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Enterprise development on the margins : Making markets work for the poor?

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Bridging the Gap

Making markets work for the poor?



At the stone-cutters quarry in Lesotho

1. From BDS to M4P

> Markets hold significant power to create or combat poverty. Increasingly, international development initiatives focused on economic growth and/or poverty alleviation are guiding markets towards working better for the poor. (Miehlbradt and McVay: 2005: 1)

This opening statement in the ILO's 2005 BDS Seminar Reader introduces what is then presented as a formal transition from a focus on Business Development Services (BDS) to what is now termed 'Making Market Systems Work Better for the Poor' – or M4P. This includes a far greater recognition of the contradictory impacts of markets, and of the complexity this brings to praxis. These shifts have made this a less hostile place for those who enter it with a greater degree of scepticism than the gung-ho marketeers (to borrow a phrase from USAID's Kate McGee).

While the last Chapter used debates around the BDS market development approach to focus on the impacts of MDA's Development Centres within local markets, and also

on the impacts of markets on the Centres as organisations, this Chapter will return to looking at how market issues impact on small enterprise on the margins, and the challenge of facilitating access to higher value and higher volume markets as recommended by the Pinder Review 2000.

Two programmes will be explored in this Chapter and the next one. These programmes developed congruently with the processes discussed in the last Chapter. The first was a market facilitation programme, in the context of the craft sector, that explored roles, relationships, improved access to markets and returns for rural craft enterprise. This experience is aligned with the approaches that the August 2005 BDS Reader identifies as typical of the shift from BDS to M4P taking place:

> ...the major focus is on value chain development – how programs are shifting power relationships in value chains to the benefit of SE's, and the "who" and "how" of strengthening market linkages. (Miehlbradt and McVay:2005: 6)

The second programme (discussed in Chapter Nine) was a market development programme that entailed the commercialization of the indigenous marula fruit, and required the development of a market that did not yet exist. This included the challenge of linking rural women harvesting a communal resource from 'the wild' into global markets and supply chains – with a unique set of opportunities to shape that market in ways that worked better for the poor than they might have done.

Both these programmes are about bridging the gap between rural producers and higher value and higher volume markets, and the challenge of doing so on terms that might make these markets work for the poor – rather than simply getting the poor to work for markets. While they were not developed as M4P programmes, the M4P approach as it has since developed provides the most relevant frame of reference within which to analyse these experiences.

This introductory section reflects briefly on key analyses that have moved the M4P debate forward in ways that are relevant to the themes here, starting with a 'state-of-the-debate' paper presented by Alan Johnson at the Manila Conference on M4P hosted by the Asian Development Bank in February 2005. Johnson 2005 describes markets as the main 'transmission mechanism' between growth in the wider economy and the lives of the poor, but highlights that markets may also fail - and fail

the poor, and quotes a definition of markets from New Institutional Economics: 'Markets are institutions that exist to facilitate exchange; that is, they exist in order to reduce the cost and risk of carrying out transactions.' (Johnson 2005: 4)

Johnson 2005 draws on the Sustainable Livelihoods framework to highlight the importance of poor people's access to physical, human, social and financial assets, and the returns they get from those assets. Markets provide opportunities to get better returns from assets and to obtain new assets through exchange.

It is also argued that the functioning and development of markets and their role in reducing or exacerbating poverty cannot be understood in purely economic terms:

> Markets also exist in a social space and are deeply embedded in a set of non-market, social and political institutions. The way in which people, and the poor in particular, participate in markets is conditioned by economic, political, social and cultural factors which must be incorporated in the analysis. (Johnson 2005: 5)

The paper describes the features of a market that works for the poor:

> A market which *works for the poor* is one which expands the choices available to poor people and produces market outcomes that benefit the poor. These outcomes include job opportunities with attractive wage rates, better returns on goods sold, and greater affordability of products and services. Over time the participation of the poor in these key markets should increase. In terms of contributing to pro-poor growth, the key indicator will be the average rate of growth of the incomes of the poor. From the perspective of the poor, the important criteria are improvements in:
>
> - Access to important markets and overcoming any forms of market exclusion;
> - Affordability (for purchases)
> - Returns (for sales) including wages from the sale of labour;
> - Choice; and
> - Risk reduction.
>
> (Johnson 2005: 11; his emphasis)

The paper flags the issue of distribution and the fact that markets may ride roughshod over distributional issues:

> Well-functioning (efficient) markets can co-exist with widespread poverty, since distributional and equity issues are not directly dealt with by the market. (Johnson 2005: 3)

The issue of markets and distribution is also addressed by a discussion document issued by of the Swedish International Development Agency (SIDA):

> 'Markets and the private sector cannot be considered systems which drive a fair distribution of income and wealth in society as such. A laissez-faire economy is not likely to be one of egalitarianism, especially not if the natural endowments lean towards exploitation of raw materials. One reason is that markets in themselves tend to under-invest in human resources. Distribution must therefore largely be seen as a political responsibility, to be manifested in institutions of society which promote fair distribution. ' (Lindahl: 2005: 54)

Johnson argues for 'a new approach that learns from the well-known problems of both state and market failure' (Johnson 2005: 3) and draws from the 'Drivers of Change' approach to explore different dimensions of what is meant by systemic change:

- Formal and informal institutional change. For example, reconfiguring the roles of the public sector, private sector and civil society in providing public goods and services; the promotion of accountability and transparency of government services and programmes; and supporting non-market institutions effective in providing services to the poor that reduce transaction costs and risks.
- Policy change
- Developing markets, market linkages and market infrastructure
- Addressing 'pressure points; or functions in the value chain that constrain pro-poor outcomes. E.g. support for local empowerment and organisations for poor and marginalized groups, strengthening their participation in decision-making processes;
- Supporting market activity in the early stages when the constraints and risks facing private agents are too great.

(Summarised from Johnson 2005: 13)

At the start of this thesis, 'systemic change' was more likely to mean socialist revolution than these kinds of market reforms. In place of this revolution however, a rather long neo-liberal spin cycle had to be endured instead. It is against that backdrop that this particular version of 'systemic change' signals some important shifts in the terrain of the debate, through its embrace of concerns that had largely been either absent or marginal in the mainstream debate on market development. These include the role of civil society, the importance of public as well as private goods, non-market as well as market institutions, empowerment and organisation, amongst others.

