Forward

The Market Systems Project Design and Implementation Guide and the accompanying e-course are intended to provide development practitioners, learners and market actors (including private sector companies, business associations and governments) with an overview of key Market Systems Development (MSD) concepts, as well as how they may be applied in designing projects or initiatives intended to improve the functioning of Market Systems. While MSD concepts can be applied to a variety of sectors, including health and education, this guide will focus on the applications of these concepts within the context of enterprise and economic development. This focus is largely due to MEDA's experience and focus on this sector. For a wider application of Market Systems principles please consult the Springfield Center's Operational Guide for Making Markets Work for the Poor (M4P).\(^1\)

This content of this course is based on the Value Chain Project Design Training Course\(^2\) originally developed by MEDA and CARE with funding by USAID. Much of the course content was also adapted from the Operational Guide for M4P and other materials developed by the Springfield Center. The development of this updated Market Systems course was made possible through funding support from the Government of Canada through Global Affairs Canada through the Agricultural Transformation Through Stronger Vocational Education (ATTSVE) program led by Dalhousie University and implemented in Ethiopia.

The core content development team was led by Catherine Walker and Nadira Saleh with content development and valuable feedback and reviews provided by Jillian Baker, Calais Caswell, Jennifer Denomy, Katelynn Folkerts, Allison Nafziger, Ashlea Webber, and Nick Ramsing.

We would like to thank all contributors to this and previous iterations of the course and hope that the result is a useful tool for development practitioners, learners and instructors.

**Introduction to the Guide**

This guide can be utilized as a stand-alone guide or as a companion to the Market Systems Project Design and Implementation E-course available at www.meda.org. This guide is intended to complement the information provided in the e-course and is organized using the same module structure. This guide also includes templates for the major tools and frameworks presented and utilized in the e-course and referred to within this document.

---


\(^2\) MEDA and CARE. *E-course on Market Analysis and Value Chain Project Design.* https://www.marketlinks.org/training/caremeda-e-course-market-analysis-and-value-chain-project-design
# Table of Contents

**MODULE 1:** Introduction ................................................................................................................. 1

**MODULE 2:** Understanding Market Systems .................................................................................. 5

**MODULE 3:** Introduction to Market Systems Development, Project Design and Goal Statements ............................................................................................................. 33

**MODULE 4:** Market Research .......................................................................................................... 51

**MODULE 5:** Increasing Gender Equality in Market Systems ........................................................ 75

**MODULE 6:** Market System Subsector Validation ......................................................................... 117

**MODULE 7:** Market System Mapping ............................................................................................ 149

**MODULE 8:** Strengths and Constraints .......................................................................................... 175

**MODULE 9:** Solutions and Interventions ....................................................................................... 205

**MODULE 10:** Theory of Change and Causal Model Development .................................................. 237

**MODULE 11:** Monitoring and Impact Measurement ........................................................................ 259

**MODULE 12:** Implementation ....................................................................................................... 289

**MODULE 13:** Conclusion ............................................................................................................... 317

Key Terms, References and Resources ................................................................................................. 331
MODULE 1: Introduction
1.1 Introduction to Market Systems Development

Market Systems Development (MSD) is an approach to economic development which recognizes that we are all dependent on markets for our livelihoods. People in developing and developed countries alike participate directly in economic activities as producers (farmers, business owners), employees (providers of labour) and consumers (of goods and services). Markets operating in an inclusive way offer people living in poverty the jobs, opportunities, goods, and services that they need to increase their incomes. However, people living in poverty are often excluded from or face increased barriers to effectively engage in markets. Such barriers may include limited access to education/training, finance, land, support services and other resources needed to effectively engage in market activities. In order to create positive, sustainable access to improved incomes, an MSD approach aims to facilitate changes in the way markets operate so that they work more effectively and sustainably for people living in poverty. MSD projects take a facilitation approach, working with actors that are already present in the market to take on roles which align with their own interests and incentives.

For example, an MSD project may partner with a horticulture company to provide services to farmers in its supply chain. The horticulture company already has a vested economic interest in improving the production of its suppliers, as this will enable them to access a steadier supply of higher quality products, which they can then use to meet their own consumer demand. The MSD approach, when implemented effectively, can therefore increase the sustainability, scale and level of impact of a project by working within the already-existing incentives structures and actors in the market to create change that these actors have a vested interest in sustaining.

This course will start by introducing the key elements of an MSD approach, followed by a detailed overview of the steps involved in designing and implementing effective MSD programming. Throughout the course we will be using the fictional case study of the country of Kasanga to illustrate key concepts related to MSD as well as offer course participants the opportunity to apply their knowledge to a concrete example. You will be asked to take on the role of a fictional non-governmental organization called Economic Development Solutions (EDS) which is designing and implementing an MSD project. Details regarding the Kasanga case will be provided as the course progresses.

This course will provide you with a methodology and supporting tools that will enable you to introduce MSD to your own work. It is expected that by the end of the course you will be able to:

- Explain key market systems concepts
- Apply the key steps involved in market systems project design while applying a gender lens
- Demonstrate an understanding of key principles of effective project implementation
1.2 Introduction to Gender Equality and Women’s Economic Empowerment

A gender lens will be applied throughout this course. It is therefore important to start with an understanding of basic gender concepts as well as why gender mainstreaming is important in MSD programming.

Gender equity is the process of being fair to women and men. To ensure fairness, strategies and measures must often be available to compensate for women’s historical and social disadvantages that prevent women and men from otherwise operating on a level playing field. As illustrated in the diagram below from the Robert Wood Johnson Foundation, in the image representing equality, all of the individuals are given the same bicycles but only the adult female figure is able to ride comfortably. In the image representing equity, each individual is given a different bicycle suited to their needs so that everyone is able to ride. Gender equity ultimately leads to equality. It does not mean that men and women become the same; only that access to opportunities is not dependent on, or constrained by their sex.3

It has been well documented that globally, women do not currently operate on the same playing field as men. According to recent data from United Nations Women, globally, women earn 77 per cent of what men earn and over 2.7 billion women are legally restricted from having the

---

same choice of jobs as men. Of 189 economies assessed in 2018, 104 economies still have laws preventing women from working in specific jobs, 59 economies have no laws on sexual harassment in the workplace, and in 18 economies, husbands can legally prevent their wives from working.4

Women face more barriers than men to increased income and return on labour, quality education and skills development opportunities, access to assets (such as land, livestock, natural resources and technology), market information and adequate financial services. Other challenges include mobility restrictions and risk of gender-based violence (GBV) and harassment, discriminatory social and cultural norms (e.g. restrictions on dealing with male market actors and perceptions of the role of women), time poverty and unequal responsibility for the care economy (juggling multiple responsibilities including farming in addition to unpaid care and housework), occupational segregation (concentration in low-skilled, low-pay informal work) and limited decision-making authority and personal autonomy in the household.

