



EFFECTIVENESS OF MARKET-LED DEVELOPMENT APPROACHES:

A Systematic Review

CONTEXTUALISATION OF REVIEW FINDINGS TO SOUTH ASIA AND NEPAL

[May 2018]

AUTHORSHIP OF THE REPORT

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Conflicts of interest

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Contributions

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Picture

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EXECUTIVE SUMMARY

A combination of interventions to enhance market linkages leads to better economic outcomes rather than a single or stand-alone intervention.

ABOUT THIS SUMMARY

This report on contextualisation presents findings of the systematic review in the context of Nepal. The contextualisation report will assist policy-makers and researchers to look at the results of systematic review in the context of Nepal. This report is based on the evidence generated from the review highlighting certain policy implications and is not to be construed as policy recommendations.

APPROACH

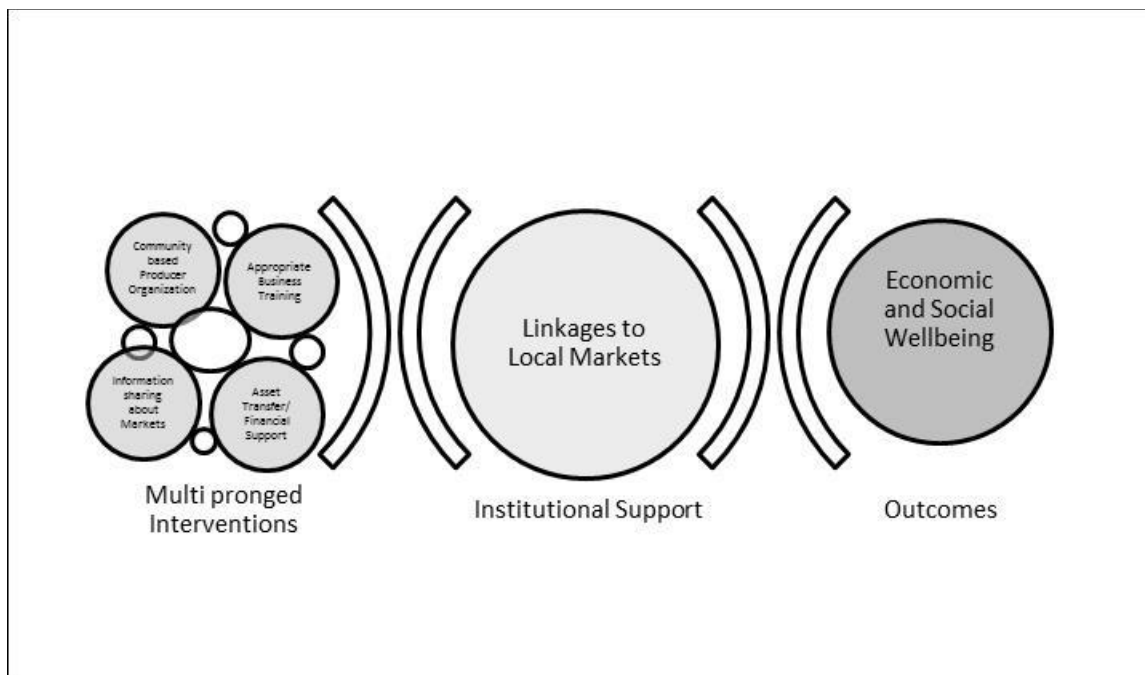
To understand the context of Nepal, a few reports on the country (for example, World Bank, 2010), academic papers and surveys (for example, Upreti et al., 2012) were studied. Based on these studies the contextualisation report identified certain salient characteristics of the Nepalese economy and society and relates these to the findings of the review for assessing policy implications.