The approach draws also from livelihood analysis to deepen the understanding of the interactions between markets and the livelihoods of the poor, in relation to the poor as producers, as workers and as consumers, and recognizes that increased integration in markets can have contradictory effects:

> ...the intensified competition resulting from greater market integration may be a two edged sword, bringing simultaneous positive and negative effects. For example, markets may bring greater production efficiency and lower consumer prices, but also livelihood loss for existing producers. (Johnson 2005: 15)

While there are continuities with the BDS approach, there are discontinuities also. On subsidies, a Nigerian example of subsidised fertiliser is provided to contrast an early market-displacing approach to subsidies with a later market development approach; but the policy choice to provide a subsidy to fertiliser was not particularly at issue:

> Convinced that the high price of fertilizer prevented poor farmers from increasing their incomes, government chooses to subsidise fertilizer. Subsidized fertilizer is diverted from the state and sold on the black market to large farmers. The drain on the exchequer has forced government to reduce the amount of fertilizer subsidised. Who receives it depends largely on patronage from politicians. Fertilizer availability has fallen dramatically with the private sector reluctant to supply un-subsidized fertiliser for fear of competition from subsidized fertiliser. The poor are denied access to fertilizer from the state and the private sector. (Johnson 2005: 2)

This approach was contrasted with a market development approach to fertiliser subsidies, which entailed strengthening private sector distribution mechanisms for fertilizer by assisting input distributors to get access to finance, at the same time as working with government to pilot a voucher scheme targeting poor farmers, with the vouchers redeemable from government by private sector suppliers – using the subsidy to strengthen the rural distribution system rather than displace it.

The Malawian experience is also used to illustrate the contrast between market development and market displacing approaches. Malawi also introduced a fertilizer subsidy, with government taking on the role of distributor. This negatively affected the rather fragile private sector supply networks in rural areas, many of which collapsed, making other key input supplies less accessible to rural producers also. Government did not have the capacity to distribute fertilizer effectively, so even farmers who could have afforded to pay for it couldn't get it – and nor did the poor. (Case Study presentation: DFID Enterprise Advisers Retreat, 2006).

The Johnson paper recognizes a range of theoretical contributions to the debate that include *inter alia* Sen on 'Development as Freedom', Chang and Rodrik on institutions and institutional change, 'Drivers of Change' approaches to political economy, Dorwood on livelihoods and the BDS market development approach.

An important concept added to the mix is also the notion of 'the access frontier' in looking at the interaction between markets and the poor. The concept of the access frontier was developed by David Porteous, in Finmark South Africa, in the context of financial markets, and strategies to expand access to the 'unbanked'. In the context of financial services, it reflects a recognition that there are segments of the poor who are outside the 'access frontier', and that reaching this segment in a given market context raises a set of policy choices related to the use of redistributive mechanisms, including for example subsidies and price discrimination. It is a concept that could usefully have been deployed in the context of the BDS debate in relation to issues of affordability.

Finally, the significant literature and analysis that has developed on value chains is also key to a wider understanding of market development in a global context, and the linkages between the local and the global in this respect. This brings issues of transaction costs and anonymous exchange back into focus also, with value chains representing a form of organisation within markets that limits the risks of 'anonymous exchange' and reduces transaction costs in an increasingly complex, specialised, and dispersed global market. Value chains represent a more explicit form of economic co-ordination than the 'arm's length market relationships' or more traditional buyer/seller market transactions of economic theory, creating both opportunities and risks. (Humphrey and Schmitz 2001; Sturgeon 2001).

In this context, access to global markets is increasingly a function of access into global value chains, with different sets of relationships and forms of governance within such chains – with different implications for the spread of benefits and the impacts on poverty. Sturgeon 2001 contrasts more relational value chains with more hierarchical ones, as well as contrasting those in which producers are captive to product specifications from buyers with those in which the producers drive the product and the chain – using car manufacturers as an example of the latter. In a more relational value chain, risks are shared, and as the relationship develops, different parties in the chain develop 'tacit knowledge' about the precise requirements of other parties. The greater this tacit knowledge, the higher the switching costs for buyers further up the chain.

Governance is about control within the chain – several different forms of governance can exist at different points in the same chain. Humphrey and Schmitz identify the critical issues over which control is wielded as follows:

1. What is to be produced, or product definition;
2. How it is to be produced. This involves the definition of production processes, which can include elements such as the technology to be used, quality systems, labour standards and environmental standards;
3. When it is to be produced;
4. How much is to be produced.
5. Price.

(Summarised from Humphrey and Schmitz 2001: 4)

With global value chains have come a range of uneven and unanticipated consequences, along with new sets of levers of change within markets. Lead firms and buyers play critical roles; but are also easily identified and targeted within developed country markets, where labour, environmental and health standards have become significant consumer issues, with impacts right down the chain in key sectors. With these 'private standards' typically exceeding the requirements of national standards, global buyers have taken on the role of standards monitoring and enforcement – traditionally the role of the public sector now privatized. Chang has used the different assumptions over labour standards and rights and environmental issues between the developed and developing world to illustrate the extent to which markets are socially constructed. Now, such 'social construction' is having impacts across the chain from developed to developing countries, where the same rules of the game have not applied.

Value chains imply ongoing relationships and repeat transactions. In this process, what is exchanged often goes beyond just the commodity, and the opportunity to change relationships and the ways they are constituted over time exists also.

2. Bridging the Gap in the Craft Sector

MDA set up a Marketing Unit in 2000 with a small team headed by Tessa Teixeira. Part of their challenge was to identify opportunities in which rural areas would have some kind of competitive advantage over urban areas. Agriculture, mining and the craft sector were identified; this section will focus on the latter. Craft activities were identified as one of the few areas of potential competitive advantage for supply from rural to urban areas, using a mix of existing and new skills, with potential

applications and markets across the craft, home ware, jewellery, and fashion industries.

MDA's engagement in this sector had the explicit purpose of developing strategies to bridge the gap between rural producers and higher value, and to create higher volume external markets, with a view to increasing the income returns to producers. In the process, MDA set about developing a wider understanding of the operations of this market, the key role-players, the supply chains and value chains within it, the constraints on market access for producers – and the opportunities to facilitate change in the terms on which this market worked, and the terms on which rural producers were incorporated within it.

This section will highlight a specific set of lessons that arose from the process, focused on issues of 'anonymous exchange', supply chains and the role of intermediaries in 'bridging the gap.'