Given these barriers, the empowerment of women is essential to achieve gender equity. Women’s economic empowerment (WEE) refers to empowering women to access resources that allow them to participate fully in economic life across all sectors and to make decisions about these assets and the profits they realize from their activities. WEE is critical to the overall empowerment of women and leads to better-functioning market systems for all market actors. In other words, WEE contributes to a larger effort to achieve the goal of women’s empowerment and, ultimately, gender equality.

In order to increase gender equality, market actors and facilitators must deeply understand the gendered dynamics of a market system. This includes the current roles that women and men play in the market, at home and in the community, and the social and cultural norms that dictate their relationships. Once these dynamics are better understood, women and men can work together to identify constraints and opportunities for WEE, which benefits both women and men. As noted above, this course will integrate gender and WEE considerations throughout, but also includes a module specifically focused on gender and WEE (Module 5 – Increasing Gender Equality in Market Systems) for those looking for further depth and additional tools on this topic.

MODULE 2: Understanding Market Systems
2.1 Introduction

This section covers the key terms and principles which are core to understanding the market systems development (MSD) approach:

- Enterprises
- Value Chains
- Market System

Enterprises, value chains and market systems are inter-related concepts. To support the development of the overall market system, it is essential to understand how each level operates and how relevant market actors interact. Furthermore, women’s roles in market systems, and how gender norms and relations impact and are impacted by market systems, must be understood. An understanding of these concepts is important to ensure that MSD initiatives benefit both men and women from all social backgrounds and identities, and strategies can be developed to specifically increase the equitable engagement of women.

The graphic below summarizes these market system levels and key elements that should be taken into consideration at each level. Each level and key elements will be outlined in further detail throughout this module:
2.2 Learning Objectives

By the end of this module it is expected that you will:

1. Be able to define and categorize enterprises as well as understand how business models guide their operations and strategic direction
2. Be able to define and describe the key elements of a value chain
3. Be able to define and describe the key elements of a market system
4. Understand how enterprises, value chains and market systems function together

2.3 Enterprises

2.3.1 Overview

An enterprise is any entity engaged in a business activity (i.e.: earning revenue from selling products or services), regardless of its registration status or legal form. Examples of enterprises include:

- A single family engaged in crop production for sale
- An informal cooperative of small farmers who purchase supplies together
- A woman who makes embroidered goods that she sells by the road
- A wholesaler who works with rural farmers
- A retailer running a small shop

Whether it is categorized as a micro, small, or medium enterprise is based on business metrics that may vary from country to country; typically, number of employees, scale of business operations and financial indicators such as annual sales, revenue or assets. While there are no universally accepted definitions of the various categories of enterprises, the World Bank, International Labour Organization (ILO), and other international development organizations provide generally accepted working definitions outlined below:

- **Microenterprises**—The World Bank defines a microenterprise as an enterprise with fewer than 10 employees, less than USD 100,000 per year in sales, and less than USD 10,000 in assets. USAID also classifies a microenterprise as having fewer than 10 employees but stipulates that the business is under or close to the national poverty line.
• **Small enterprises**—The ILO defines small enterprises as firms with fewer than 50 employees. Small enterprises tend to be more established than micro enterprises and their business practices tend to be more complex. Most often the enterprise has outgrown direct supervision by the entrepreneur and has additional employees to supervise distinct business functions, distinguishing it from a micro enterprise.

• **Medium enterprises**—The definition of a medium enterprise can vary widely. The World Bank identifies a medium enterprise as one with fewer than 300 employees and up to USD 15 million in sales and USD 15 million in assets. The ILO cites that the most frequent upper limit is 250 employees, as in the European Union; however, some countries set the limit at 200. Other sources set the maximum number of employees at 100, except for the mining, electricity, manufacturing and construction sectors, where the maximum is 200 employees. Although medium enterprises are still owner-manager controlled, the ownership and management structure can be more complex. Often, decentralization of power to an additional management layer, division of labour, and functional differentiation, are characteristics that help distinguish between small and medium sized enterprises.
A number of different abbreviations are used to describe this group of enterprises, including SEs (Small Enterprises), MSMEs (Micro, Small and Medium Enterprises), and SMEs (Small and Medium Enterprises) or SGBs (small and growing businesses).

For the purpose of this resource guide, we refer to microenterprises and small enterprises as SEs and medium enterprises as SMEs. When speaking about the sector as a whole we will use the term MSMEs.

Why We Focus on Them

The MSME sector contributes substantially to employment in both high-income and low-income countries alike. Forming a micro or small enterprise is a gateway for more economically marginalized populations like women and youth to gain access to income and learn skills, especially in rural areas where they operate (see Module 5 for additional information on why certain groups are increasingly marginalized). Some individuals become entrepreneurs out of necessity, forming their own businesses and operating informally because they are unable to secure formal employment or to supplement their incomes through formal enterprises.

The MSME sector overall is a huge driver of employment and economic growth with strong potential for increasing inclusivity. Research conducted by the World Bank\(^5\) and the Organization for Economic Cooperation and Development (OECD)\(^6\) notes that:

- MSMEs play a major role in most national economies, particularly in developing countries. Formal MSMEs contribute up to 45% of total employment and up to 33% of Gross Domestic Product (GDP) in emerging market economies. These numbers would be significantly higher if informal MSMEs were included.

- According to World Bank studies, 600 million jobs will be needed in the next 15 years to absorb the growing global workforce, mainly in Asia and Sub-Saharan Africa. In emerging markets, 4 out of 5 new positions are created by MSMEs, which is about 90% of total employment, in the formal sector.