SUMMARY OF CONTEXTUALISATION ANALYSIS

The systematic review was conducted to answer questions related to effectiveness and factors that contribute to the success of market-led development approaches. These questions were broken down to four interventions that led to market linkages: Rural Value Chains (RVCs); Capacity Building (CB); Information and Knowledge Sharing (IKS); and Financial Support (FS). A meta-analysis of eight studies and a narrative synthesis of 37 studies from South Asian Region (SAR) provided the following conclusions. These conclusions were contextualised to the country of interest: subsistence rural poor of Nepal. The following sections describe types of interventions, impact on social and economic outcomes and factors that contributed to the effectiveness of these interventions.

The figure 1 below shows that when multi-pronged approaches like community based producer organisations, appropriate business training, information sharing about markets and asset transfer/financial support are present, then this can lead to market linkages resulting in better economic and social outcomes.

Figure 1: Market-led rural development for Nepal



A major type of RVC institution that emerges from these studies is that of groups that are created to facilitate market linkages. These groups vary from producer associations to community-based organisations. Secondly, interventions were focused on exposing and linking to existing actors in the value chains such as contract farming of high-yielding seeds. Under-capacity building intervention training emerges as a key type. There were two approaches: a standardised, structured approach based on initiation and sustenance of business training and financial literacy modules, or specific training programmes that were designed to impart technical competencies, including crop production methods, harvesting and sorting products and site visits. Financial support in these studies alludes to the following

types of financial products: food and cash transfer; skills and assets transfer; insurance products; cash transfer; and risk-contingent credit product. IKS interventions in these studies include mobile phones, televisions, SMS to farmers and telephones.

The analysis from the above sections reveals that interventions focusing on enhancing rural value chains, capacity building and financial support have a positive and significant impact on enhancing market linkages. Though the impact of information and knowledge-sharing is not significant, the number of studies on information-sharing was too low to be conclusive. It further shows that the impact of interventions on most economic outcomes is significant and positive, however their impact on social outcomes is not significant. Among the economic outcomes, the impact of interventions on yield and profit/sales/revenue is significant, positive and large showing enhanced market linkages. The impact of interventions on income and on assets is moderate and positively significant. This reveals that both income and assets are growing due to the interventions, but by small measures. We find that the impact of interventions on consumption and expenditure is large and positively significant. However, the impact of interventions on savings and credit is small and not significant. The results of meta-analysis indicate that interventions enhanced market linkages leading to increases in yield, sales and profits, resulting in higher income, assets and consumption. The interventions have not resulted either in significant impact on credit availed or in significant gains in form of savings.

Narrative synthesis of 37 studies resulted in the following conclusions on factors that impact the identified interactions. First, effective market linkages require a combination of rural value chains, capacity building interventions, assets and cash transfer. Studies that focus on this combination report significant impact on economic outcomes on households. However, the effectiveness of the intervention also depends on the target audience. Typically, young men or households headed by women seem to derive maximum benefits from such interventions. Also, identification and choice of market-relevant and appropriate livelihood opportunities (ideally a combination of interventions), rather than a single intervention, in providing training and resources for developing them seem to work. Though the aims of the capacity building interventions are to motivate rural households towards self-employment, economic conditions in the form of higher wages might pull the households towards wage employment.

Second, formation of groups either as producer association or community-based groups appears to be the most common rural value chain intervention to enhance market-led linkages. For this to be effective and sustainable, the role of facilitators or coordinators of the groups is critical. At the same time, studies also point out that such groups remain vulnerable to its capture by rural elite and resulting disproportionate gains for this segment.

Third, though mobile phones remain a popular choice for dissemination of crop- or livelihood-related information, the adoption of this technology depends on multiple socio-economic factors. Rural young men and those with land are more inclined to use such modern technologies. The adoption also depends, to a large extent, on literacy level and fluency in language.

Fourth, capacity building as an intervention is quite effective in enhancing knowledge and awareness about various livelihood opportunities. In particular, among women such exercises have resulted in higher

levels of financial awareness or literacy. But in the absence of opportunities for participation and exposure to market linkages, participation in this knowledge would remain more theoretical, merely enhancing knowledge and awareness.

