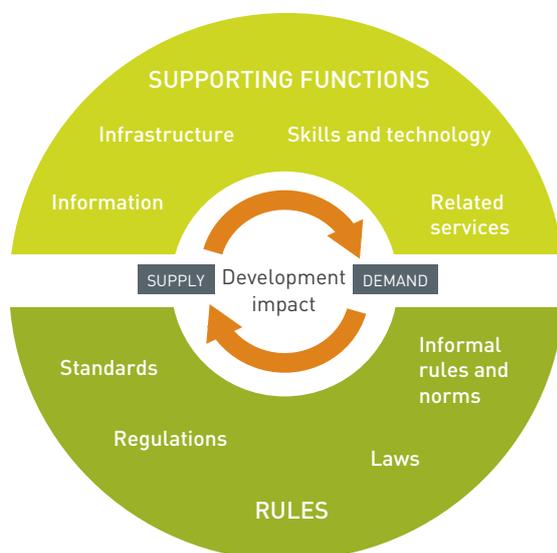


Figure 1. The Market System

Note: Adapted from DFID & SDC, 2008, *Making Markets Work for the Poor: An Operational Guide*

## PRINCIPLES OF MARKET DEVELOPMENT

Experience shows that some basic principles have to be considered for market development support to have real impact:

- *Systems analysis*: In order to better serve the needs of women and men living in poverty, we need to understand which aspects of the system that are not working for them.
- *Systemic change*: Systemic change is about fundamentally transforming how the system functions for the benefit of a particular target group, such as small-scale farmers, poor wage-workers or self-employed business owners.

<sup>1</sup> [Inclusive Growth and Public Governance - OECD](http://www.oecd.org/inclusive-growth)

<sup>2</sup> [Policy framework for Swedish development cooperation and humanitarian assistance - Government.se](http://www.government.se/policy-framework-for-swedish-development-cooperation-and-humanitarian-assistance)

## LIVELIHOODS IMPROVEMENT FOR WOMEN AND YOUTH (LI-WAY)

The *LI-WAY* programme is a Sida-funded urban development initiative that uses a market systems development approach with the intention to sustainably increase the incomes of 200,000 women and youth (50% women) in Addis Ababa, Ethiopia. The programme envisages changing market systems so that they work better for the target groups, which in practice involves changing the behaviour of people and organisations (market actors) within those systems.

Achievements to date have included:

- increased availability and reduced cost of childcare so that women can return to work;
- increased willingness of employers to provide work to migrants on equal terms;
- facilitation of integrating micro-enterprises into new marketing platforms to increase their revenues;
- improved productivity of factories through improved production management, allowing them to grow and recruit more workers.

Using market-based solutions and engaging private sector actors are central to maximising sustainability and ensuring impact after the project has ended.

[Livelihoods Improvement for Women and Youth \(LIWAY\)](#)



Photo: Ulrika Lång/Sida



Photo: GPE/Kelley Lynch

- *Sustainability*: We can achieve sustainable results if we align programme objectives with the incentives and capabilities of system actors. Sida's development partner should have a temporary and catalytical role that stimulates actions by market actors themselves to be more inclusive of people living in poverty.
- *Scale*: By leveraging the actions of key market actors to bring about sustainable and systemic change we can create impact for people living in poverty at a larger scale.

These principles form the basic building blocks of the *market systems development (MSD)* approach, which is Sida's preferred approach to put inclusive economic development into practice.

## WHAT IS THE FOCUS OF SIDA'S SUPPORT TO MARKET DEVELOPMENT?

There are three main focus areas within Sida's support to market development:

- **Private sector development**, e.g. develop value chains, support to reforming the business environment, improving the financial sector and access to financial services, expanding business development services and strengthening business organisations.
- **Trade**, e.g. improve trade policy, support to implementing trade agreements and regional integration. It includes financing for hard and soft infrastructure necessary to trade, such as roads, energy and ICT systems. It also includes making it easier for the private sector to benefit from and be involved in trade e.g. through strengthening financial sectors.
- **Productive and decent work opportunities**, e.g. stimulate job creation and livelihoods, which goes hand in hand with private sector development and trade, improve working conditions, increase incomes, ensure labour rights and enhance social dialogue.