- OECD research also notes that MSMEs will take a leading role in meeting most economic related sustainable development goals (SDGs). This includes promotion of inclusive and sustainable economic growth, increasing employment opportunities and decent work especially for the poor, in addition to promoting sustainable industrialization and innovation, and creating a positive push for higher quality of life, better education and good health for all.

---


• A large proportion of MSMEs in most developing countries have little or no financial resources and face tremendous barriers in accessing conventional financial institutions for start-up capital due to their poverty and lack of collateral assets. This financial challenge is particularly affecting entrepreneurs among rural women and other socially disadvantaged groups.

**When MSMEs Fail**

Despite the efficiency and effectiveness of MSMEs in providing employment, MSMEs are prone to failure, particularly in their first years of operations. Common factors causing MSMEs to fail are seasonal cashflows, a lack of working capital, lack of understanding of markets/suppliers, and unstable demand for their products and services. Women-led MSMEs specifically face additional gender-based constraints and often are disproportionately affected by the constraints cited above. For example, it is often challenging for women to access working capital as bank accounts and assets may be in their husbands’ names. Other significant factors include the death or illness of the proprietor, a change in government policy that affects the MSME, and the availability of better employment.

**When MSMEs Succeed**

While situations vary from region to region and enterprise to enterprise, some common characteristics of MSMEs that succeed include the following:

• Presence of multiple market channels, such as linkages to traders or to manufacturing/processing firms, rather than selling directly to the final customer. Multiple market channels provide MSMEs with options to sell their goods and services rather than being constrained to a single market or type of buyer.

• Business experience/training

• A diversification of revenue streams, which allows for income stability. For example, planting multiple crops so that if one crop fails the MSME has alternate sources of income.

• Effective support systems – for women entrepreneurs ensuring that family members are supporting with domestic duties so that women have sufficient time to devote to business activities

Some other factors that can affect how and whether an MSME grows:

• If the proprietor has the required business management skills such as financial planning and bookkeeping, which are crucial to formalize and grow their business operations

• If the MSME selects a profitable product/service to offer its target market

• If MSME has the cash flow management skills or working capital to operate consistently

• If the MSME is able to navigate demand and/or seasonality for their services
Social Enterprises

Social enterprises can exist at any level (micro, small or medium) and apply business solutions to social problems. These enterprises can either be for-profit or non-profit and often the profits from the related social enterprise are re-invested in the organization’s operations. These enterprises operate like any other, where business principles, market characteristics and values (competition, diversification, entrepreneurship, innovation, and a focus on the bottom line) co-exist and work with social values like responsiveness to community and serving the public interest.

Cooperatives

Cooperatives are an organizational structure that can be utilized by MSMEs to jointly pursue economic activities. A cooperative is an autonomous association of individuals united to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.
Cooperatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary cooperatives, members have equal voting rights (one member, one vote) and cooperatives at other levels are also organised in a democratic manner.

Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members allocate surpluses for various activities benefiting their membership such as: setting up reserves, benefiting members in proportion to their transactions with the cooperative, and supporting other activities approved by the membership. Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives.7

Cooperatives may or may not be the best structure for MSMEs. They are valuable in that they provide an opportunity for entrepreneurs to aggregate and jointly sell products as well as participate in trainings and other activities which benefit the overall membership. However, these benefits may also be achieved through other mechanisms, such as joining an association, farmer group or forming a joint venture with other entrepreneurs. Furthermore, without strong leadership and active participation from its membership there is the risk that cooperatives may not be well managed or effectively represent its membership.

2.3.2 Key Dimensions

a) Business Model

Essential to every enterprise is its business model. A business model describes the value an organization offers its customers and illustrates the capabilities and resources required to create, market and deliver this value and to generate profitable, sustainable revenue streams.8 It identifies the “value proposition” the business offers its customers and describes how the business earns revenue and generates net revenue. Planning, tracking, setting and reviewing goals, and executing the plan are the foundation of running a business. The first two steps of developing a business plan are identifying the customer problem and existing alternatives:

1. Customer Problem—Business is about meeting customer needs or solving customer problems. A key task in business modelling is the identification of the customer’s current or potential problem or need that the business’ product seeks to respond to.


2. **Existing Alternatives**—Businesses must identify and evaluate the current and potential solutions being offered by competitors to address the customer’s problem and the products or services that are available to the customer. This evaluation process usually involves competitor analyses.

For example, a customer problem could be “reliable access to quality, safe and affordable sources of protein.” This problem could be expressed by people in an entrepreneur’s social circle or community, but it’s important to validate with market research. The entrepreneur should also consider the existing alternatives in the market. For example, perhaps affordable protein sources like chicken and beef are too expensive to be purchased regularly. Or perhaps affordable proteins like groundnuts are unsafe due to mould or other contamination. An entrepreneur must weigh and test the market to see if their alternative might succeed in light of others to solve the customer problem.

A helpful guide for business planning, which captures the key components of a business plan is the Business Model Canvas. The Business Model Canvas is a tool that is summarized into 9 blocks in a 1-page format. The tool is intended to capture the key elements of a business in one page, answer the key questions outlined below, and succinctly describe the key elements of the business:

1. **Customer Segments**—An important aspect of modeling a business is determining the specific customer segment and problem for which the business’ product/service offers a competitive solution. This process involves **Customer segmentation** which is the practice of dividing a customer base into groups of individuals that are similar in specific ways relevant to marketing, such as age, gender, interests and spending habits. The following are common segmentation parameters:
a. **Geographic segmentation**: Segmenting according to geographic criteria i.e. nations, states, regions, countries, cities, or neighborhoods. An example of this is regional segmentation in which marketers sell products like raincoats, umbrellas and gumboots in rainy regions and light, summer clothing in hot regions.

b. **Demographic segmentation**: Segmentation according to demography is based on variables such as age, sex, generation, religion, occupation and education level or according to a perceived benefit which a product or service may provide. Demographic segmentation divides markets into different life stage groups and allows for messages to be tailored accordingly.

c. **Behavioral segmentation**: Behavioral segmentation segments consumers into groups according to their knowledge of, attitude towards, usage rate, response, loyalty status, and readiness stage to a product. Many marketers believe that behavior variables are the best starting point for building market segments.

d. **Psychographic segmentation**: Psychographic segmentation, sometimes called lifestyle, is based on the activities, interests, and opinions (AIOs) of customers. It considers how people spend their leisure, and which external influences they are most responsive to and influenced by. It uses this analysis as a basis for business targeting or determining its product/service offering.