STRENGTHS AND LIMITATIONS

The contextualisation discussion points have been derived out of a comprehensive systematic review that covered key interventions in various geographies. However, generalisation and application of results to a specific country like Nepal would have to take into consideration the complex socio-economic milieu. Further studies in the context of Nepal would have to substantiate the robustness and applicability of these findings.

1. BACKGROUND

Nepal, one of the poorest countries in the world with 14% of its population living with less than \$1.90/day (World Bank, 2010), has made small socioeconomic progress in the last few years (ADB, 2016). It is also important to note that for those who have moved out of extreme poverty, the gains are often temporary. For example, climatic threats such as an earthquake in Nepal, and political uncertainties, have led many to slip back to extreme poverty (NPC-GON, 2015).

Under these circumstances characterised by high rates of poverty, inaccessibility to markets and lack of knowledge about market mechanisms, there has been an increased interest in the implementation of market-led approaches to development. Market-led approaches focus on the importance of identifying consumer needs and producing appropriate goods and services or catering to an appropriate market. However, most rural producers are subsistent producers self-consuming their products or selling to middlemen and are hardly aware of the market demand conditions. It is suggested that lack of knowledge and inaccessibility to consumer-based markets keep the rural poor on the edge of poverty (SDC and DFID, 2008).

The effectiveness of market-led approaches to rural development still remains relatively understudied. Though interventions like micro-finance or rural infrastructure have been subjected to systematic reviews (e.g. Knox et al., 2013; Van Rooyen, 2012), other initiatives involving rural value chains, capacity building, information and knowledge-sharing, and other forms of financial support require further examination. In particular, given the predominance of the rural subsistence and migrant population in Nepal, it is important to assess the effectiveness and whether some lessons could be learnt for implementing the aforesaid market-led approaches. This systematic review aims to fill this gap.

2. METHODS

Based on review questions, key concepts and terms were created for search strategy to collate and screen all relevant articles. Using the search terms, a thorough search was conducted on multiple sources: electronic databases, websites and hand search of relevant journals. At the first stage a total of 63,772 studies were identified after an initial search. Screening of titles and abstract reduced the number of articles to 924. In consultation with DFID and QAT it was decided to focus on studies related to the South Asian Region (SAR) and hence the number of studies was further reduced to 291. After subsequent quality assessment, 37 studies were identified for systematic review. Eight studies from this set were chosen for meta-analysis and the entire set of 37 was used for narrative synthesis.

3. CONTEXTUALISATION RESULTS

An important objective of this systematic review was to apply the findings to a particular context – Nepal. Based on the above-mentioned conclusions the following are recommendations for development institutions working in Nepal. Certain studies from Nepal (for example, Upreti et al., 2012) highlight some market-led interventions (for example, micro-enterprise development programme by UNDP) that have been introduced in Nepal. This review indicates that such programmes could benefit from a combination of interventions (capacity building, assets and cash transfer) as this has a significant economic impact in countries with a higher population of ultra-poor.

- The review indicates that the combination of interventions should be demand-led, targeting backward linkages, with relevant and appropriate livelihood opportunities. It is suggested that rather than a generic prescription, efforts should be made to understand the existing supply chain in Nepal (for example, non-timber forest products (NTFPs), eco-tourism, and seed production for high-yielding varieties), dominant players (for example, traders) and their linkages.
- The intervention programmes should be oriented towards technical training, exposure to markets and their workings and financial support to link the subsistence poor to the markets.
- This review shows that one key component of the rural value chain is the creation of groups (mostly women) to carry out various market-led initiatives (for example, producer organisations). This could be an important intervention in Nepal provided sufficient attention is paid to the role of the facilitator, who plays an important role in the sustenance of the group.
- It should also be pointed out that the social and cultural context in Nepal, as is the case with other SAR countries, might not favour women-led initiatives and hence it is imperative that they are supported by other members of the household. Thus, before the formation of women's groups, steps should be taken to elicit support (by consultation, persuasion and demonstration) of key members of the households.
- The interventions should also be targeted precisely at the ultra-poor as it is possible that the rich and the elite of the rural economy can appropriate disproportionate benefits of such interventions. This requires prior planning and clear delineation of the target segment and creation of filtering mechanisms (for example, appropriate documentary evidence of economic status) for precision targeting.

