



Women selling their produce at a market in the Morogoro Mountains. Like in many other African countries, women constitute the majority of the agricultural labour force in Tanzania.

Photo: P. Monteil

Making markets work for the poor

Lack of access to markets is a problem for numerous small-scale enterprises in Africa. In order to overcome the existing bottlenecks and to facilitate smallholders' market participation, the Swiss Agency for Development and Cooperation has been working with the Market Systems Development (MSD) approach for several years – and successfully at that, as the following example from Tanzania shows.

In many African economies, the rural situation is marked by continuing stagnation, poor production, low incomes and the rising vulnerability of poor people. Poor families are often excluded from all kind of formal markets, i.e., they cannot participate systematically in interactions between different market actors. They may put up some products for sale from time to time, but because they have only very small quantities to sell and lack information about recent developments such as prices or opportunities, they are in a weak position without

bargaining power. Encouraging smallholders to increase their production is not effective if they do not have the possibility to sell the surplus products on a market and if they do not have access to the commodities necessary for production. This insight is not new, but for a long time it was not given enough attention. Interventions by donor-driven projects have often even aggravated the trend rather than reversed it.

In a market system (see Figure on page 38), a number of formal and informal operators are involved, who need to interact according to various rules with one another to make the market operate. The approach called Market Systems Development (MSD) tries to identify the constraints within a value chain and to recognise the reasons why a market is not functioning

properly. Project interventions address these limitations by developing ways to overcome the bottlenecks and by facilitating different market players. The idea behind the approach is that involving smallholders will bring income and employment benefits to them. Therefore the question is not "what problems does the target population have and how can we solve them?", but "how can we address the constraints that prevent the poor from participating in a market?". The focus is then on developing market systems, considering the different roles and functions public and private, formal and informal, stakeholders have and finding ways that smallholders can participate in the market. Therefore MSD is an indirect intervention into market systems, which means that a project facilitates market activities by catalysing market actors and inducing

Dr Philippe Monteil
 Thematic Advisor
 Swiss Agency for Development and
 Cooperation (SDC)
 Bern, Switzerland
 deza@eda.admin.ch

systemic changes, while staying external to the system.

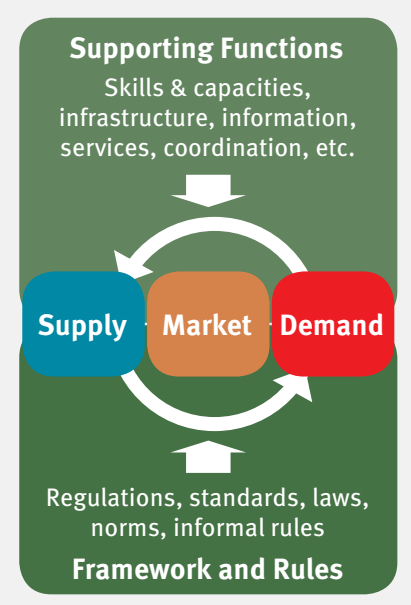
Facilitating activities may differ over a broad range: technical assistance to supply-side players; coordination between small producers to improve their bargaining and purchasing power in markets; offering information to market players; introducing new business ideas and providing technical support to develop them; limited financial support to defray initial risks; providing technical assistance and some financial support to regulators and researchers to improve the process of policy analysis; and developing new commercial services and other measures. Markets that are “working for the poor” offer job opportunities, adequate returns on commodities and products, and enhanced affordability of products and services for the poor.

The Swiss Agency for Development and Cooperation (SDC) has a long track record on working with the MSD approach. One project of SDC’s programmes in East and Southern Africa applying the MSD approach is exposed here as an example.

■ The Rural Livelihood Development Programme in Tanzania

Tanzania’s economy is highly dependent on agriculture, which accounts for about 45 per cent of GDP and two thirds of the export earnings. The agricultural sector is the main source of employment and livelihood for three quarters of the population. Women constitute the major part of the agricultural labour force. Tanzania’s agricultural sector is dominated by smallholder farmers, carrying out rainfed agriculture and producing a variety of subsistence crops, such as maize, sorghum, millet, cassava, sweet potatoes, pulses, paddy rice, wheat and fruit and vegetables. On average, rural households own five acres each. There are many major constraints in the agriculture sector as e.g. poor and disease-prone seed, declining land productivity due to outdated farming methods and im-

The core of a market system represents the central set of exchanges between providers (supply side) and consumers (demand side) of goods and services, which is at the heart of any market.



poverished soils, a decreasing labour force due to urban migration, and unreliable weather conditions. Nevertheless, 85 per cent of Tanzania’s poor people live in rural areas and rely on agriculture as their main source of income and livelihood. The agricultural sector fails to make significant inroads into high levels of rural poverty and household food insecurity. Reality is characterised by very low wages, regular food shortages, and barely functioning markets. Despite the fact that women represent the major part of agricultural labour force, they do not have equal access to productive assets, inputs and services, and therefore they produce less.