2. **Value Proposition**—A company’s value proposition is what distinguishes it from its competitors. The value proposition provides value through various elements such as newness, performance, customization, getting the job done, design, brand/status, price, cost reduction, risk reduction, accessibility, and convenience/usability. The value proposition may be to a specific customer segment and takes into account the existing alternatives available to that segment.

3. **Channels**—A company can deliver its value proposition to its targeted customers through different channels. Effective channels will distribute a company’s value proposition in ways that are fast, efficient and cost-effective. The business planning team must identify the marketing channels through which they will deliver their product or service to the end customer/consumer (e.g. selling directly to consumers, through retailers or through wholesalers). They must also identify their marketing mix or tactics employed to promote their brand or product. The marketing mix refers to the set of actions a company uses to promote its brand or product in the market. The 4Ps – Price, Product, Promotion and Place make up a typical marketing mix. A description of the 4Ps is as follows:
a. **Price**: This refers to the monetary value that is set for a product. It depends on costs of production, segment targeted, ability of the market to pay, supply-demand dynamics and a host of other direct and indirect factors. There can be several types of pricing strategies, each tied in with an overall business plan. Pricing can also be used as demarcation - to differentiate and enhance the image of a product.

b. **Product**: This refers to the product or service being offered. The product must deliver a minimum level of performance to be successful.

c. **Place**: This refers to the point of sale. In every business, catching the eye of consumers and making it easy for them to purchase a product or service is the main purpose of a good distribution or ‘place’ strategy. Retailers pay a premium for the right location. This speaks to the essence of the popular mantra – “location, location, location.”

d. **Promotion**: This refers to all the activities undertaken to make the product or service known to the user and wider industry. This can include advertising, word of mouth, press reports, incentives, commissions and awards. It can also include consumer schemes, direct marketing, contests and prizes.

4. **Customer Relationships**—To ensure the survival and success of any businesses, companies must identify the type of relationship they want to create with their customer segments. The relationship outlines the expectations for both the business and its client. Examples of relationships include transactional (no real relationship), long term (deep relationship between customer and client), or personal assistance (based on human interaction). When defining customer relationships, an enterprise needs to think through what relationship each customer segment expects them to maintain and the cost associated with these relationships.
5. **Revenue Streams**—These are the ways a company makes income from each customer segment. Businesses must decide on the method of generating revenue. Examples include asset sale (i.e. retail), usage fees (i.e. with a service), subscription fees, lending/leasing/renting, and advertising. As the business grows, it might choose to use various streams to gain revenue. An enterprise must consider what value the customers are willing to pay, the mode of payment and how much each individual revenue stream will contribute to the total revenue.

6. **Key Activities**—These are the most important actions your company must perform to deliver its value proposition. For example, in a retail business, the key activities include determining a point of sale, purchasing stock, and selling product. If selling through 3rd parties is part of the model, then an activity around channel management is particularly important.

7. **Key Resources**—This aspect of business planning deals with identifying the services and partners the company needs to produce and market its product, such as input suppliers, agricultural extension services, a microfinance institution or an NGO. Key resources allow an enterprise to create and offer a value proposition, reach markets, maintain relationships with customer segments, and earn revenue. Key resources can be physical (building/vehicles), financial (cash/credit), intellectual (proprietary knowledge, patents, copyrights), or human (expertise). Depending on the resource, it can also be owned or leased by the company or acquired from key partners.

8. **Key Partners**—Key Partners are the network of suppliers and partners that make the business model work. Companies forge partnerships to optimize their business models, reduce risk and/or acquire resources. These might be strategic alliances between non-competitors or competitors, joint ventures or buyer-supplier relationships.

9. **Cost Structure**—This describes the most important monetary consequences while operating under different business models. A business planning team will have to evaluate cheaper or more expensive options to deliver on the value proposition.
These building blocks come together to form a business model canvas, (a visual tool created by Alexander Osterwalder) that answers the key questions outlined below:

<table>
<thead>
<tr>
<th>Key Partners</th>
<th>Key Activities</th>
<th>Value Proposition</th>
<th>Customer Relationships</th>
<th>Customer Segments</th>
<th>Channels</th>
<th>Cost Structure</th>
<th>Revenue Streams</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Who are the key partners?</td>
<td>• What key activities do the value propositions require?</td>
<td>• What value does the firm deliver to the customer?</td>
<td>• What type of relationship does each of the customer segments expect the firm to establish and maintain with them?</td>
<td>• For whom is the firm creating value?</td>
<td>• Through which channels do our customer segments want to be reached? How are we reaching them now? How are our channels integrated?</td>
<td>• What are the most important costs inherent in our business model?</td>
<td>• For what value are the firm’s customers really willing to pay?</td>
</tr>
<tr>
<td>• Who are the key suppliers?</td>
<td>• The distribution channels? Customer relationships?</td>
<td>• Which of the customer’s problems is the firm helping to solve?</td>
<td>• Which ones have been established?</td>
<td>• Who are their most important customers?</td>
<td>• Which ones work best?</td>
<td>• Which key resources are most expensive?</td>
<td>• For what do they currently pay?</td>
</tr>
<tr>
<td>• Which key resources does the business acquire from partners?</td>
<td>• Revenue streams?</td>
<td>• What bundles of products and services is the firm offering to each customer segment?</td>
<td>• Which ones are most cost-efficient?</td>
<td>• How are they integrated with the rest of the business model?</td>
<td>• Which ones are the least cost-efficient?</td>
<td>• Which key activities do partners perform?</td>
<td>• How are they currently paying?</td>
</tr>
<tr>
<td>• Which key activities do partners perform?</td>
<td></td>
<td>• Which customer needs is the firm satisfying?</td>
<td>• How costly are they?</td>
<td></td>
<td></td>
<td></td>
<td>• How much would they prefer to pay?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Customer Relationships</th>
<th>Channels</th>
<th>Cost Structure</th>
<th>Revenue Streams</th>
</tr>
</thead>
<tbody>
<tr>
<td>• What type of relationship does each of the customer segments expect the firm to establish and maintain with them?</td>
<td>• Through which channels do our customer segments want to be reached? How are we reaching them now? How are our channels integrated?</td>
<td>• What are the most important costs inherent in our business model?</td>
<td>• For what value are the firm’s customers really willing to pay?</td>
</tr>
<tr>
<td>• Which ones have been established?</td>
<td>• Which ones work best?</td>
<td>• Which key resources are most expensive?</td>
<td>• For what do they currently pay?</td>
</tr>
<tr>
<td>• How are they integrated with the rest of the business model?</td>
<td></td>
<td>• Which key activities are most expensive?</td>
<td>• How are they currently paying?</td>
</tr>
<tr>
<td>• How costly are they?</td>
<td></td>
<td></td>
<td>• How much would they prefer to pay?</td>
</tr>
</tbody>
</table>
Case Study: Kasanga