In 1998, UNESCO pegged global trade in the sector at $387 billion, and growth in the creative industries in most developed countries in the world outstripped growth in other sectors by as much as three times. In South Africa, while statistics are hard to come by and are somewhat dubious in such a highly diverse sector, the Department of Trade and Industry (DTI) nevertheless estimates its formal growth at double the national average every year from 1998 – 2003 (DTI Sector Development Strategy May 2005: 15). DTI draws on a UNSCO definition to define the sector in this way:

> Craft refers to the creation and production of a broad range of utilitarian and decorative items produced on a *small scale* with *hand processes* being a significant part of the value-added content. The production of goods uses a range of natural and synthetic materials. (Cited in the DTI Sector Development Strategy: May 2005: 3; DTI's emphasis)

The craft sector has a long history of being at the receiving end of charitable, welfarist and developmental interventions, with 'the project' a well known phenomenon in the sector:

> While the sector has been prioritised since the late 1990's, interventions coming from numerous line-function departments have been fragmented and social and welfare motivations have impacted on the economic sustainability of initiatives. (DTI Sector Development Strategy: Craft 2005: 7).

In February 2001, MDA held a conference called 'Bridging the Gap between Rural producers and high value markets' (BTG), with a follow-up in 2002. MDA was an NGO latecomer to the craft sector, and the BTG conferences were a small and focussed 'side-bar' to wider policy processes underway, that drew on the experience of a dynamic 'community of practice' in the sector.

Participation in the Bridging the Gap conference (BTG) was drawn from across a continuum that included more explicitly development-oriented retail outlets, through to upmarket commercial ones. This included the BAT Centre in Durban, Montebello in Cape Town, Khumbulu Zulu, the African Art Centre in Johannesburg, Spier, Bright House, Piece, Tigers Eye with its 56 outlets including the airport concessions, and B+B Markets who run the Rosebank Craft Market, among many others (Bridging the Gap Conference Attendance List: 2001). Although they did not attend, the process also involved consultation with Stuttafords, Woolworths, and Mr Price Home – at that stage already under pressure from SACCAWU for its reliance on cheap imported products. BTG also involved a spectrum of designers and product developers.

2.1 Mind the Gaps

MDA had some early exposure to the difficulties of 'bridging the gap' between rural producers and high value markets, described at the opening of the BTG conference. In the early 1990's, MDA was working with a group of widows of mineworkers who had been killed in mine accidents, in a village near Butha Buthe in Lesotho. The women were knitting cream-coloured, pure wool jerseys with a Lesotho hut motif. MDA took samples of the jerseys to Johannesburg, and secured orders for them:

> And then we waited: and waited. Both we and they had overestimated their production capacity. The first jerseys arrived in mid-summer – brought to Johannesburg by a group of women who travelled by taxi with the jerseys in huge garbage bags. Although the jerseys that had been used to source the orders had been cream-coloured, the jerseys had been knitted in black, green and red. Instead of pure wool, the jerseys were pure acrylic. The group had travelled to Durban to buy wool to produce the order, and had chosen the acrylic wool because it was cheaper.
>
> It was a terrible moment of truth: because despite all the skills, time and labour that had gone into producing these jerseys, it was clear that the women had not understood the value proposition of their product in relation to the aesthetic of the market they were targeting...and as MDA, we had failed to grasp the extent of this gap in understanding. As a result several months of labour were largely wasted.

(Philip: Bridging the Gap: 2001)

Producers who are targeting local markets are likely to understand the value proposition in their local markets, in relation to quality expectations, packaging and design, and the feedback to assist them to do so is likely to be direct and unmediated. With all its limitations of scope and scale, the local market is one they know.

Not so for external markets. Most rural producers have little knowledge of the market for which they are producing – of its expectations or what it is about what they produce that is valued, let alone how rapidly-changing trends might affect them. As Joseph Mathe, Chief Director in the Department of Arts Science and Technology, put it at the conference:

> Bridging the gap can be a tough task. I recall being phoned by someone in the UK, a South African living there now who was trying to facilitate access to markets there for local craft. She had placed an order with a particular group for some products, let me not say what, and she had specifically ordered them in white. The delivery didn't come, and it didn't come, and she was getting highly impatient. Finally, the order arrived, but instead of the products being white, they had all been done in blue. When she contacted the producers, all up in arms, they were surprised and responded by saying: 'But blue is also nice!' (Mathe at MDA BTG 2001)

This was typical of experience in the sector. While retailers came under criticism for not supporting local products and producers, the retail sector had its own view of the difficulties and risks it takes when it sources supplies from South African crafters. Many believed they had gone the extra mile to find ways to support local and rural producers, but often at too high a cost and risk, as the constraints faced on the supply side translate into a litany of tales of late delivery, poor quality, wrong quantities and more.

Bright House was at the time a contemporary home ware and furniture store with outlets in Johannesburg and Cape Town. According to Adrienne Sparks from Bright House:

> When a retailer spends time and money in developing a product with a group, and then invests in promotion and marketing of this product, they need to know that delivery will be reliable; they need the quality to be consistent with the samples they have promoted, and the correct quantities to be delivered in order to fulfil the expectations they have created for their customers. If this does not happen, then they have lost money: and they are unlikely to want to repeat the experience.

> Unfortunately, many of us in the sector have had these kinds of problems, and under these circumstances, any business will give preference to suppliers that are reliable. (Sparks, A: E-mail correspondence)

Part of the problem that exists at the interface between rural producers and external markets are a consequence of the realities under which much production takes place in a rural context. These typically include a shopping list of constraints like the one provided below, which crafters from Thabo Mofutsanyana at a workshop facilitated for the Department of Arts and Culture by MDA's Tessa Teixeira and Abram Sito. In addition to policy makers from the Province, workshop participants included crafters involved in pottery, grass weaving, beadwork, fabric weaving, sewing, woodwork, sandstone, upholstery, tapestry and curios, drawn from a local craft sector involving about 200 people.

Key Constraints Identified by Crafters in Thabo Mofutsanyana

Access to raw materials
Access to accessories for production
Lack of and access to transport
Lack of appropriate equipment
Lack of appropriate technology
Lack of technical skills, business skills and advanced skills;
Access to markets
Understand of buyer demands
Access to information
Networking
Wider Market exposure to market trends
Lack of storage and warehousing
A need for a common business approach
Lack of a formal workplace
A need for selling places
Lack of financial channels – including collection points for money;
Competition
Environmental management
Corruption
Quality design and quality control
A need for demand and not supply driven production
Special production requirements
Sustainable business
Specialised personnel i.e. marketing skills, production skills
Debt management
A craft forum
Formal business and a businesslike approach

(MDA Workshop Report: Establishment of a Craft Industry for the Thabo Mofutsanyana Area at the Basotho Cultural Village, 2001)

These were just the problems the crafters experienced supplying the local Basotho Cultural Village. These external constraints of poor infrastructure of all kinds and internal constraints on technical and managerial skills are compounded by a further set of problems when rural producers attempt to access external markets.