## INCLUSIVE MARKETS BOLIVIA

The Sida-funded Inclusive Markets project aims to improve the living conditions of families in the Altiplano and inter-Andean valleys in Bolivia. These regions, with thousands of small indigenous producers providing agricultural products under family farming schemes, are fragile and exposed to the negative effects of climate change. Through a combined market systems development and multi-dimensional poverty approach, Inclusive Markets has increased incomes, improved economic, environmental and social resilience as well as enhanced the quality of employment and empowerment of women. To date, more than 40,000 farmers have had increased access to inputs, technologies, and skills development and financial services, strengthening their insertion in local and international markets.

The project focuses its actions on the sustainability, impact and scale when involving actors in the system – public, private and academic – assuming a facilitating role. By doing so, it has achieved systemic changes in several key areas and dimensions of poverty, such as prevention of violence against women, access to financial services and plant health. Looking forward, the next step will be to build on the existing broader relations strategy implemented in cooperation with the National Board of Trade Sweden (Open Trade Gate Sweden), hopefully consolidating the export of key eco-friendly and healthy products to the Nordic and European markets.

[Inclusive Markets in Bolivia](#)



## PORTFOLIO OVERVIEW SIDA'S SUPPORT TO MARKET DEVELOPMENT

Diagram 1 shows the volume of support to these three focus areas. During 2020, the total recorded support to the “market development” sector amounted to app. 1.9 billion SEK. There is also a wider spectrum of market development support embedded in other major sectors, such as agriculture, infrastructure and social security, that are closely linked and overlap with market development. These are not included in the diagram but contributing areas.

It is also important to note that Diagram 1 does not include the flows of finance generated by Sida's guarantee instrument, through which Sida, for instance, provides loan guarantees to companies via banks. This means that Sida undertakes to repay the loans should the borrower fail, which reduces the risk for both the borrower and the bank. For example, in Tanzania, more than 640,000 companies in the agricultural sector received loans of just over 125 million US dollars from financial institutions that Sida supports with a guarantee.

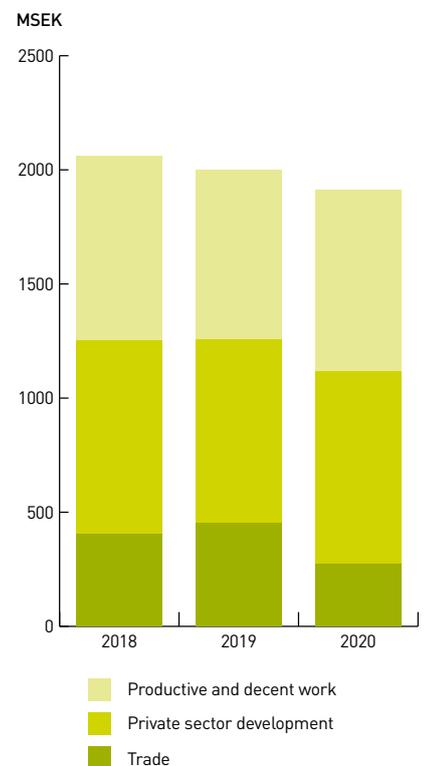
When it comes to geographical distribution of the entire market development portfolio, the largest recipient is Africa, followed by global programmes. Other recipients are Eastern Europe and the Western Balkan as well as the MENA region (North Africa and the Middle East). Latin America and Asia also receive some market development support from Sida.

## HOW SIDA SUPPORTS MARKET DEVELOPMENT

Effective market development support must respond in a flexible way to the underlying causes of why markets fail to serve people living in poverty. Such support does not necessarily require large resource transfers (such as for the building of public infrastructure). The challenge is rather to identify problems and target interventions in ways that best influence the functioning of markets and incentivise market actors. In order to be effective, such support requires flexibility to work at different levels and with different actors throughout the system.

While all of Sida's development partnerships start with an understanding of the challenges that people in poverty face and why, the nature of interventions to address these challenges vary. Sida collaborates with a large variety of organisations and actors to promote market development in specific sectors of the economy or specific geographic areas.