In Kasanga, backyard poultry and egg production is a major economic activity, so let’s consider the business model for an egg enterprise. As we consider the customer segments and key partners involved in this enterprise, gender considerations are extremely important. Backyard poultry and egg production is an important income source for women for a number of reasons. Women have more limited land, so it is easier to keep chickens as they require limited space. It is also not a labour intensive activity allowing women time for household responsibilities while earning an income. There is demand for local eggs because of the high-quality (e.g., freshness, larger yolks, which are bigger in size than white or imported eggs); however, poultry producers, particularly women, face constraints such as limited access to higher value local markets and poor understanding of end market requirements.

Egg producers have limited skills in areas such as group marketing; often, producer groups are unable to negotiate for better prices due to weak internal organization and business skills. One aggregator is looking at improving access to disease-free eggs by creating linkages with egg producers and adding value to eggs by transporting and packaging them in an egg collection center. The aggregator must develop trust with Kasangan retailers and ensure demand can be met. This would allow egg producers to link to urban markets and receive stable prices for eggs.

The aggregator is male, while the majority of his suppliers are female. It will be important for the aggregator to consider gender dynamics and any gender-based barriers that could prevent his largely female supply chain from effectively supplying to his enterprise. Women are also the primary consumers for his business, as in this community in Kasanga women are responsible for food purchasing decisions.
The business model for this aggregator is summarized in the following canvas:

<table>
<thead>
<tr>
<th>Key Partners</th>
<th>Key Activities</th>
<th>Value Proposition</th>
<th>Customer Relationships</th>
<th>Customer Segments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buyers</td>
<td>Egg collection</td>
<td>Competitive prices for fresh eggs</td>
<td>Trust between rural (mostly women) farmers and egg collection center</td>
<td>High income markets (mostly women)</td>
</tr>
<tr>
<td>Egg suppliers (mostly women)</td>
<td>Packaging</td>
<td>Disease free eggs</td>
<td>Trust between urban markets and egg collection center</td>
<td>Restaurants/hotels</td>
</tr>
<tr>
<td></td>
<td>Egg sale</td>
<td>Sustainable supply to urban markets</td>
<td>Contracts with buyers</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Key Resources</th>
<th>Value Proposition</th>
<th>Customer Relationships</th>
<th>Customer Segments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land for scavenging</td>
<td>Competitive prices for fresh eggs</td>
<td>Trust between rural (mostly women) farmers and egg collection center</td>
<td>High income markets (mostly women)</td>
</tr>
<tr>
<td>Chicken for egg production</td>
<td>Disease free eggs</td>
<td>Trust between urban markets and egg collection center</td>
<td></td>
</tr>
<tr>
<td>Technical poultry producers</td>
<td>Sustainable supply to urban markets</td>
<td>Contracts with buyers</td>
<td>Restaurants/hotels</td>
</tr>
<tr>
<td>Egg collection center</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Channels</th>
<th>Revenue Streams</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poultry egg producers travel and manually deliver eggs at collection center</td>
<td>Sale of eggs produced</td>
</tr>
<tr>
<td>Distribution of eggs to higher income shops in Kasanga</td>
<td></td>
</tr>
</tbody>
</table>

Cost Structure
Variable costs:
- Packaging, transport
Fixed costs:
- Rent at collection center
- Wages of center employees

Revenue Streams
- Sale of eggs produced

Here, the aggregator has highlighted his value addition to the market: providing competitive prices for fresh eggs. Using this as a tool, he can:

- Consider whether the revenues outweigh the cost of launching the business
- Understand the risks to the business model and which parts are most critical for the business to grow in a profitable manner
- Evaluate if there are things that can or should be changed to strengthen the business model or reduce its risk
- Consider customer segments and suppliers while applying a gender and environmental sustainability lens

Once a business model is complete, it should not stay static. A business model should be updated as the business learns through sales and customer feedback and adapt as a result.
Why do we consider enterprise business models in Market Systems Development?

Understanding the business model for enterprises at each level of the value chain and wider market system, provides a lens to consider constraints and opportunities for enterprises in that market system. The value proposition and partners detailed by each firm inform the transaction incentives and type of business relationships with other enterprises in the market system. For example, the business model identifies how the firm delivers value to its trading relationships (e.g.: suppliers, customers and enterprises providing the firm with services). From this perspective, MSD practitioners can better target and influence enterprises with capacity and market opportunities to grow and positively impact other market actors. The business model also clearly describes how the enterprise plans to earn revenue and generate profit. This description enables market system practitioners to understand profit margins in the market system and underlying transaction incentives. The business model then provides practitioners with a tool to model business operations, identify an enterprise’s value proposition, key customers and delivery channels, cost structures, margins and ultimately transaction incentives (e.g.: “Why would I want to do business ‘this way’?”).

An understanding of business models is especially important for MSD projects that attempt to leverage the private sector and market forces. Any proposed innovations and changes in the market system (e.g.: new product or improved linkages between enterprises) will only work insofar as they make business sense for the enterprises that drive the activities.

