| KNOWLEDGE PRODUCT

Building organisational capacity for participatory market system development in conservation

Learning from early experiences

PRACTICAL ACTION
Consulting

INTRODUCTION

Biodiversity - the diversity of species and ecosystems around the world - is critical to sustaining life. This diversity underpins the provision of a wide range of 'ecosystem services', providing us all with fresh water, food, medicines, fibres and shelter, as well as with spiritual and cultural fulfilment. Without this richness, people, plants and animals are all more vulnerable to natural hazards, such as disease, floods, droughts and landslides. Today many of these species and ecosystems are under serious threat from habitat loss, pollution, over-exploitation, climate change and a myriad of other pressures.

Fauna & Flora International (FFI) believes that wildlife conservation and the sustainable use of the world's natural resources can only be achieved through working in partnership with the people who live within wildlife-rich landscapes and depend upon them for their living and a way of life. We therefore seek to empower women and men to make their own livelihood choices more environmentally, economically and socially sustainable.

Over the years, conservation organisations have made significant investments in 'alternative livelihoods' to try to compensate people for restricted access to natural resources and/or to incentivise behavioural changes to reduce threats to biodiversity. However, rigorous evidence for positive impact on both well-being[1] and biodiversity is lacking. Anecdotal information indicates interventions are often poorly targeted, lack understanding of the dynamic complexity of rural livelihoods and can put vulnerable communities at risk.

Such efforts are also often small scale and short-term, providing inputs and services that act as subsidies, distorting markets and creating dependencies on grant funding, meaning that any well-being benefits achieved during the project period are not sustained once it has ended.

In addition, the links between a project's livelihoods interventions and their intended positive conservation impacts are often weak and poorly understood by stakeholders. In an effort to address the latter issue, conservation projects often preferentially target handicraft or 'eco-friendly' niche markets. However, these markets often suffer from supply exceeding demand and/or high barriers to entry for poor, marginalised rural producers, for example requirements for independent certification to international standards.

To date, little attention has been paid to taking a systemic approach to facilitating changes in relevant markets in order to improve well-being of local communities through sustainable use and conservation of biodiversity and ecosystem services. To address this gap, FFI and Practical Action Consulting (PAC) are engaging in an action learning partnership to adapt Practical Action's Participatory Market System Development[2] (PMSD) approach for use in a biodiversity conservation context.

This partnership involves testing the following theory of change:

This paper is designed to capture and share reflections and lessons learnt from the early stages of this initiative, building FFI's internal capacity to apply a more systemic approach to our work on sustainable livelihoods in a number of pilot countries.

1. We use 'well-being' in this document to refer to the social, economic, physical, spiritual and/or psychological state of an individual or a group of people.
2. For more details on the steps involved see http://www.pmsdroadmap.org/
* In this case, the enabling environment includes formal and informal rules, policies and norms, infrastructure etc. that support businesses to function in ways that have positive impacts on biodiversity.

OUR APPROACH

Our approach to capacity-building and piloting of a market systems approach has taken different forms in the pilot countries, according to context, including availability of resources and the degree to which project teams were already engaging with market systems. Initially, a number of introductory workshops were held at FFI's Cambridge office to expose UK-based staff involved in programme strategy, design and management to the basic principles, tools and methods of PMSD. These workshops also enabled us to gauge interest in piloting the approach with in-country staff and partners. Through collaboration with Cambridge Judge Business School's Centre for Social Innovation, four MBA and one PhD student also participated in one of these workshops as part of a research project. Their work included a field trip to Kapuas Hulu, West Kalimantan, Indonesia to analyse the strengths and weaknesses of the forest honey and illipe butter market systems as candidates for a PMSD pilot there.

TAJIKISTAN: FRUIT AND NUT FORESTS

The first pilot site was in Tajikistan, where FFI has been working for eight years with the forestry service (leskhoz) and Zan va Zamin, a national NGO, to strengthen community-based conservation and sustainable use of globally important fruit and nut forests. A combination of remote and in-country support enabled FFI Tajikistan and partners to select the most promising market system, using a combination of market, well-being and biodiversity conservation criteria to hone down a long list of potential market systems. The initial shortlist of honey and dried fruit was further refined using additional information on both subsectors, resulting in dried fruit being selected as the system to focus on.

A two-day Participatory Market Mapping workshop provided the opportunity for female and male producers, local and regional traders, forest agency staff and the FFI/Zan va Zamin team to better understand the structure and actors within the market system, and the challenges faced and opportunities available to each set of market actors[3].