**Diagram 1: Annual disbursement 2020 of support to focus areas within Market Development<sup>4</sup>**



<sup>4</sup> Annual disbursement categorised according to Market Development objectives in strategies

## SIDA'S CONTRIBUTION TO FINANCIAL SECTOR DEEPENING IN AFRICA

Sida has been a key contributor to the *Financial Sector Deepening* (FSD) network, which targets reducing poverty by strengthening Africa's financial markets. FSD organisations adopt a market-based approach to the development of the financial sector – including savings, credit, payments, and insurance – for poor and marginalised people across Africa. Over the years, the FSD programmes have contributed to the development of 130 regulations and policies strengthening financial markets across Africa and 5.47 million individuals have improved access to financial services across the region, 40% of whom are women.

Sida has contributed to FSDs in Kenya, Mozambique, Rwanda, Tanzania and Zambia.

**FSD Kenya's** work on regulation and facilitation of expanded financial inclusion and fintech innovation, have enabled the emergence of mobile-money platforms and electronic payments. These have been major contributions to improve financial inclusion and livelihoods in Kenya. Innovation has been a centre-piece of the FSD Kenya programme and today Kenya is positioned globally as a leading innovator in financial inclusion and fintech.

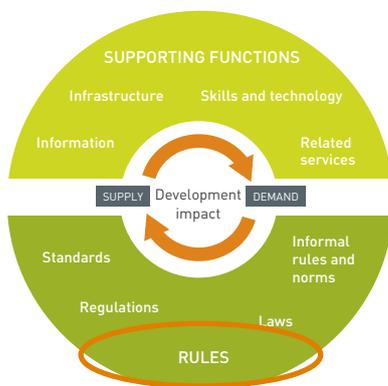
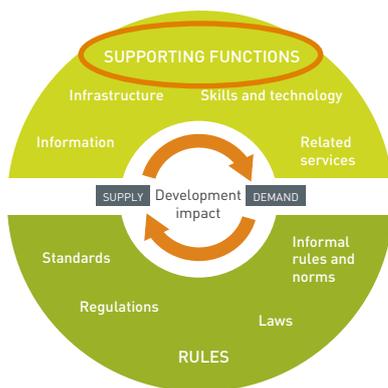
**FSD Tanzania** has contributed to eight vital legislative changes that improve access and usage of financial services. In efforts towards transforming payments infrastructure, FSD Tanzania has supported the National Identification and Tanzania Instant Payment systems to promote digitisation, increasing efficiency in payments, and bridging the gap between the banked and unbanked.

[FSD Africa](#)



Photo: Nyokabi Kahura

By catalysing innovations and new solutions, 801,228 small-holder farmers in Tanzania have been linked to financial service providers.



At the level of low-skilled labourers or micro-enterprises, including agricultural enterprises, with limited access to resources, many of Sida's contributions seek to gradually improve their income opportunities in a sustainable way that positively impacts as many people as possible. Grow Liberia<sup>5</sup> is a project that works with enterprises cultivating vegetables and coconuts, supporting logistics, marketing and services. This has led to increased incomes for 35,400 households and has created 4,400 full-time equivalent jobs, mainly for women and young people.

At the level of the enterprises in which people work and whose products and services they buy, growth can create more jobs, increase wages, and improve the availability and reduce the costs of vital commodities. These enterprises face constraints in their access to financial resources, the skills they can utilise, their relationships with policymakers and their access to markets. Bureaucracy and a lack of capital is an obstacle to many small enterprises. A market development project in Palestine has made it easier for thousands of small enterprises to get access to services like tax revenue, insurances and the possibility to get a loan.<sup>6</sup>

At the level of the institutions governing the whole market system, Sida provides support to improve the functioning of some of these institutions as well as reforms at the national policy level. The Middle East and North Africa region has the lowest participation in global trade, in part due to political instability, high trade costs and a lack of common rules and standards. The regional organisation Arab Accreditation Cooperation (ARAC) inspects, tests and certifies goods and services. Through support from the United Nations Industrial Development Organisation (UNIDO), ARAC continues to develop and to be an important player in the region's trade.<sup>7</sup>

In many low-income countries, workers have little opportunity to influence their working conditions. In Bangladesh, the government and the International Labor Organisation (ILO) are working together to strengthen workers in the textile industry.<sup>8</sup> The initiative makes it possible for more employees to organise in a trade union and thus influence their working conditions.