4. DISCUSSION AND CONCLUSIONS

Based on key conclusions of this systematic review, the following are some of the implications for policies related to enhancement of market-led linkages.

- Emphasis on interventions that combine elements of rural value chains, capacity building and assets/cash transfer leads to a positive impact on economic outcome and strengthening of market linkages for the rural poor. Thus programmes that focus on enhancing market linkages should take efforts to identify appropriate livelihood opportunities and offer customised training to enhance skills in the area. In addition, capital or asset support for the participants can lead to enhanced economic outcomes.
- Programmes that focus on creating groups for enhancing market linkages should invest substantial time and resources to ensure identification and selection of facilitators. It is critical, as these facilitators would play a substantial role in sustenance of the group and the eventual realisation of social outcomes like gender empowerment.
- Policies and programmes that target women should ensure that the recipient is supported by members of her household. Resources to persuade and convince key members of the household should be factored in the plans.

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6. APPENDIX

APPENDIX 1: AUTHORSHIP OF THIS REPORT

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Contributions

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ABBREVIATIONS

AAS Association for Asian Studies

ADB	Asian Development Bank
APAARI	Asia-Pacific Association of Agricultural Research Institutions
BASAS	British Association for South Asian Studies
BEAM	Building Effective and Accessible Markets
CB	Capacity Building
CGAP	Consultative Group to Assist the Poor
CRD	Centre for Reviews and Dissemination
CSO	Civil Society Organisations
CT	Cash Transfer
DFID	UK's Department for International Development
EGS	Employment Guarantee Scheme
EPPI Centre	The Evidence for Policy and Practice Information and Coordinating Centre
ESCAP	Economic and Social Commission for Asia and the Pacific
FAO	Food and Agriculture Organisation
FS	Financial Support
IADB	Inter-American Development Bank
ICT	Information and Communications Technology
IDRC	International Development Research Centre
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IFRI	International Food Policy Research Institute
IKS	Information and Knowledge Sharing
ILO	International Labour Organisation
IMF	International Monetary Fund
IMSEAR	Index Medicus for South-East Asia Region
JOLIS	Journal of Librarianship and Information Science
JPAL	Abdul Latif Jameel Poverty Action Lab
LIRNE Asia	Learning Initiatives on Reforms for Network Economies Asia
LMICs	Lower- and Middle-Income Countries
MNREGS	Mahatma Gandhi National Rural Employment Guarantee Scheme
NCVER	National Centre for Vocational Education Research
NGO	Non-Governmental Organisation

NPC-GON	National Planning Commission – Government of Nepal
NTFP	Non-Timber Forest Products
OECD	Organisation for Economic Cooperation and Development
PICOC	Population (P), Intervention (I), Comparisons (C), Outcomes (O) and Context (C)
PwC	PricewaterhouseCoopers
RVCs	Rural Value Chains
SAALG	South Asia Archive and Library Group
SARH	South Asia Research Hub of DFID
SDC	Swiss Agency for Development and Cooperation
SDG	Sustainable Development Goal
SME	Small and Medium-Sized Enterprise
TUP	Targeting Ultra Poor
UNCED	United Nations Conference on Environment and Development
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organisation
UNESDOC	United Nations Educational, Scientific and Cultural Organisation Documents
UNFPA	United Nations Population Fund
UNICEF	United Nations Children’s Emergency Fund
UNIFEM	United Nations Development Fund for Women
USAID	United States Agency for International Development