INDONESIA: NON-TIMBER FOREST PRODUCTS

Two pilot sites were identified in Indonesia: Kapuas Hulu, West Kalimantan (mentioned above) plus a further site in Jambi Province on the island of Sumatra. In both landscapes, FFI and local partners have been successfully working with forest-edge communities to help prevent the conversion of their forests to large-scale commercial plantations, or to low value shifting cultivation. Through supporting communities to secure community forest tenure, building capacity for sustainable management and facilitating development of relevant market systems, these projects aim to demonstrate the viability of new, more sustainable, equitable and economically beneficial forest management models for these communities.

PMSD piloting in this case initially involved a five-day training in the approach with both project teams. Two non-timber forest product (NTFP) market systems were then selected for market mapping and development: Kepayang (*Pangium edule*) oil in Jambi, traditionally used for cooking and a variety of medicinal and cosmetic purposes;

Jason Smith

3. Market actors are defined as the key people that are part of a particular market, for example producers of the primary product, intermediaries that aggregate the product for sale and/or add value to the product through further processing, and buyers.

Juan Pablo Moreiras/FFI

and in Kalimantan, Tengkawang (*Shorea* spp.) or illipe nut butter used both traditionally and commercially as a moisturiser and cocoa butter substitute. With facilitation support from PAC and FFI UK staff, three-day Participatory Market Mapping workshops were conducted in each province involving a range of market actors and local government agencies active in forest conservation and co-operative development.

On the final day of each workshop, participants co-created action plans to address blockages and maximise opportunities that they had identified within the market systems.

OTHER NASCENT PILOTS

As a result of sharing learning from the work in Tajikistan and Indonesia, a number of other project teams have expressed interest in adapting and applying a PMSD approach to their livelihoods work. Preliminary work on market system selection has therefore begun in Nicaragua, Cambodia and Tanzania.

REFLECTIONS ON CAPACITY BUILDING FOR PMSD

BUY-IN AT DIFFERENT LEVELS OF THE ORGANISATION

In terms of driving an organisational shift to a more systemic approach to our sustainable livelihoods work, a prerequisite has been to expose staff at all levels to PMSD concepts and steps, including providing opportunities for discussion and debate on the relevance of the PMSD approach to the conservation context. This has involved UK-based Senior Management, Regional and Cross-cutting Teams and Programme Managers who support project design and management in-country, as well as project teams of FFI staff and partners in pilot areas.

AVAILABILITY OF ADEQUATE RESOURCES FOR BOTH INTERNAL CAPACITY BUILDING AND IMPLEMENTATION

Both sufficient financial resources and external expertise (from PAC) have been key to the piloting and adaption process to date. Although there was considerable interest from participants of the initial PMSD introductory training workshop, the approach largely failed to gain traction within the organisation until significant, multi-year funding was finally secured to trial it in Indonesia three years later.

The preceding small pilot in Tajikistan was implemented on a shoe-string budget over a 12-month funding period. This timeframe was only sufficient to complete the initial preparation and planning steps of the PMSD process. Unfortunately no funds were subsequently secured to enable the facilitation of the targeted interventions identified in the action plans that came out of the participatory market mapping workshops.

‘THE PROS AND CONS OF JARGON’

Some of the terms used in market system development may not be familiar to those new to the PMSD approach. However, in all the pilot projects, our past and existing work on the economic aspects of livelihoods has been a mixture of more and less systemic market facilitation. Working with project teams to identify and analyse concrete examples of both has been instrumental in increasing understanding of what PMSD means in practice.

Easy-to-remember phrases and concepts such as ‘Start with demand, not supply’, ‘Exit before you enter’, ‘Who does and who pays?’ and ‘Smart subsidies’ have proved catchy and helped project teams really think about key issues of economic sustainability. This has been particularly important in terms of understanding the NGO’s role as market facilitator rather than a more ‘traditional’ approach of inadvertently intervening in the system by providing inputs and services themselves, or even becoming a market actor by buying and selling products.

Additionally, walking teams through the PMSD tools through very practical, hands-on workshops, has given them confidence on their own ability to apply the tools themselves. This is aided by the fact that many of the PMSD tools, such as stakeholder analysis, rating, ranking and scoring, participatory mapping and joint action plan development are participatory tools commonly used in conservation, just adapted to apply to market systems.

COMBINING DIRECT AND REMOTE SUPPORT

As PMSD is an iterative process, with limited availability of human resources with experience in the approach, it has not been possible to provide face-to-face expert accompaniment to in-country project teams at every step of the process. Instead in-country training and facilitation has been combined with remote support to help project teams understand, prepare for and implement each step. Taking an action learning approach, encouraging all those involved to reflect on, learn from and share their experiences, has been key both to building capacity at the individual and organisational levels, and to adapting PMSD to a conservation context.