The experiences and perspectives of market participants attempting to straddle this divide graphically illustrate the issues and challenges arising from the advent of 'anonymous exchange' as discussed in Chapter 2. It also illustrates the need for the parties involved in exchange to be able to rely on a set of arrangements that mitigate their risks in this process: for example, will the buyer pay? Will the supplier deliver the quality expected? For the local producer, gone are the comforts of knowing where your customer lives – or the reciprocal expectation of credit provision that so often goes along with this; nor will your customer know or necessarily care if local roads are impassable because of rain.

'Anonymous exchange' introduces risk, and the need for mechanisms to limit that risk. For the kinds of buyers operating in formal sector markets – and with the wider access to markets this signifies – business transactions are governed by a set of institutions and 'rules of the game' that they simply take for granted. The interface with rural enterprises who don't 'play the game' is not only insecure, it is sometimes simply administratively 'impossible' because key signifiers required for a transaction to take place and be recognized as such don't exist – quite apart from all the other distances that keep South Africa's worlds apart. At the most basic level, this includes agreed ways of recording the transaction, with the 'signifiers' including invoices, bank account numbers, letter-headed receipts, and if not a fax number or e-mail address, then at very least a physical address.

While problems such as late delivery can be attributed to logistical and management problems, the problem of lack of consistent quality and the failure to produce accurately against specifications is more to do with the gulf in understanding of the 'value proposition'. It's an occupational hazard for producers targeting markets outside their experience, exacerbated by rapidly changing trends in the craft sector,

where the role of design and product development is so critical. It is also an example of the risk, in 'anonymous exchange', of accurate measurement and specification of what it is that is being exchanged. So, NUM's Johannesburg buyers assumed that what they were ordering were pure-wool, hand-knitted, cream-coloured jerseys, and what the Lesotho Co-op believed it had contracted to supply were hand-knitted jerseys.

The final problem is contract enforcement, and in practice, if things go wrong, then in the current context neither side has much recourse at all: significantly disincentivising the exchange.

Access to external markets means 'anonymous exchange,' and this in turn means the end of informality; or at least far higher levels of formality than local markets require, coupled with a set of requirements that are less about compliance with regulation than they are about observing sets of protocols that limit the risks of exchange. In the absence of established institutions able to play these roles, the interface between rural producers and external markets needs extensive facilitation and inter-mediation: yet few things are as controversial in the sector as the role of intermediaries.

2.2 Exploitation, pricing and intermediaries

In this sector, debate over the role of intermediaries is inextricably linked to the real and perceived exploitation of rural producers by 'middlemen' and the retail sector, and to issues of pricing. In the first Bridging the Gap conference, this was a hot issue. Clearly, abuse does happen:

> Analysis of the pricing on products produced by basket weavers in Northern Kwazulu Natal showed that when the direct costs and the costs of labour were all costed in, the prices they were charging meant they were subsidizing each basket they sold by about 25%. They were often persuaded to further reduce the price through bargaining processes. In fact, they were depleting their own resources with each basket they made or sold.
>
> (Kevin Mansfield: from The Bus Factory: Presentation at Bridging the Gap 2001)
>
> In working with a project of potters, I found that nobody in the project could speak English, or had the skills to calculate what to charge for goods or even to give change. As a result they were absolutely ripe for exploitation. It's all very well to blame the victim for being exploited, but if

> we're serious about linking rural craftspeople to external markets, then we need to recognise the depth of the problem. It's not just about a half-day workshop on pricing, and it doesn't help to pay lip service to the issues of literacy and numeracy. They need to be integrated into the strategy in a much more meaningful way.
>
> (Andrew Miller: CEO Project Literacy: Presentation at Bridging the Gap 2001)

However, confusions over pricing and what constitutes 'fair trade' in the sector are rife. In BTG 2001, a producer from the floor used the fact that a retailer added a 50% mark-up on products as an example of exploitation, and was drowned out by a chorus of retailers saying a 50% mark-up was an act of charity, and that 100% - 150% mark-ups were norms if retailers were to survive. The fairly consistent rate of business failure in the niche retail sector is an indicator that business survival is not only tough for producers but for retailers as well, as Adrienne Sparks from Bright House argued:

> NGO structures must get over the 'exploitation' word. In the real world South African producers are competing against the Far East and India in the handmade craft industry. Pricing of product has become such a sensitive issue and exploitation is a word that is used far too frequently. Producers should be taught about competitive markets and how to tackle them, rather than fearing that every purchaser is there to exploit them. Everyone has to work hard for their money and this should be part of every producer's consciousness when entering into manufacturing. Retailers can only sell a tablemat for a certain maximum price. If they can't cover all their costs out of this price, they will just have to look for another product or another supplier.
>
> (Adrienne Sparks, Bright House: at BTG 2001)

Many producers in marginal markets are used to selling directly to end-customers, and are not used to seeing their product with a retail mark-up added to it. Nomfundo Mehlomakulu, shop manager for Montebello in Cape Town, describes the confusions that arise:

> It's difficult to work with groups from the townships, even though the market is there. The first problem: they don't understand about wholesale prices; and they can't price things properly. Secondly, they still need lots of product development; and thirdly, its difficult for them to come to places like Montebello because its too far for them, they need transport to come here; and I can't go out to fetch their products from all over the place.
>
> (Interview with Nomfundo Mehlomakulu: Montebello Shop Manager: 2003)

As Bronwyn James of the Lubombo Spatial Initiative (LSI) pointed out at BTG, this lack of understanding of pricing and marketing was also characteristic of the National Parks Department and other Government departments.

