

A woman wearing a colorful striped beanie and a patterned shawl is planting a young green seedling into the soil. The background is a blurred blue wall.

*Inclusive Markets
Development*

ASSESSING MARKETS

*A supporting document
to the IMD Handbook*

Private Sector Division, UNDP: “Assessing Markets” (2010)

This series also includes:

Inclusive Markets Development Handbook (2010)

And the following supporting tools:

Private Sector Division, UNDP: “Guide to Partnership Building” (2010)

Private Sector Division, UNDP: “Brokering Inclusive Business Models” (2010)

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1. Introduction

The purpose of this guidance note is to clarify the initial steps that UNDP Country Offices may take in order to identify opportunities for effective IMD interventions. This note is a supporting document to the IMD Handbook, which describes UNDP's IMD approach following the following four main stages:

- i) Identification of Opportunities
- ii) Project Formulation
- iii) Project Implementation
- iv) Evaluation.

This note provides a methodology to support the implementation of stage one and two of the IMD project cycle by providing:

- An approach for identification and selection of markets that have the potential to work better for the poor and
- The basic thought process behind this approach as well as specific questions and issues that need to be resolved at each stage of its application

It is envisaged that the principal users of the guidance note will be private sector focal points, programme managers and private sector 'brokers' in UNDP Country Offices, but it will also be helpful to other practitioners seeking an overview of how inclusive market development concepts can be operationalized.

The note is divided into two basic stages, the first providing a methodology for stage one of the project cycle (Identification of Opportunities) and the second for stage two (Project Formulation):

- 1) Rapid assessment of potential 'target markets' for intervention (chapter 2)
- 2) Comprehensive market assessments for markets that 'pass' the initial 'screening' test and offer realistic opportunities for contributing to inclusive growth (chapter 3).

Each of the key steps in each stage is followed by a short summary of key questions that should be addressed as well as information sources and approaches that may be helpful in resolving these issues. Links to external toolkits for specific tasks are contained in embedded 'toolboxes.' A list of useful reference sources is contained in [Annex A](#). Brief case studies of successful inclusive market development programmes are contained in [Annex B](#) and caselets are embedded throughout the document. A glossary of key terms is contained in Annex C and frequently asked questions (FAQs) are contained in Annex D.

1.1 Before you Begin – Assessing Country Office Capacity

Prior to embarking on the market assessment and program formulation process, Country Offices will benefit from evaluating if they have, or will be able to procure, the capacity for effective implementation of the program. While the precise nature and scale of resources required - the finance, skills, knowledge, etc - will be determined through the market assessment process, it is important to be clear from the outset that inclusive market programmes are serious commitments that typically require between 3-5 years to conclude. Moreover, inclusive market development programmes are difficult to plan fully in advance. Markets are inherently dynamic and usually involve multiple stakeholders – many of whom will undergo changes over the course of the program. Core market transactions, the rules on which they are based and supporting institutional structures are all highly susceptible to change, with the result that project interventions need to be flexible and responsive even where this means deviating from well-prepared work plans. This dynamic process requires that strong CO commitment and management support is in place to ensure that the program can adjust to changing circumstances, work with key partners to make quick decisions when necessary, and communicate changes in approach to key stakeholders on an ongoing basis.

Despite the challenges that can be associated with IMD programmes, evidence from other international organizations suggests that these programmes can exhibit substantial development results. And while IMD programmes may marginally exceed the average budget of UNDP private sector development (PSD) programmes, they can represent excellent value for money in terms of pro-poor impact.

Examples of IMD¹ Programme “From Behind the Veil”

Donors: USAID

Budget/Time: \$600,000/3 years

Results: The program provides assistance to homebound women in Pakistan. At the halfway point through a three-year programme it had linked 7,000 women producers to markets, 2,000 of whom increased their incomes more than threefold. The remaining 5,000 were earning an occasional income that was growing steadily.

Examples of IMD¹ Programme from IFC

Program: IFC - Sector Development and Business Services (SDBS) initiative

Donors: DfID, EC, NORAD, CIDA and the Government of the Netherlands.

Budget/Time: \$6.08 million/3 years

Results: Over a three-year period from 2003-5, the programme provided technical assistance and training to 136 enterprises, 20 service providers, 11 apparel buying houses and 3,017 individuals. Assisted firms and service providers reported increased sales of over \$114 million and increased assets of more than \$35 million. The total programme budget was \$6.08 million, giving a leverage ratio (programme costs to sales increases for assisted clients) of 1:19. In addition, assisted firms created a total of 16,239 jobs.

To a certain extent, the level of commitment and capacity required to successfully complete any particular IMD programme will be determined by the nature and complexity of the market or market systems selected (see 2.3 below). Consequently, where the CO feels that sufficient capacity exists to embark upon an exploratory programming process, the assessment of CO capacity may be a factor in selecting an appropriate target market and can suggest limits to program size, scope and complexity that may be appropriate.