Prom Vihear Thor

A'al Syafrizaldi/FFI

REFLECTIONS ON ADAPTATION TO A CONSERVATION CONTEXT

RATIONALE FOR MARKET SYSTEM SELECTION

For conservation organisations like FFI, there are two main rationales for engagement with the economic aspects of the livelihoods of people living in or near areas of high conservation value:

- Compensation for restricted access to natural resources or additional costs local people incur as a result of conservation initiatives. For both ethical and pragmatic reasons, this applies particularly for poor, vulnerable or traditionally marginalised people who are highly reliant on natural resources both economically and culturally, and who often have limited access to other assets. However, it can apply to other groups of people who are not necessarily the poorest or most marginalised but who are instrumental in determining whether conservation-oriented rules and regulations are complied with.
- Incentivising behavioural changes to reduce threats to biodiversity and ecosystem services. This usually involves making direct connections between economic benefits and the sustainable management and conservation of natural resources. One example would be enabling market actors to gain a price premium for 'eco-friendly' produce whether independently certified or otherwise. This provides a direct market signal that positive impacts on biodiversity have an economic value. However, obtaining a price premium may not always be feasible, for example where the end-consumer either has no interest in sustainability or views evidence of sustainability as a requirement for all suppliers[4]; or where the barriers to independent certification are too high for primary producers. Even in such cases, increasing market actors' awareness of the ecological dependencies between the availability and/or quality of the product/service and the condition of the ecosystem or land/seascape can reduce human-induced threats to biodiversity.

In some cases, conservation organisations may choose to work on market systems that are more indirectly connected to the biodiversity of interest. For example, they may work on 'mainstream' agricultural products with high economic potential (such as staple foods) – or even on market systems not directly dependent on natural resources - that would enable people to make a living without having to over-exploit wild resources or expand their agricultural plots into forested areas.

This has important implications for how we choose which market systems to engage with[5]. In addition to the economic potential, chosen sub-sectors need to be those in which the relevant conservation stakeholders are involved. This usually means the women and men whose livelihood strategies have the potential to impact on conservation outcomes. These may not always be the poorest people, since in some contexts it is the better-off stakeholders who have the power to influence the success or failure of conservation initiatives. It also includes community members who would otherwise be negatively impacted by conservation interventions, for example where access to natural resources on which their livelihoods depend is restricted.

4. Trends in some commodity markets (e.g. cocoa) indicate that evidence of product sustainability is no longer always associated with a price premium, but is increasingly viewed by some buyers as a pre-requisite for all suppliers access to the market in the first place.
5. For guidance on how to choose which systems to engage with, see: "Participatory Market System Development in Conservation. Step 1: Market System Selection" (Practical Action & FFI 2017)'.

WILD HARVESTED VERSUS AGRICULTURAL AND OTHER PRODUCTS

Because of their strong links to conservation and sustainable natural resource management, non-timber forest products, including honey, and agricultural crops are likely to score highly in market system selection in a conservation context. However, there are a number of typical characteristics of wild harvested goods, such as NTFPs, that differ from cultivated products (e.g. crops, livestock and domesticated NTFPs). These may have important implications for whether and how we work on these sub-sectors. Areas of difference include: tenure and use rights, scale and organisation of harvest any subsequent processing, role of government and other legal issues, availability of collateral and distance to market.

IMPACT AT SCALE

Practical Action's vision for PMSD is that it achieves "Sustainable livelihoods of large numbers of marginalised producers (or consumers) through market systems that are more inclusive, efficient and productive". For conservationists, impact at scale is likely to be less about absolute numbers of (poor) people who benefit – and more about the level of conservation impact achieved. Scale might therefore be measured by the number of hectares of land/sea of high conservation value under sustainable management.

In the Tajikistan and Indonesian examples, the projects aim to facilitate the emergence of sustainable business models for a cluster of villages to sustainably exploit NTFPs in high conservation value forest landscapes. In this way, incentives are created for the communities, buyers and government agents to protect the forest and even invest in restoration of degraded areas. Although the number of poor households may be relatively small, the scale of impact is large – particularly if the business models are adopted in other forest-edge communities - and hence the projects satisfy the 'impact at scale' principle of PMSD. Impact at scale could be also measured by how important the target species or ecosystem benefitting from the effects of the PMSD work is in a conservation context. This can be assessed by its rarity, endemism, threatened status, or its flagship or keystone[6] species role.

Therefore, a modified vision for PMSD in a conservation context might be:

> "Sustainable livelihoods of the women and men who live in and around sites of high conservation value through market systems that are more inclusive, efficient and productive, and that provide incentives for biodiversity conservation and sustainable use of natural resources".