In this context, SDC started the Rural Livelihood Development Programme (RLDP) in 2008. The programme, implemented by a consortium consisting of Helvetas Swiss Intercooperation and Swisscontact, aims at making market systems work better for the welfare of rural producers in the Central Corridor of Tanzania. Its overall goal is to improve the livelihood of target households by opening up their access to local, regional and national markets. Being able to

sell and buy products on a market is important for improving the fragile balance between food production and income, so access to a market will finally contribute to finding a way out of extreme poverty. The project supports four key value chains, namely cotton, sunflower, rice, and poultry. It also facilitates a radio programme and rural advisory services (see Figure on page 39).

All interventions add to the creation of win-win situations: producers improve their access to information, knowledge, inputs and market services, which contributes to generating additional income. On the other hand, processors, through investments in the respective sub-sector, can enhance their business. Mutual mistrust has to be reduced; participants are increasingly willing to accept the interdependence. Private companies realise that they have to invest in their business instead of simply purchasing products from farmers. These investments cover infrastructure and hardware such as transport systems, ginneries, warehouses, etc., and superstructure or software such as agricultural extension, inputs distribution systems, seeds, etc.

RLDP facilitates the establishment of long-term collaboration between value chain partners (producers, processors, traders, retailers) and local government authorities e.g. for the provision of extension services to producers. Depending on the sector, the income of households has risen between 28 per cent and 96 per cent (production of quality sunflower seed from 790,000 Tanzanian Shillings (TZSh) to 1,010,000 TZSh; sunflower from 100,000 TZSh to 170,000 TZSh; cotton from 270,000 TZSh to 530,000 TZSh); in the commodity sectors, the cumulative outreach of RLDP is more than 75,000 households. The following two value chains serve as examples.

■ The sunflower value chain

Sunflower is a major cash crop in Tanzania and involves around 250,000 households with an area of

one to five acres, mainly cultivated by hand. More than 60 per cent of sunflower in Tanzania is produced in the Central Corridor. The sector contributes 40 per cent of edible oil. Business opportunities exist along the entire value chain; the cultivation of sunflowers requires only low investments by farmers. The market demand for sunflower oil and cake is steadily increasing: demand stands at 330,000 tons per year, while the actual production is only 200,000 tons.

RLDP has started facilitating a broad range of market activities, e.g. producers benefit from various services ranging from improved access to inputs such as seeds, fertilisers, pesticides, tractor services, and canvases for post-harvest management, and they benefit from advisory services as well. RLDP furthermore introduced a contract farming model as a way of improving productivity and sales of sunflower at farmers' level (see Box on top). Other interventions are aimed at building a better relationship and harmonisation between small farmers and sunflower oil processors. This and the higher yields per unit area along with the better prices have led to an expansion of cultivated area – an important point for processors because

Contract farming

In order to secure the procurement of a certain crop, the system of contract farming is often adopted: both farmers and purchasers conclude an agreement in which the obligations of both partners are defined: on the one hand, the conditions for the production of a crop (quality, quantity, production technology, prices, delivery terms, etc.); on the other hand, the obligation of the buyer to purchase the products (sometimes at a predetermined price), to support production through the supply of farm input and land preparation, and to provide technical advice, etc.

it has also improved the profitability of their investments. It further stimulates sunflower oil seeds cultivation in other areas outside the Central Corridor, and production in the country has increased annually from 305,000 tons to 786,000 tons. More than two thirds of the nearly 30,000 households reached have established contracts with buyers; of these, almost 30 per cent are female producers. Thanks to improved agricultural practices, ameliorated sunflower seeds are now available to farmers, and the quality of the grains reaching processors has improved. The use of quality seeds coupled with the improvement of other agronomic practices has increased the yields from 200 kg up to 350 kg per acre.