This has been manifest in attempts to promote craft through local craft markets, Imbizos, and national and international trade fairs. Despite the many advantages of such event-exposures, the distinction between trade shows targeting buyers and retail craft environments has not always been reflected in pricing policies, with implications for ongoing relationships in supply chains in the sector. As Eugenie Drakes from designer craft outlet Piece explains:

> Many of the players in the sector do not understand business, or the retail sector, and in the process, in the name of promoting craft, they actually undermine the sustainability of the producers. It's the 'missionary' approach again, and it's manifest, for example, in relation to pricing practices.
>
> As a retailer, when I look at the Ubuntu Village, it was built for the sole purpose of promoting craft at the World Summit: for foreigners, for dollars, for hard currency buyers. Why then are they selling at wholesale prices? At less than what they sell to me, when I've still got to add a mark-up. They're undercutting me, they're competing with me: and yet I am their bread and butter; I am their sustainable market. And they are then bringing people onto that stand supposedly to train them to understand the market. They're training them to hang themselves, in my opinion, it's crazy. DACST does it at all the craft imbizos; the CSIR does it, Spier does it, the National Craft Council does it.
>
> Several institutions had product at the Ubuntu village that was selling in the retail section at less than the price which we as retailers have to pay for it. It was ludicrous. What happens as a result is that retailers will not touch that product. Why should we? We can't compete on price; we're being undercut by the producer, and as a result, they just blew their market. (Interview with Eugenie Drakes: 2003)

Since BTG there have clearly been changes - at the One of a Kind exhibition at Decorex 2005 each crafter had a wholesale and a retail price displayed next to their products. The point, however, is that in the name of cutting out the 'middlemen', event-based marketing has sometimes actively circumvented and displaced other players in the supply chain - inadvertently putting access to more sustainable market linkages at risk.

2.3 Intermediaries and Supply Chains

Few role-players take as much flak as the 'middleman' or intermediary. Many intermediaries feel aggrieved at what they see as misconceptions and unrealistic expectations; and a failure to understand the critical role of intermediaries.

> Yes, there are buyers who use the imbalance of power and lack of pricing skills amongst producers to buy at very low prices: but we're only going to stop that by empowering rural producers with the knowledge and confidence to place a value on their products, and by getting more organized as a sector.
>
> Without the much-maligned 'middleman', rural craft simply doesn't stand a chance of making it into wider or urban markets. This intermediary role is key, and it is costly. The person playing this role has transport costs; travel between dispersed rural producers is time-consuming, they are often playing an unrecognized role in providing design and marketing feedback, and they often can't on-sell all the product they buy. This role has high costs, and if we expect it to be done out of solidarity alone, we will never grow the potential of this sector. It's time to get real. (Tessa Graaff: Montebello: Presentation at Bridging the Gap 2001)

Oscar Ngcobo from 'Gone Rural' is such an intermediary. He left a corporate sector job in Johannesburg, and now works with a network of about 200 beaders in Kwazulu Natal. His mother is a beader, and he is a 'by-product of what he is doing now', because his mother made him help ever since he was small. He uses international exhibitions to get orders, and both buys and commissions work. Ngcobo illustrates the kind of financing risk intermediaries also take:

> How do you manage the financing?
>
> That's one of the biggest obstacles which one faces in this industry. As you might well know if you've been in this sector, the banks finance a commodity so where they see risk involved, they tend to stay away, they want to have collateral guarantees, of which I understand, from a business point of view, you can't just give money with no guarantee that you're not going to get it back. So I understand where they're coming from, I just wish they would understand where I come from.

In 2005, Ngcobo supplied 17,000 units of beaded bracelets and necklaces to the large department chain El Corte Inglese in Spain ('South African Promotion launched in Spain', Department of Foreign Affairs: www.dfa.gov.za; accessed 14/8/2006):

> A classic example, I had this huge order which I had to execute from Spain, last year. Because it was a huge order which I've never had in my career, ever since I've been involved, I had to take a mortgage against my house. I came through it, even though they were sceptical whether I

> was going to do it, because it's a black-owned company, and I could understand they didn't want to take a chance, the representative from the company from Spain. Their representative over here, he was wary of whether I was going to meet the order. I said, 'Please, take a chance with me'. I pleaded with him, and at the end of the day, he was so impressed, because I was three weeks ahead of schedule. (Laughs) And of which, you know, the credit has to go to those women because they rose up to the occasion and we were able to fulfil the order, and it was unbelievable.
>
> I had to pre-finance the raw material, as well as also to pay the women for what they've made, otherwise I wouldn't have been able to do it – I had to keep them going to have the funds to pay them for what they've made. Otherwise if I were to say to them that they must work but they're only going to get money after I've processed the order, it would not have achieved our objective.
>
> (Interview with Oscar Ngcobo, 'Gone Rural', Decorex 2005).

Accessing external markets usually requires being part of a supply chain in ways that do not apply in local markets. In a supply chain, value, costs and mark-ups are added with each link:

> When I was buying products from India and marketing them to the retail sector in the UK, I expected to pay a fair price to producers in rural India; and then pay a fair price to the agents who collected, packaged and freighted the products on my behalf. I then had to add my own mark-up to cover my costs and make a profit on the warehousing, marketing and distribution role I played in the UK; and the retailers who bought from me expected to do the same. So from the time the products left rural India to the time they reached British consumers, four mark-ups had been added. This isn't exploitative: it's simply what a supply chain looks like. Everyone in it has to be able to get a fair mark-up for their role and contribution or they can't be expected to do it: and it isn't sustainable. (Susan Barton: MDA Marula Manager: BTG 2001)

The escalation in price that arises in even the fairest of trade tends to come as rather a shock if the producer at the one end of the chain happens to see the price tag at the other end. Supply chains can be complex, and value is added at different points. In attempting to link rural producers with external markets, it is often assumed that a finished product produced in a rural context is delivered to a shelf in Sandton or New York. As Adrienne Sparks points out:

> There is a lack of understanding that in a supply chain, it is not just finished products that are bought. The fact that there are markets for the production of the raw materials for finished objects, and that many of these materials are available in rural areas, and are in demand by other producers, seems to be overlooked by the agencies initiating rural craft projects. (E-mail correspondence from Adrienne Sparks: Bright House).

The focus on finished products can overlook more accessible entry points into supply chains. Sparks provides the example of sisal in Northern KZN, which is needed by many craft producers.