A business perspective is also an important consideration for gender equality and environmental sustainability. To ensure sustainable improvements in these areas, enterprises need to consider how gender equality and the environment impact their business. In sectors like agriculture, environmental impacts may be more readily apparent to businesses (for example, the need to use irrigation to manage the impacts of climate change); however, gender considerations may not be as obvious.
Returning to our poultry example, as our aggregator’s suppliers and customer segments are predominantly women, he needs to ensure that he is applying a gender lens to his operations and sales strategy. For example, in developing the pick-up schedule for eggs, he’ll need to consider women’s household commitments and the most appropriate timing for these activities. He’ll also want to ensure his marketing message resonates with women and consider featuring women in marketing materials.

a) Enterprise Capabilities

Firms can optimize their business models through upgrading their capabilities, which refers to how businesses can add value at the level of the individual enterprise. Improving performance is associated with upgrading business capabilities. For example, a horticulture packing plant might upgrade its machinery to improve sorting, handling and packaging capabilities, enabling it to reduce waste, increase volume processing and improve utilization of equipment. This upgrade improves the enterprise’s performance and can also create opportunities for supplying farmers to improve yields and sell more produce. For sustainable MSD, it is also critical for enterprises to consider their use of natural resources, including land, water and other community assets, labor and the education levels of women and youth.

Upgrading enterprise performance involves the following two components:

- **Upgrade Operational Efficiency**: Increasing productivity and lowering costs by:
  - Improving inputs and technologies
  - Streamlining process/operations
  - Specializing in new functions

- **Upgrade Market Access**: Effective market links into current and new markets and improved products through:
  - Moving into new market channels
  - Enhanced market linkages
  - Improving the quality of the product
  - New product development
  - Obtaining certification
In the case of social enterprises, maximizing social impact is a third consideration that will factor into assessing enterprise performance.

b) Leadership/Entrepreneurship/Management

This additional element refers to an enterprise’s behaviors and attitudes, management style, and receptivity to risk and innovation. Leadership can affect an enterprise’s ability to develop its trade and explore new opportunities as well as its willingness to pay for and adopt new technologies. Therefore, it is necessary to create or support an environment that fosters leadership and entrepreneurship. Further, it is important to heighten these efforts when working with marginalized populations, particularly women. Among women, levels of leadership and entrepreneurship may be lower due to gender-based constraints such as fewer women in leadership and ineffective policy application. MSD practitioners also need to consider the strengths and vulnerabilities in the individual profile of the entrepreneur—for example, gender, caste, or location in a drought-prone region—these factors can impact his or her ability to perform and to upgrade market access.

2.4 Value Chains

2.4.1 Overview

A value chain is a network of firms that buy and sell to each other in order to supply a particular set of products or services to a particular group of final consumers. Each of these firms operates as an enterprise, thus each has its own value proposition, customers, sustainable revenue stream. To successfully facilitate improved market linkages there needs to be a business case for enterprises to work together and sufficient financial margins at each level to ensure enterprises can be profitable and thereby financially sustainable.

A related concept is subsectors, which are defined as the network of enterprises involved in the production of a particular product or service. While a value chain is focused on one specific end market, a subsector includes all of the actors involved in the buying/selling of a particular product or service to diverse end markets. Thus, a subsector typically includes multiple value chains as in the example below illustrating the goat subsector in Uganda (subsector/value chain mapping will be outlined in further detail as part of Module 7 – Market System Mapping):
2.4.2 Key Dimensions

a) End Markets

The end market is where the final transaction takes place in a value chain. Typically, it 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. Depending on its size, an end market can often be divided into smaller market segments according to distinctive characteristics such as price, quality, buyer gender, and geographic location (reflecting regional needs and/or preferences, for example). The end market could be a rural market, a hotel chain, an exporter, or other markets either large or small, rural or urban. Each end market has different demand characteristics and returns.

The incentives at play should also be considered. Ask yourself:

- What other producers or vendors exist in the value chain?
- What do small entrepreneurs or other target groups have to offer the market?

---

• What effect would the success of an intervention have on existing competitors for the market?
• Where do linkages need to be strengthened?
• Where are women and men present within the value chain and what specific needs does each group have in order to be successful?

b) Value Chain Relationships

As noted above, value chain relationships are largely driven by financial considerations. Private sector actors will buy and sell from each other only if it makes financial sense to do so, meaning that each actor must earn sufficient financial margins (defined as the difference between the seller’s cost for acquiring products and the selling price) from the interaction to maintain the relationship. Returning to our poultry example, the aggregator needs to earn enough money from the sale of eggs to cover all of the costs involved in getting that product to market, plus some profit. If the costs involved are too high compared with the cost of sale, he won’t be able to operate a financially sustainable business and won’t purchase from the egg producers.

A similar business case may exist for the provision of additional services through the value chain relationship such as the transfer of information, product designs, credit, technology, or other support products and services. These services may be embedded into the transaction cost or offered for a separate fee. For example, the aggregator may find that his suppliers are having trouble accessing quality feed and this means they are producing fewer eggs and he is unable to keep up with market demand. He may decide it makes business sense for him to provide feed on credit to the suppliers to overcome this barrier. Similarly, he might provide information to the suppliers on good poultry handling to improve egg quality. It is important to consider relationships both horizontally and vertically in the value chain:

Firms competing at the same level in a value chain: Operators at the same level of a value chain, including competitors, have a horizontal value chain relationship. A new or existing competitor has an effect on the market, and thus the relationships between such competitors also represent a relationship within the value chain. These are horizontal relationships in a value chain.

Buyers and sellers within a value chain: one level of the value chain would be the supplier or seller of an item. This firm would have a vertical linkage with the next level in the chain—a purchaser. The purchaser could be the consumer or another supplier, such as a wholesaler selling items to a retailer, who in turn sells them to consumers. All of these are examples of vertical relationships in a value chain.

Understanding these relationships is important to market systems project design, as we work with market actors to understand current constraints and how we can leverage existing relationships and incentives to make markets work more effectively for all actors involved. Let’s use value chains to describe the relationships and value addition of rural eggs to their point of sale in Kasanga.
The diagram below illustrates the egg subsector in Kasanga, showing three separate value chains defined by their end markets. As highlighted in blue below, the egg collection center is currently part of one value chain, sourcing from the backyard poultry producers and selling to urban retailers to ultimately target urban consumers as an end market.