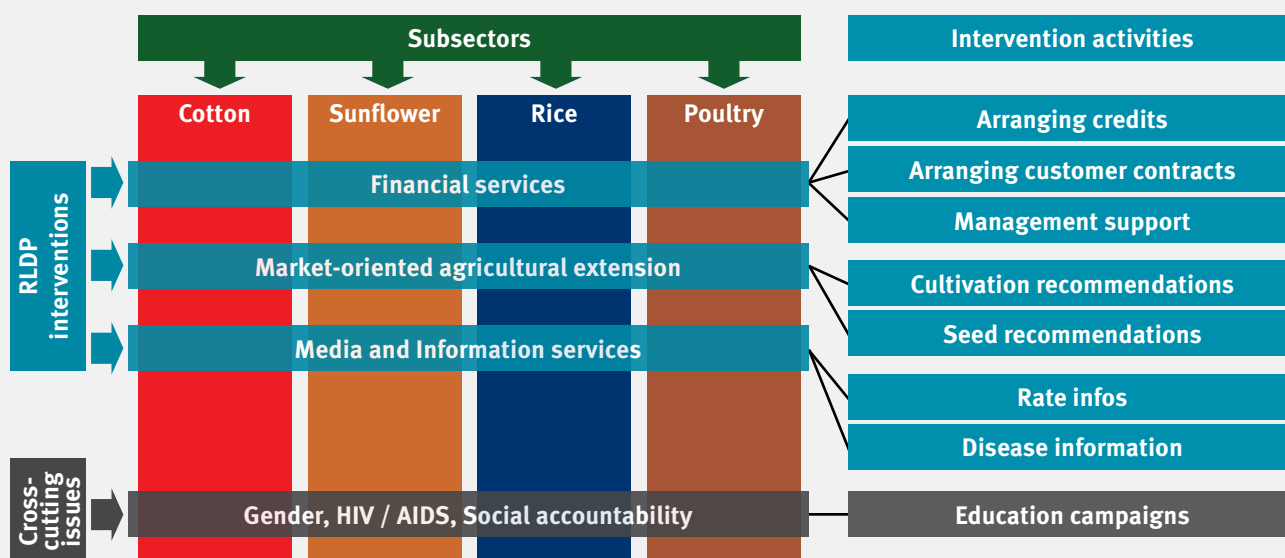
Until recently, because of the low repayment rate, the banking sector was reluctant to extend credits to pro-

cessors. Thanks to an intervention of RLDP, one bank accepted sunflower already bought as collateral for loans. As a result, processors acquired new and competitive technologies for processing oils. Finally, over 40 processors were able to invest 3.5 million US dollars to increase their processing capacities. This, in turn, has increased the sales potential of smallholder producers.

■ The cotton sector

Cotton is the second largest agricultural export product in Tanzania. As a cash crop, it represents a major source of income and employment, offering economic opportunities to 500,000 households. Most producers are smallholders who own less than ten acres. In the 1980s, the region of the Central Corridor (Morogoro – Dodoma – Sin-

MSD approach as applied in the RLDP: the agricultural value chains (cotton, sunflower, rice and poultry) are supported with different intervention activities. Moreover, cross-cutting themes are addressed specifically.



gida – Shinyanga) contributed up to 40 per cent of Tanzania's cotton, but then a strong decrease of production occurred. A careful analysis of the situation through RLDP identified two detrimental causes. The first problem was cheating by buying agents who used tampered weighing scales. It is said that farmers lost up to 60 per cent of what should have been paid. The peasants in turn tried to influence the weight in their favour by adding sand, water and salt to their products to increase the weight.

As a consequence of these practices, everyone was losing. In order to turn this loss-loss situation into a win-win one, RLDP together with the authorities established a village cotton development committee. This committee has the responsibility to check the weight and quality of a farmer's products before he goes to a buyer. The producers now know the exact weight, and the buyer knows that he is getting good quality. This in turn makes the cultivation of cotton more interesting for farmers because they know that they are not depending on some extortionate middlemen. RLDP developed several types of interventions to address constraints and to

generate opportunities to benefit stakeholders such as promoting contract farming systems, gaining better access to improved advisory services, or strengthening farmers' organisations in order to enhance capacities to collaborate with public and private actors. The improvement of agronomic practices and the use of quality seeds have reasonably increased the yields from 500 kg up to 750 kg per acre.

■ Need for action

The MSD approach is a potent tool to influence local and regional markets. While interventions have achieved improvements in stakeholder relationships and livelihoods of individual actors, changes are hard to achieve at a systemic level. Especially in a region with many donor activities, it is difficult to explain the role of a market facilitator such as the RLDP. Rather than seeing the RLDP as a source of advice, information and technical support, RLDP is much more easily assumed to be "another ordinary donor" who provides additional funds to run activities that increase business. Addressing gender issues is a third challenge. On the one hand, there is the problem of

mainstreaming gender in the RLDP interventions, e.g. with commercial partners not having gender issues as a priority in their commercial relations. On the other, the impact of activities must be carefully observed in order to identify wrong trends early enough, e.g. when women do much of the work whereas the use of the revenue is decided outside their control and hinders spending on aspects conducive to poverty reduction, such as health and education.

The poorest, e.g. the landless, may only benefit indirectly, for instance via job creation caused by the higher turnover in a market system. Furthermore, not every smallholder is automatically a small entrepreneur. To reach a substantial number of farmers, scaling-up requires working with large purchasers. At the beginning, it may be somewhat disturbing or even distressing for a project designed to assist the poor to work with profit-oriented companies, but their extended network of partners can be extremely useful, and they are part of the market. Private companies have to realise that it is in their interest to invest in their businesses instead of simply purchasing products from the farmers.

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