With longer supply chains also comes a need for more role specialisation – or more intermediaries – yet there is an expectation that rural producers should not specialise but play multiple roles. Erica Elk from the Cape Craft and Design Institute (CCDI) reflects on how CCDI is addressing these issues:

> Intermediaries are critical; and we've been trying to trumpet their role. The expectation that the crafter must be the designer, the product developer, the producer, the marketer, the agent and the exporter is just not realistic. The intermediary actually has a critical role to play. So let's engage with them, and bring them into the picture, and get the producer to value their input. Intermediaries come with intelligence; they know what the market is buying, and what they can sell product for. So there is a shift but there are still people who hold onto this thing that people are being exploited. And of course it does happen, but let's deal with it by engaging it in this way. (Interview with Erica Elk: 2004)

The challenges of bridging the gap between Cofimvaba and Cape Town are hard enough; these are far more marked where craft producers try to target export markets, yet in the late 1990's, a fairly significant amount of policy emphasis and support went to leap-frogging national markets, to support participation in international trade fairs and export marketing of products from selected producers. Eugenie Drakes highlights just why this is hard to do:

> I've had it time and time again: people will not deal with Africa, particular South Africa, because they've had their fingers burnt badly, and that affects all of us. This is because promises are made that cannot be delivered; there is inadequate quality control; not sticking to deadlines; and things like just not being familiar with process. I have had people at the New York Gift Show saying we will not deal with South Africa because of these issues. (Interview with Eugenie Drakes 2002)

The processes involved in export take the challenges of 'anonymous exchange' within national markets to new levels:

> Going into the US market, any item has to be labelled 'Handmade in South Africa'. For every article that is not labelled, Customs will impose a fine, and they will flag that importer, which will result in every shipment of theirs that comes in being stopped and searched. There's a searching fee involved, and a time delay involved....
>
> In addition, every time a shipment goes in, there's a $250 customs fee for checking it. So this also means that for an importer, consolidation of

> product is vital. The more product you can include in a shipment, the lower your unit cost for each item.
>
> Then, the way you explain the product on the invoice affects whether it is dutiable or not. For example, a cushion cover could go in at 0% or 26% or 55% duty: depending on how it's worded, what code it's given, what category it goes into. You've got to do that homework here: it's up to us here.
>
> You also need to know: do you need a certificate of origin for your product? If you need one, you've got to ensure that it's done correctly. With skins for example, it's got to have a veterinary certificate, a certificate proving that the skin used in the product was got legally, it wasn't poached, it wasn't this, it wasn't that. If there are feathers on the product, it could be a problem with Food and Wildlife...
>
> I will do all this for my customers, for people who are buying from me. I will make 100% sure the documents are right, the product is OK, and it involves a huge amount of time and research, because each country has its own dynamic. (Interview with Eugenie Drakes 2002)

Where marketing strategy for rural producers has export markets as an aim, the full weight of 'non-tariff barriers' international trade debates over tariffs and phyto-sanitary standards comes into play for this sector; and an even greater distance in terms of the value proposition, market intelligence and design trends – and longer supply chains with more intermediary roles required.

Yet despite these difficulties, the national market throws up its own set of challenges.

For Ngcobo, despite the existence of demand in national markets, and the significant difficulties in exporting, international markets have provided easier access:

> There is demand but what normally happens is that people feel safe buying from a white person, unfortunately, if you talk about retail shops in South Africa. That's the reality. That's the fact. (Interview with Oscar Ngcobo: Decorex 2005)

The informal rules of the game can be as intractable as the formal ones.

In accessing export markets, it is not only the buyers that experience the anxieties and risk of anonymous exchange. A representative from Wired explains her experience at an International Buyers Day facilitated by DTI at Decorex 2006:

> It was dreadful. Some French company wanted to place an order for 12,000 beaded lights, and they wanted them in a matter of weeks. And they weren't prepared to pay a deposit. What kind of business refuses to

> pay a deposit? The lights alone would cost us about R100,000, before we even talk about the beads and labour. How can I take that risk, when I don't even know who they are and they won't even pay a deposit? (Comments from Representative from 'Wired', Decorex 2006)

From rural to national, and from national to global markets, there is a need to innovate in the creation of institutions that mitigate the risks of exchange. If there are appropriate insurance mechanisms, they are not apparent to small-scale producers in the craft sector. Without these, the banks would want their own risk mitigated before providing finance against such an order, and there may not be enough Ngcobo's in the sector willing or able to take that level of risk in order to break into the exponentially larger scale of demand that international markets offer.

2.4 Supply chains and standards

The Cape Craft and Design Institute has brokered partnerships between producers and Woolworths, and while this has brought new opportunities for local producers, such processes raise new challenges:

> Our experience with Woolworths is that they're very strict around process issues such as workplace safety, and quality assurance that products are food safe, and standardization; and they're willing to support the producers in this respect. They have production engineers in-house who are willing to work with the manufacturers to get those things in place. So that's very positive if you can get into Woolworths and get that type of support to help your business. But price is critical; they have particular price points and can only fit things in at those price points so there was a lot of hard negotiation. (Interview with Erica Elk: 2004).

This kind of design input and technical support provided by retailers and buyers is key in bridging the gap, and is a local example of the kind of investment taking place in global value chains, seen as a necessary cost to mitigate the risks of such exchange. This is also an example of the potential benefits that arise when small firms rise to the occasion in meeting set labour and environmental standards. In the process, productivity is raised and access to new markets is opened, with the enhanced impacts on local economic development and poverty reduction described by Judith Tendler. (Tendler 2002: 7).

In order to access this kind of intensive support and market intelligence, producers need to have some foothold into the value chain. In addition, such relationships also come with their own sets of issues around exclusivity, intellectual property, pricing, and the power relationships between the parties. The risk, of course, is that they

become ‘captive’ within that chain; but as their level of tacit knowledge rises, the switching costs for the buyer rise also, and with this, the potential for a greater mutual dependence and a shift in the balance of power – to some extent at least. The Lesotho stone-cutters provide a perhaps unlikely example of such a relationship.

2.5 MDA and market facilitation: The stone-cutters of Lesotho



Bridging the Gap from the Lesotho quarry to @ Home

Bridging the gap clearly needs to be positioned within a wider market development framework, with strategic intervention on both the demand and the supply side in the craft sector. However, while MDA’s BTG process catalysed some new interactions in the sector, MDA was never placed to play an over-all sectoral role, in the way CCDI, for example, is doing in the Western Cape.

MDA did, however, start to explore what these issues meant for facilitating greater market access for producers. A brief case study of one small initiative, and the outcomes five years later, is covered below to illustrate these wider issues with a very marginal group of producers.

