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LEO Leveraging Economic Opportunities

Market Facilitation Peer-Learning Event 2014
East & Southern Africa region

GLOSSARY

Benchmarking
The process of comparing the price, quality and other attributes of a product or service against those from competing businesses or countries.

Business Enabling Environment
The business enabling environment (BEE) includes customs, laws, regulations, international trade agreements and public infrastructure and services that either facilitate or hinder the movement of a product or service along its value chain. At one end of the spectrum, conventions, treaties, agreements and market standards shape the global business enabling environment. The BEE at the national and local level encompasses policies, administrative procedures, enacted regulations and the state of public infrastructure and availability of public services. In addition to these more formal factors, social norms, business culture and local expectations can be powerful aspects of the BEE.

Catalytic Firms
Firms within an industry with the incentives, ability and willingness to address constraints and drive upgrading throughout the chain.

Competitiveness
The ability of a firm or value chain to achieve or maintain an edge over market rivals. This edge can be based on a combination of price, quality, volume, uniqueness and branding.

Competitiveness Strategy
A detailed plan for improving and maintaining firm and/or value chain competitiveness over a sustained period of time. A competitiveness strategy provides a road map for moving an industry toward higher, sustained rates of growth and includes the following: an end-market competitiveness plan that determines the industry's competitive advantage, a commercial upgrading plan, and a plan for sustaining competitiveness.

Critical Success Factors
Firm or value chain characteristics that underlie competitiveness; examples of these characteristics include price, quality, uniqueness and delivery reliability.

Cross-cutting Services
These include services such as transportation, technology and mobile phone services. Providers of these services often serve multiple sectors, although they might have specialized products and services for a given market or industry.

Differentiation
Ensuring a product offers qualities or characteristics that are not currently available from other firms on the market.

Embedded Services
Services provided with the cost built into an existing commercial transaction. For example, technical instruction is provided by buyers as part of the product purchasing process.

End Markets
The final consumers of a product or service that determine market demand—including price, quality, quantity and timing. An end market is where the end-user is located, meaning the individual or organization for whom the product or service has been created, and who is not expected to resell that product or service.

Facilitation
Intervening in such a way that stimulates changes in value chains or market systems, while avoiding taking a direct role in the system. For example, facilitators may encourage private sector companies to supply inputs to target beneficiaries, rather than providing those inputs directly.

Financial Services
Financial service providers include formal sources of financing, such as, banks, microfinance institutions, as well as informal sources of financing such as traders, family members to actors throughout the value chain.

Governance
The dynamic distribution of power, learning, and benefits among firms in a value chain. Governance determines who in a value chain has the ability to define and/or enforce the terms and conditions of transactions. There are various typologies of governance, including the following:

- ***Market governance*** involves transactions that are relatively simple, information on product specifications is easily transmitted, and producers can make products with minimal input from buyers.
- ***Modular governance*** occurs when a product requires the firms in the chain to undertake complex transactions that are relatively easy to codify.
- ***Relational governance*** is a network-style governance pattern, in which interactions between buyers and sellers are characterized by the transfer of information and embedded services based on mutual reliance regulated through reputation, social and spatial proximity, family and ethnic ties, and the like.
- ***Captive governance*** indicates that small suppliers are dependent on a few buyers that often wield a great deal of power and control. Such networks are frequently characterized by a high degree of monitoring and control by the lead firm.
- ***Hierarchical governance*** describes chains that are characterized by vertical integration and managerial control within a set of lead firms that develops and manufactures products in-house. This usually occurs when product specifications cannot be codified, products are complex, or highly competent suppliers cannot be found.

Horizontal Linkages
Market and non-market interactions and relationships between firms performing the same function (i.e., operating at the same level) in the value chain.

Incentives
Any factor that encourages, enables or motivates a particular course of action. Incentives may be monetary (e.g., a higher price) or non-monetary (increased social capital, opportunity for future contracts, etc.).

Inclusive Market System
A market system that engages and benefits a range of actors including the poor, women, youth, ethnic minorities and/or other marginalized groups who are often excluded—or even exploited—by traditional market systems.

Inter-firm Cooperation
Formal or informal joint action between two or more firms in a value chain that are horizontally or vertically linked. Examples include bulk purchasing of inputs, contract farming, and industry branding campaigns.

Intermediary
An individual or firm that connects the buyer and seller of a product.

Lead Firm
Refers to a private-sector firm within a value chain that is recognized as having influence because of its market position, resources, social capital or entrepreneurial nature.

Leverage Points
Points in the value chain where interventions can lead to systemic change. These points can be found in the following:

- ***Economic structures***—Product or service aggregation points and actors with the ability to influence large numbers of stakeholders (e.g., lead firms, traders, input suppliers)
- ***Social structures***—Respected community members, chiefs and elders, who are able to influence others to collaborate or to adopt new techniques, technologies, services or inputs.
- ***Commercial incentives***—Competition or firm strategies that can be used to pressure buyers, traders and others to change their behavior.
- ***Social incentives and norms***—Social factors that influence decision-making.

Market Channel
A single branch of a value chain as defined by similarities at the final retail level.

Market Segmentation
Process of identifying subsets of buyers with similar customers and demand characteristics, and then listing the requirements, benefits and risks of each subset.

Market Signals
The transfer of information from the market transmitted through the value chain.

Market System
A dynamic space—incorporating resources, roles, relationships, rules and results —in which private and public actors collaborate, coordinate and compete for the production, distribution and consumption of goods and services.

Micro and Small Enterprises (MSE)
A microenterprise can be defined as a self-employed person or an enterprise with no more than 10 (or sometimes 5) employees, including the microentrepreneur and any unpaid family workers. Small enterprises are often defined as having fewer than 20 employees. While MSEs can be defined by their size, they are also often defined by their common needs, problems, constraints and development opportunities rather than number of employees.

Resilient System
A system in which actors are able to address, absorb, overcome and innovate in response to shocks in the market, policy environment, resource base or other aspect of the system.

Social Capital
The level of trust and/or obligation generated by operating within the norms and networks that govern market and non-market interactions between people. Examples include the trust generated by consistently meeting delivery and quality requirements, the trust and obligation between members of a family or ethnic group, and the trust group members place in their leaders.

Supporting Markets
Supporting markets offer products and services in support of a range of business functions to actors throughout a value chain. These can include financial services; cross-cutting services such as business consulting, legal advice and telecommunications; and sector-specific services, for example, irrigation equipment or handicraft design services. These services are essential for upgrading in value chains.

Upgrading
Investments or innovations, made by firms, groups of firms or whole industries, that increase firm and/or value chain competitiveness, resulting in greater benefits.

Value Chain
The full range of actors and activities that are required to bring a product or service from its conception to its end markets. Value chain actors include input suppliers, producers, processors, traders, distributors, wholesalers and retailers that provide services required to get the product to the final consumer.

Value Chain Approach
A method of achieving economic growth and reducing poverty that focuses on linking micro and small enterprises—including small-scale farmers—into local, regional and/or global value chains, while ensuring an enabling environment and access to the resources needed to take advantage of and benefit from market opportunities. By transforming MSEs' relationships with buyers up the chain and input suppliers down the chain, as well as with support service providers, the approach ensures that the poor are included in economic growth strategies.

Value Chain Project Cycle
A step-by-step process for designing and implementing programs using the value chain approach. The steps, which are not necessarily unidirectional or linear, are:
1. Value chain selection
2. Value chain analysis
3. Competitiveness strategy
4. Design and implementation
5. Monitoring and evaluation

Vertical Linkages
Market and non-market interactions and relationships between firms performing different functions (i.e., operating at different levels) in the value chain.