CHECKLIST

Critical Items	Additional Questions to Consider	Possible Sources/Approaches Information
Is your country office able to commit to a three-year plus programme?	Is there sufficient management capacity to provide adequate support? How many other private sector programmes are currently in the CO portfolio? Are there reasons to postpone commencement of 3-5 yr programs (e.g. imminent uncertainty as to continuity of current government, change in development landscape)?	<ul style="list-style-type: none"> • Discussions with senior managers • Evaluation of current private sector portfolio
Is your country office able to commit financial resources to the project for a 3-5 year period?	What is the resource envelope for private sector programming? What is the donor support environment for UNDP-facilitated private sector programming?	<ul style="list-style-type: none"> • Discussion with senior managers • Liaising with CO resource mobilization focal point • Informal discussions with potential funders
Does the CO have or could the CO realistically procure the technical skills and capacity necessary to design and implement an IMD project?	What is the current CO skill capacity for IMD programs? Are the limitations on capacity insurmountable through robust national/international recruiting efforts? Do funding or other constraints (e.g. conflict) create obstacles to the ability to procure necessary expertise (e.g. international expertise, specialized national sector experts, etc.)?	<ul style="list-style-type: none"> • Investigate the current market rate for national and international experts? • Investigate local and international rosters of possible consultants • Consult with other COs/UN Agencies/Donors/NGOs in your region that have managed technical procurement issues

Additional resources

Where the CO is uncertain if they have the necessary capacity to take on IMD programming there are resources that can provide important feedback. UNDP's Private Sector Division, comprising experienced professionals in both private sector partnerships and private sector development can offer useful guidance in assessing CO capacity to undertake IMD programs. The Private Sector Division can also be helpful in identifying required technical expertise as well as assisting with finding and procuring experts/consultants.

It can be helpful to speak with other UN agencies, donors and NGOs who have previously embarked upon IMD programs in the same country or region to better understand what level of capacity was ultimately required to deliver a successful program (and equally, where capacity was ultimately found to

be insufficient). Also, the requirements of CO capacity may vary where other partners are prepared to take on some of the administrative/programming responsibilities (see IMD Handbook for example of UN agency role division in Uganda IMD project).

1.2 Build Your Network

Introducing an IMD program in a country benefits greatly from cultivating a network of key stakeholders drawn from all sectors (business, civil society, labour unions, academia). It is critical that the IMD approach is introduced to key stakeholders to ensure both their understanding of the concept as well as to gain their buy-in. With regard to buy-in, it is obviously critical that the government supports the proposed programmatic approach and appropriate time should be spent to ensure that happens.

Additionally, this network is often invaluable in assisting with market assessment (both rapid and comprehensive), engages key actors and partners at an early stage, and provides enhanced legitimacy to the entire process. In the early stages the network can prove to be a valuable source of information about markets and market opportunities in the country, as well as provide a substantial amount of underlying data/information required for analysis (e.g. statistics, surveys, studies). Where the CO is able to effectively leverage the network to provide critical market intelligence and insight it can often dispense with the need to engage specialist market experts in the market assessment process.

Investing in building a strong network can provide a further set of intangible benefits throughout the process that can help programme leaders avoid common pitfalls and navigate difficult or controversial situations more effectively. Through network building activities IMD program staff can get a deeper understanding of relevant, existing programs active in the country, of similar programs that have been launched before (and their outcomes/lessons learned – both formal and informal), and get an early understanding of the different perspectives that various stakeholders might bring to the process. When working with stakeholders, it is useful not only to get their perspectives on the IMD concepts and possible interventions, but also to survey which other stakeholders they feel would be useful to involve in the process.

The network may involve a number of different actors including:

a) Public Sector/Academia

- Relevant levels of governments/ministries
- UN agencies and donors
- Development banks (national and international)
- Investment promotion agencies
- Universities/Research Institutions/Think tanks

b) Private Sector/Civil Society

- GIM network of partners
- Business Call to Action signatory companies

- Global Compact Signatories
- Other lead firms
- Membership Organizations (Business Associations, Trade Unions, Consumer Groups, etc.)
- Cooperatives and associations of small or informal producers
- NGOs and community-based organizations
- Experts/Consultants in relevant fields

Engaging stakeholders is an ongoing activity running through the entire project cycle. If carried out in an appropriate way, it should lead to better decisions, more targeted interventions, stronger local ownership and greater sustainability over time.

Possible Starting Point – Preliminary Network Mapping/Analysis

A useful starting point if approaching the task of building your network for the first time can be to engage in a preliminary network mapping and analysis exercise. This is separate from the more focused stakeholder analysis that follows after a target market is selected and this process can be done without too much complexity (although a certain level of rigor/thoroughness will be helpful). Create a list of all major stakeholders (possible network targets) active in the country guided by the categories noted above and log in a spreadsheet their profiles, affiliations and development-relevant engagement. For example, you can note if a leading agro-processor with potential to be a lead firm in an IMD project is a member of the Global Compact, a Business Call to Action signatory, a GIM network partner, a prior CSR partner to UNDP or other UN agency/donor (if so, list the nature of the partnership), if their value chain encompasses small-scale producers, etc. Use the parameters that fit closest to your project objectives to determine the criteria for this early stakeholder targeting, and use the analysis to help prioritize and influence your network building. Part of the content of the profile building will come, as noted above, from discussions with members of your network – both in relation to themselves as well as other potential stakeholders.

Additional resources

In many UNDP program countries COs have invested significant efforts in building networks to support private sector engagement and development activities, particularly the Global Compact. Discussions with the individuals who have conducted outreach to private and public sectors in furtherance of these kinds of programs can provide valuable information about the national context, how to approach key players as well as valuable insight/lessons from their network building experience. Additionally,

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https://www.yunbaogao.cn/report/index/report?reportId=5_12620