By 2000, MDA Lesotho had developed links with several stone-cutting quarries in Lesotho, where members had formed themselves into co-ops and joined the BMLC. In the aftermath of the 2000 IA, the MDA Lesotho office proposed that working with

these enterprises provided an opportunity for MDA to pilot ways of 'bridging the gap', and to test drive the intended roles in product development and marketing for MDA's Marketing Unit.

Christabel Jackson describes the first product development workshop, lead by artist Drew Lindsay:

> Drew came up with the catchphrase of 'let the stone speak to you'. So we would take all kinds of natural shapes and colours and see what you could do minimally to the stone to make it into something useful, like put a hole in it for a candle. That's where we started. We just tried different things – round bowls, rectangular containers, candlesticks. The masons wanted to make things very fussy, with lots of natty little curves and grooves on things, and we had a kind of instinct to keep things minimally decorated. (Interview: Christabel Jackson 2002).

With samples made from this process, the Marketing Unit went into the market in Gauteng, traipsing from trendy interior design store to garden outlets and trade fairs.

Initially, the stone-cutters were highly dubious about their potential to break into Johannesburg markets with products they couldn't imagine, and the groups had to be incentivised to participate in the production of samples for which orders were then secured. They were paid the equivalent of what they would have earned from block production for the duration of the product development processes – and a free lunch, which clinched the deal.

Over a year, the orders increased, priced to bring better returns than to the building blocks. MDA was, however, playing an active role in this process, and wanted to extricate itself. Christabel Jackson set up a key business linkage for the masons close to home – in Ladybrand, through local architect turned homeware designer Nicol Grobler. Grobler markets a range of products to homeware and garden centres, such as Loads of Living, Keith Kirsten and others; as well as to other producers, such as Rain, who use these as base elements for their products, adding further value. This linkage has endured until now – long after MDA exited from playing any role at all.

Grobler describes his role in the marketing as follows:

> I go around physically seeing people and finding people.... Most of them will never come out and explain to the people exactly what they want, so

> you need someone like me; and for that – it isn't financially extremely viable for me but it is, I cover my costs, but it's not a big money spinning part of our business. (Interview with Nicol Grobler 2004)

Grobler explains that he has to know the product, the capabilities of the group, and how fast they can be expected to fulfil orders. Quality control is managed by the group, but in his presence:

> Quality control: they do it themselves, and they do it well. I'll arrive and say ok what have you got for me, and they'll bring it out of holes and plastic bags and things – because there's no storage, and many times, stuff gets damaged on weekends. Then they'll start checking, there's one guy that goes around, checking dimensions. They don't even have a flat area to put anything on, they have a piece of steel – like an old piece of railway line or something - that's flat enough: then they'll put the sample next to it and check the height and dimensions. Many things are made hollowed out to a certain dimension so a candle can fit in; and I trust them with that, they hardly ever make mistakes. (Interview with Nicol Grobler 2004)

A key part of Grobler's role is to interpret design trends to which the co-op members would otherwise have very little access.

> Sometimes I find it hard to explain to them what it is I need. For example, we had orders from the Seychelles, one of the top décor designers, for chunks of rock on casters, as stools. Then I had to explain that this drum has to be as high as this table and this diameter – what's it going to be used for? Because it needs a stepped ridge on the inside so when it's upside down, a steel plate can fit in there, so the wheels can be attached to the steel plate without being visible, and exactly so much above the floor. Then I explain to them, it's like something you put your beer on, fancy people in Johannesburg want something to put their beer on, and oh ok fine, then they understand. But otherwise – what is this funny pattern for? What is the purpose of doing it like this? (Interview with Nicol Grobler 2004)

The stonecutters are not producing final products for market. The intermediary role played by Grobler includes value addition of various kinds, sometimes through work done in his own workshop, and sometimes through on-selling stone products to other intermediate production workshops:

> But the thing is, the stone wouldn't sell on its own if it's not taken a step further, by value-adding to it. For example, by adding a stand, and we seal most of it nowadays with a stone sealer so it becomes water proof. We add a lot of steel stands and frames and legs; candles work very well, also for bath salts with bags of sea salt. So we add value in the chain. (Interview with Nicol Grobler 2004)

Like Ngcobo, Grobler takes financial risk as an intermediary, by buying up stock. Pricing is done by agreement:

> I ask them to make a price first, and if I think it's not going to work, we start to discuss how long will it take one person to make this thing; they work on about R35 a day, so if it takes you the whole day to make one of these things, then it costs R35, basically... Many times they'll come up with a price, and I say ok I'll go and try it. And sometimes it's the reverse and they come with a very cheap price, but I try to be fair.
>
> I do think the stonecutters might be shocked to see their products at 2-3 times the cost that they are paid, but it is an expensive process, and we do have costs also. I have other labourers here to make steel stands, to do the other work, to put bubble wrap over it and take it to JHB – those are expensive things to do. (Interview with Nicol Grobler 2004)

Grobler comments on being the sole agent and the issue of exclusivity:

> It's quite sad, in a way, and dangerous for them. Although I think I'm privileged also, but it puts them in a situation where if something happens to me or I decide to move off or the business shuts down – which I don't foresee – it leaves them very vulnerable.
>
> My products – I told them I would not want them to sell any of the stuff I design with them to anyone else, because that would be unfair. But I've never felt that they're doing that in any case. (Interview with Nicol Grobler 2004)

There is no constraint on the group producing for other buyers however – as long as they do not produce Grobler's designs. An interview with two representatives of the group, Thabiso Motume and Mathabang Nkeane Khothalang Majoeng on site at the quarry reinforced much of how Grobler had described the relationship. (Interview with T. Motume and M. Majoeng: 2004)

They indicated that before MDA initiated the product development process, the market consisted of the government and individuals, buying blocks, but that they had a problem with the market. According to Grobler, earnings from the homeware products target R35 a day as the benchmark for pricing purposes, yet this too is clearly variable. When asked what people were able to earn from the production, MN pointed to one of the bowls and said: 'That bowl is R150, and it takes two to three days to make.' Both were adamant that they were able to earn better now than from producing blocks. In addition, there are greater volumes and a more consistent market also:

> This is a permanent job. In the past, before we found this market, we used to have problems of people working, and then when there is no market, they do other things. But when there are big orders, they come. (Interview with T. Motume and M. Majoeng: 2004)

In this context the wholesale price of the homeware products yields a better return for the masons than the price of blocks sold directly to the end-users. Members are paid on a piece-work basis, for pieces completed to the required quality. For each piece, a 'small amount' goes to the group bank account, and the balance is paid on an individual basis.