The above examples illustrate the flexibility and tools Sida has to collaborate with *different types of actors* in both public and private sectors as well as civil society to bring about lasting changes in market systems.

<sup>5</sup> [GROW Liberia](#)

<sup>6</sup> [Palestine | Oxfam International](#)

<sup>7</sup> [About Us – ARAC \(arab-accreditation.org\)](#) and [UNIDO | United Nations Industrial Development Organisation](#)

<sup>8</sup> [ILO in Bangladesh \(ILO in Bangladesh\)](#)



Photo: Ylva Sahlstrand/Sida

## THE HUMAN IMPACT

The ultimate beneficiaries of Sida's market development programme remain the poorest and most marginalised people in the world. Sida's market development contributions have targeted the millions of young people who cannot find employment in Africa, the women of Bangladesh who struggle to overcome social norms to increase their access to financial services, and the hundreds of thousands of refugees in Ethiopia who have no realistic prospect of repatriation nor integration.



Photo: Zakir Elmi

## THE WAY FORWARD

To provide successful support to market development, Sida's partners must be able to identify constraints and opportunities in local, regional and international markets systems. This is not possible without a good understanding of the local business environment and the political economy that determines the feasibility of changes in a market. Local presence in partner countries, a long-term perspective and close collaboration with other actors greatly improve this understanding. Support to market development also requires working in an adaptive manner and being able to create incentives to behavioural change in the market systems. Innovative solutions, as well as innovative forms of finance, play a crucial role.

The market systems development (MSD) approach has women and men living in poverty at its centre of analysis and implementation. As for all Sida's work, rights and gender equality, conflict as well as environment and climate change perspectives must also be integrated into all programmes.

The environment and climate change perspective, particularly, requires new approaches that can promote inclusive and environmentally sustainable economic development – a green economy. The actors in the market systems need to take into account environmental sustainability and increased resource efficiency, strengthened resilience to environmental pressures and risks, and more and smarter use of green and circular technologies and innovations to be inclusive and sustainable.

As Sida increasingly targets conflict and crisis-affected settings as well as refugees and internally displaced persons, the so called nexus approach is highly relevant for Sida's market development portfolio as it can complement the humanitarian support. Market development and income generation strategies can help the transition from crisis to recovery. In crisis situations, income opportunities provide affected people with means for livelihood, self-sufficiency and social cohesion.

*Tigist Tesema Adamu* is a 32 years old widow who lives in Addis Ababa. She is a mother of two daughters aged 2 and 6. She rents a government-owned house. She has been dependent on the Government of Ethiopia's Urban Safety net beneficiary doing cash-for-work by cleaning the streets carrying one child on her back while the other accompanied her when not at school. For this, she earned 500 birr per month.

Owing to LI-WAY's intervention, she was able to access low-cost childcare and began paying 400 ETB for childcare per month. She obtained work in a local primary school preparing food and providing clothes washing services throughout the school day.

She now has a monthly income of a minimum of 1,200 ETB with reduced expenditures on food. LI-WAY's goal is to make low-cost childcare available to all women who need it, so they can return to work and improve their livelihoods.

Sida works according to directives of the Swedish Parliament and Government to reduce poverty in the world, a task that requires cooperation and persistence. Through development cooperation, Sweden assists countries in Africa, Asia, Europe and Latin America. Each country is responsible for its own development. Sida provides resources and develops knowledge, skills and expertise. This increases the world's prosperity.

#### **FURTHER READING**

For more information on Sida's work and the examples found in this booklet [www.sida.se](http://www.sida.se)

For comprehensive resource pages on Market Development see Donor Committee for Enterprise Development [www.enterprise-development.org](http://www.enterprise-development.org)

For more information on the Market Systems Development Approach see the BEAM Exchange Website [www.beamexchange.org](http://www.beamexchange.org)