2.5 Market Systems

2.5.1 Overview

Value Chains operate within a wider system of market actors and functions. A Market System is defined as the ecosystem in which market actors conduct business transactions. Value chain transactions form the core of the overall market system as this is where business transactions take place as a good, product or service moves along the value chain to an end consumer. As discussed in the previous section, and depicted in the following diagram adapted from the Springfield Center’s M4P framework, the value chain itself is made up of individual enterprises operating with their own business models. Outside the core transactions taking place along the value chain, there are a variety of important supporting functions and rules, performed by a variety of market players, that also are also needed for markets to operate effectively.
2.5.2 Key Elements

a) Supporting functions

Supporting functions are the products and services which support the business functions of actors throughout a value chain. Essentially, supporting functions enable the core product/service delivery to take place and act as transition mechanisms for rules to be effective. Supporting functions may include financial services, business advisory services or other training/support to improve specific relevant skills and capacities, as well as technology that helps value chain players function more effectively and/or upgrade their businesses. They also typically include information on market trends or coordination among actors to ensure the market system operates efficiently, allowing relevant actors to work together to overcome shared constraints or take advantage of market opportunities.
While these are typical categories of supporting functions present in many market systems, when examining a specific value chain or wider subsector and accompanying market system, you should consider the context and outline the specific supporting functions which are relevant in that market system. Your market systems diagram should also differentiate between which factors are relevant for players at each level of the value chain.

For example, extension services might be a relevant supporting function for an agricultural producer in the horticulture sector in Kasanga; however, this will not be a relevant supporting function for a retailer in that same sector. Financial services, in contrast, may be relevant for all actors. You can use different sized boxes in your diagram to differentiate which functions are relevant at what levels of the value chain as in the example below:

![Market Systems Diagram]

**b) Rules**

Rules are the norms and practices that govern and shape incentives, behavior and practice of individual enterprises, value chains and supporting functions. As illustrated below, these factors typically include laws, standards, regulations and social/cultural norms (including gender norms). For example, taxation rates have an impact on the profitability of businesses; if a company wants to sell a new product but there are no approved standards, they might not be able to sell it commercially. On the positive side, governments may introduce incentive programs for specific sectors or socio-cultural norms may change to make it more acceptable for women to be employed involved in a new sector.

![Rules Diagram]

When analyzing market systems rules, be careful not to overlook or underestimate the importance of informal rules and norms. Changes in formal laws, standards and regulations do not always
translate into practical changes at the local level, particularly when they relate to social customs and interactions that may have been in place for many years previously.

Take the example of land tenure. Land is one of the most important assets and gaining access to land can provide the cornerstone for economic empowerment, particularly for excluded groups such as women. Many countries have land tenure systems that are a combination of statutory, or formal legal laws, and customary or social practices. In many countries around the world women typically lack access to land, especially productive land, even though they make up 43% of the world’s agricultural labour, 50% in sub-Saharan Africa. This is due to a confluence of socio-cultural issues including discriminatory policies and legal frameworks such as inheritance laws that inhibit women’s access to land title, as well as customary practices including son preference.

While legal frameworks may change and grant land tenure rights to women, without accompanying changes to social norms, it is unlikely that women will gain ownership of land.

Focus on Ghana

In Ghana, 80% of all land is under customary law and is managed by village chiefs; increasing women’s ability to work on the land requires convincing these chiefs to allow them access. To help address this challenge as part of a soy project in northern Ghana MEDA held two Land Tenure Forums, large public events where a facilitator spoke on the value of allowing women smallholder farmers to access land. The village chiefs were in attendance, as well as the Queen Mothers, the female leadership equivalent. As a result of the two forums, the chiefs and Queen Mothers issued an official communique, outlining the importance of women’s access to land and the benefits to families and communities in terms of increased investment in the land and improved food security.

---

Furthermore, even if ownership is acknowledged, it may be only non-productive of poor quality, or may be in name only and without official land title, resulting in women not practically having access to or control over what is done with the land. Frequently, women have informal access, meaning that the owner allows them to work the land with no guarantee of long-term access; once women have made improvements such as clearing and improving the soil, men frequently seize the land for their own use. With only informal access and no official land title, women also face difficulties accessing other resources such as irrigated water supply and other necessary inputs such as technical extension services. Work in the area of informal rules/social and cultural norms, although extremely challenging, can also have the most practical impact, particularly as women are often not seen as producers and entrepreneurs in their own right but rather as helpers to their spouses and families.

As with supporting functions, relevant rules will also differ depending on the value chain and specific value chain actors involved. Returning to the horticulture sector in Kasanga, land tenure laws may be relevant for horticulture producers, but not necessarily for actors at higher levels of the value chain, where other laws, regulations or policies are increasingly relevant. Others may influence and be a concern for actors throughout the value chain as outlined in the example below:

The **market actors** performing relevant supporting functions and setting rules may include private sector firms, membership associations, government, civil society, and informal networks. Actors may already be part of the value chain (as in the case for example of a tomato processing company that also provides financing to producers in its supply chain) or may be external to that value chain. Furthermore, as we will see further in the course, some functions may be important but not currently being performed by the appropriate actor (with the proper business or other incentive to do so) or by any actor at all. These functions should be included in your market system map and critical functions must be identified. A key part of your project design strategy will then be working with actors to provide or implement appropriate supporting functions/rules.
2.6 Review

This module focused on concepts which are core to the market systems approach which will be referred to throughout this course. The key learning objectives and information presented in line with these objectives is summarized below:

1) **Be able to define and categorize enterprises as well as understand how business models guide their strategic direction**

   An enterprise is any entity engaged in economic activity, regardless of its registration status or legal form. Evidence suggests that MSMEs contribute significantly to economic development, especially for women and youth. At the heart of each enterprise is its **business model** which describes the value an organization offers its customers and illustrates the capabilities and resources required to create, market and deliver this value and to generate profitable, sustainable revenue streams. The successful creation and application of the business model for enterprises, and their ability to adapt their model to the constraints and opportunities they face will determine the longevity of the enterprise. One way to visualize a business model is through a one-page business model canvas. Upgrading **enterprise performance** involves the upgrading **operational efficiency** through increasing productivity and lowering costs by and increasing **market access** through creating effective market links into current and new markets and improved products.
2) **Be able to define and describe the key elements of a value chain**

A value chain is defined as a network of firms that buy and sell to each other to supply a particular set of products or services to a particular group of final consumers. By considering a value chain, we can begin to understand how a set of actors interact through **value chain relationships**, for example, between input suppliers, producers and processors. Value chain relationships can be **horizontal**, or competing at the same level, or **vertical**, which means they are buying or selling with one another. A value chain is geared towards an **end market**, which includes the consumer trends and market opportunities that exist in the final destination for those goods and services.