Although concerned at their dependence on Grobler, they are unambiguous about what the relationship has brought them:

> In terms of skills, Christabel did a lot of work, giving us the skills we require. But Nicol, in terms of marketing, is excelling…Actually the technical skills that we have got now are wonderful……we are excelling. We do exactly what the customer needs. (Interview with T. Motume and M. Majoeng: 2004)

As final comments on what working with the stone means:

> TM: We feel proud.
> MN: Especially because stone was something that had been neglected for a long time.'
> TM: People in the past used to say if you were working with stone, it means you were from the prison. But however, we worked hard until now people actually realise you can get a living from stone. (Interview with T. Motume and M. Majoeng: 2004)

These interviews were done in May 2004. In late 2005, a new range of stone products appeared in Woolworths with a label indicating that they are produced in the mountains of Lesotho. Sure enough, they're produced by the same group of masons, with Grobler still acting as the intermediary, and as the interface between the masons and high-value and high-volume markets. An example also of how a set of once-off targeted incentives in relation to a strategic service such as product development can assist in lifting enterprise in marginal areas out of a poverty trap, on a sustainable basis.

3. Bridging the Gap into external markets

MDA's focus on the challenges of bridging the gap between rural producers and higher-value markets in the craft sector highlighted a range of issues relevant not only to the craft sector, but also to understanding the comparative risks and rewards that arise as a consequence of targeting either local or external markets and the strategic choices entailed. These will have implications for the type of support and facilitation required, and for the types of capacities required both at enterprise level and in the support process. Many of the lessons here may be specific to the craft sector, but there are some wider implications of these also.

Firstly, for all their limits of scale and scope, local markets often do provide certain opportunities and advantages. Enterprises that target local markets can rely to a far greater extent on their own local knowledge and networks: they are more likely to understand the value proposition, they are able to operate with a higher degree of informality and flexibility, often part-time and from home, and the barriers to entry are often lower. Where entrepreneurs are selling a product or service directly to the end-user, they may have the cost advantage of competing with the comparative retail price, cushioned further by the fact that the formal sector charges VAT. However, markets are often dispersed, poor, and may expect credit terms. The returns are likely to be low. As was illustrated, local markets can be a poverty trap.

In relation to external markets, there are three key lessons. The first relates to the role of intermediaries. Far from being the scourge of the sector, they are the key to 'bridging the gap,' the catalysts that can make or break the connection between enterprise on the margins and wider markets. They provide the link into the supply chains that can lead to such markets, and they are able to feedback and translate critical market intelligence for producers.

This relationship can be dependent and exploitative, but it can also be reciprocal and empowering, liberating producers from the limits of local markets. Policy has tended to attempt to circumvent and substitute for the role of market-based intermediaries – with the substitute mechanisms too often having no real access into the wider markets they promise, nor the specific and specialised knowledge and skills required to adapt product design to market needs, spot opportunities, set prices, negotiate

terms and clinch contracts in divergent contexts or in markets on different continents. Instead of circumventing them and substituting for them, the priority is to find ways to partner appropriately with market-based intermediaries as a key part of any attempts to bridge the gap.

The second linked lesson is that the gap is rarely bridged in one leap. Moving beyond local markets means entering supply chains and value chains of various kinds. This opens opportunities for specialization, which can also reduce the complexity of the entrepreneurial challenge. Opportunities can start at the level of raw material collection from the wild for use further up the supply chain, and include also partly-finished products such as the example of the stonecutters shows. The value-addition done locally can focus on labour input, and on components where the local context provides a cost advantage, leaving inaccessible and high-cost inputs - such as designer packaging – to be included further up the chain. It clearly also helps significantly where the raw material input is 'free' from nature, as with sisal, stone, marula, and recycled materials, for example. While resource management issues arise, all these examples allow for labour to be the largest cost factor at local level, reducing risk and start-up costs and optimising poverty impacts.

Finally, there are key issues relating to external markets, anonymous exchange, and the limits of informality. Access to external markets invokes all the challenges of anonymous exchange, including challenges of measurement and specification, and contract enforcement. There is a need to create the kinds of institutions that can bridge these gaps, including appropriate forms of insurance.

However, the bottom line is that for an enterprise to transact across distances of any kind, a certain level of formality is required; informality is a barrier to such access. This increasing level of formalisation may need to include legal registration, but this is far less the point than that the enterprise needs to be able to interact and transact within the framework of business 'rules of the game', which may vary from one supply chain to the next. The invoice, the receipt and the bank account are a necessary start, but food safety requirements, labelling, and labour standards follow. The standards set in global markets are increasingly replicated in national markets. Rather than being driven by regulation, these are increasingly driven by consumer demand and private sector practice. By all means cut unnecessary red tape, but a

focus on deregulation in this context simply misses the point. Integration into supply chains and access to the wider markets they offer, requires upgrading the capacities of enterprise on the margins to meet rising sets of minimum standards: regulated locally or not.

These lessons have implications for the design of support for the sector, and in this context, proposals contained in the Department of Trade and Industry's 2005 Sector Development Strategy for the Craft sector may bear further scrutiny. The strategy proposes the establishment of Integrated Craft Hubs, intended to bridge the gap between rural producers and external markets, and to promote and facilitate craft trade. Such hubs are intended to offer a range of services, including administrative support, information access, design and product development, quality control, sales and marketing, warehousing and packaging, financial services, and training and skills development. While the hubs will initially be funded, key components are intended to operate as business units, and services are expected to be market driven on a cost-recovery basis. (Sector Development Strategy: Craft; DTI 2005).

Many features of these hubs echo the core logic of MDA's Development Centres, but focussed on the craft sector. The lessons drawn in the previous Chapter have obvious relevance here, with the imperatives of cost recovery potentially leading such hubs to target away from the poor, and to develop an interest in becoming gatekeepers between the margins and the market. By contrast, the Cape Craft and Design Institute seems to have found a *modus operandi* that allows it to act as a facilitator for many of the processes and services identified above, but without CCDI becoming a part of the market, dependant for its survival on its own place in the supply chain – and with a competitive interest in keeping others out. This is only possible because CCDI receives core funding, and is not expected to cover its costs from the provision of such services. As a result, the risks of CCDI becoming a gatekeeper between producers and the market, or displacing the role of market-based intermediaries rather than facilitating such linkages is significantly reduced. These risks seem real if these issues are not further elaborated in the way the proposed craft hubs are conceptualised, however.