Tim Bergman/FFI

6. A flagship species is one which is used as the focus of a broader conservation marketing campaign based on its possession of one or more traits that appeal to the target audience. A keystone species is one that has a disproportionate effect on its environment relative to its biomass and whose removal initiates significant changes in ecosystem structure and loss of biodiversity.

Juan Pablo Moreiras/FFI

SUSTAINABILITY

In development projects, the sustainability of a project's impact is often considered in terms of whether positive changes persist beyond the project-end. However, in systems thinking, sustainability is increasingly equated with adaptability i.e. the ability of the components of the system to respond to change. Livelihoods are said to be sustainable when they 'can cope with and recover from stresses and shocks, maintain or enhance capabilities and assets, while not undermining the natural resource base'[7]. In ecology, sustainability describes how biological systems remain diverse and productive over time.

PMSD aims to achieve a dynamic equilibrium where local communities have the capacity to adapt to new demands and needs from the markets. For this situation to be truly sustainable, impacts on biodiversity and ecosystem services need to be taken into account, with negative impacts mitigated as far as possible, and potential positive impacts maximised. It is important that facilitators focus their energies in order to have the best chances of success. That's why the process starts with the selection of a market system to focus on.

ENGAGING WITH PRIVATE SECTOR ACTORS

Conservation organisations such as FFI often have experience of working with the corporate sector as biodiversity experts, for example in helping extractive industries to minimise their negative impacts on biodiversity and understand their dependency on associated ecosystem services. However, these NGOs and their partners may have limited expertise in engaging with traders and buyers in a market system. This can lead to a lack of confidence in how to encourage such key market actors to explore new, sustainable business models, participate in market analysis processes and create and implement action plans with other market actors.

FFI's experience to date has highlighted the benefits of bringing market actors together to discuss issues amongst themselves so that the perspectives and interests of all actors are better and mutually understood. For example, understanding buyers' perspectives helps producers to develop effective negotiation strategies related to product volume, quality and/or timeliness, rather than solely focusing on price.

THE IMPORTANCE OF INSTITUTIONS

To balance conservation and economic benefits, we need to ensure that the institutions that determine 'the rules of the game' with regard to stopping over-exploitation of resources are integrated into market mapping and other PMSD related activities. These institutions comprise both the formal and informal rules and norms that affect people's behaviour, and the organisations that define, implement and enforce them. Informal gender norms, for example, dictate what is considered socially acceptable in terms of the roles and behaviour of women and men.

In market system mapping, institutions are part of the business enabling environment but may also play direct roles in the market chain, and/or provide inputs/services to actors within the market chain. In many of the rural areas that FFI works, customary institutions traditionally define who can use what resources, when, and under what conditions. Given the influence of institutions within market systems, the existence of strong, local natural resource management institutions, the potential to revitalise customary institutions, or to establish new ones, may therefore be an important criterion in market system selection for PMSD in a conservation context.

7. Scoones, Ian (1998) Sustainable Rural Livelihoods: A framework for analysis. IDS Working Paper 72, Brighton, UK

CONCLUSIONS AND LOOKING FORWARD

This paper has attempted to summarise some key learning from our early experiences in building individual and organisational capacity to adapt PMSD to a conservation context. As a result of lessons learnt so far, we have revised the Market System Selection Tool – the first step from the PMSD Roadmap – to better integrate environmental criteria. We also plan to develop more detailed case studies to share learning from early pilots in Indonesia and to adapt additional steps in the PMSD Roadmap.

As more project teams begin to adapt this approach, and existing projects progress from participatory mapping and co-creation of action plans to implementation, we aim to continue to capture, share and use lessons learnt. In particular, the following questions are emerging as key areas for further exploration and reflection, to be addressed in subsequent briefings:

- **How do we identify 'smart' subsidies that will catalyse important changes in market systems without distorting those systems?**
- **How do we monitor and evaluate changes in the market systems and how those changes impact well-being and biodiversity?**
- **What practical tools can be used to enhance the causal links between the well-being benefits achieved through changes in market systems and positive biodiversity impacts?**
- **How do we effectively engage with, and facilitate the development or strengthening of, the institutions that create the enabling environment to achieve positive well-being and biodiversity impacts?**
- **What are the differences and synergies between FFI's support to 'conservation enterprises' and facilitation of market system development?**
- **Which contexts are suited to use of which approach, and what does this mean for how we work and the language that we use to communicate it?**
- **In what ways does FFI's support for PMSD and conservation enterprise contribute to our wider work on sustainable financing for conservation?**

Kate West/FFI

This document is one output of an action learning partnership between Fauna & Flora International and Practical Action Consulting to adapt Practical Action's Participatory Market System Development (PMSD) Roadmap for use in a biodiversity conservation context.

www.pmsdroadmap.org

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