3) **Be able to define and describe the key elements of a Market System**

A Market System is defined as the supporting ecosystem in which market actors conduct business transactions. Value chain transactions form the **core** of the overall market system as this is where transactions take place as a good, product or service moves from an input supplier to an end consumer. **Supporting functions** are defined as the range of context- and sector-specific functions that inform, support, and shape the quality of the core function and its ability to develop, learn, and grow. **Rules** are the norms and practices that govern and shape incentives, behavior and practice of the core and supporting functions. Common categories of supporting functions and rules are summarized in the diagram below:
4) **Understand how enterprises, value chains and market systems function together**

All markets are made up of individual businesses with their own business objectives and goals as articulated in their business models and accompanying business plans. These businesses operate at different levels of the value chain or may act as providers of supporting services in the wider market system. Value chains subsequently form the core of the market system and is where transactions take place to bring a product or service to the end market. The ability of this value chain to operate is influenced by the wider market ecosystem, which is divided into two categories – rules which establish how the system operates through mechanisms such as informal norms and laws, and supporting functions which provide the services needed for the market players to operate effectively such as financial services and information. These rules and supporting functions may be completed by a variety of market actors such as private sector businesses, government, associations, civil society and informal networks.
MODULE 3: Introduction to Market Systems Development, Project Design and Goal Statements
3.1 Introduction

Now that we have gained an understanding of core concepts related to enterprises, value chains and market systems, this section will describe the key elements of Market Systems Development (MSD), with a particular emphasis on facilitation and a business-led approach incorporating gender analysis. We will then introduce the 5 core principles of MSD. These principles will be referred to throughout the remainder of the course as we begin to work through the stages of MSD project design and implementation. This section will also provide an introduction to the project design cycle which will be outlined in further depth throughout the remainder of the course as well as outline the first step in this cycle - developing a project goal statement.

3.2 Learning Objectives

By the end of this module it is expected that you will be able to:

1. Describe MSD and the key elements of a facilitation approach
2. Articulate how a private sector and gender lens is applied to MSD
3. Identify and apply the Core Principles of MSD
4. Identify the steps of the MSD project design process
5. Develop a goal statement for an MSD project

3.3 Introduction to Market Systems Development

Market Systems Development is a term used in the development field to describe how implementing agencies (often non-governmental organizations contracted by donors) approach tackling development challenges. This approach recognizes that economic growth and expanded access to basic services are critical in developing competitive and inclusive economies. A market systems approach recognizes the key role of these two activities in poverty reduction as well as the reality that all economic activities happen within a wider market context influenced by social and cultural factors. Furthermore, people living in conditions of poverty face systemic barriers to engaging in profitable economic activities and accessing the basic services that build their capacity to contribute to the economy (such as education, health and water). MSD seeks to change the way markets function in order to work more effectively for people living in poverty through increasing their contributions to, and benefits from, viable, growing markets.

As implementers are focused on ensuring long term change and recognize that they will not be present in the system long term, implementing agencies employ a facilitation approach, seeking
to catalyse others within the market system to bring about system level changes through temporary activities or interventions. This means that rather than working directly with end clients, MSD projects work with a range of actors operating within targeted market systems to improve the way that the market functions long term, considering the key dimensions at the enterprise, value chain and market system level introduced in Module 2.

For example, rather than providing direct loans to farmers who lack access to financial services, an MSD project using a facilitation approach might partner with a local financial institution (like a commercial bank) and work with them to develop and launch a loan product appropriate for farmers. Short-term interventions may include technical assistance to develop the product and contributing initial funds to a first-loss loan facility which would cover any initial losses to decrease the risk involved for the bank. As we will explore further as the course goes on, an understanding of the capacities and incentives of potential partners is essential in appropriate partner selection and the design of appropriate short-term interventions.

3.4 MSD with a Private Sector Lens

As outlined in Module 2, in a private sector-driven approach, enterprises are key partners and beneficiaries of MSD projects. Implementers have a set of objectives (or strategies) that they want to see implemented through private sector businesses and market forces. As outlined above, this goal relates to economic growth and expanded access to services for low income or otherwise marginalized households. In order to effectively apply a facilitation approach in partnership with the private sector, we need to understand current business models and incentives and identify where business and development objectives intersect. We need to ensure we are speaking business-oriented language that resonates with private sector partners and focus on strategies which helps businesses at all levels to sustainably grow their revenue.

As such, it is essential to apply a business lens throughout the design and implementation process. Given where we want to go (our project goal – described in further detail below), we construct a series of actions (“interventions” in the market) to:

1. TEST and VALIDATE our market assumptions
2. LEARN additional incentives
3. MODEL new business opportunities
4. DEVELOP viable business cases for enterprises

In implementing this process, we often introduce enterprises to new market segments and/or products and services.
In order to grow revenue, businesses generally utilize one of the 3 strategies outlined below, each of which entails business risk. In MSD projects, implementors are looking for areas where business strategy aligns with overall project development goals. This may involve asking businesses to target traditionally underserved populations which may be viewed as increasing risky by the private sector. Given this additional risk or perceived risk, intervention from market systems projects may be necessary to encourage businesses to enter and continue to serve these market segments.

For example, an implementor might be launching a project focused on increasing incomes for women in the horticulture sector. A major constraint in this scenario may be women’s access to high quality inputs. Private sector input supply companies may not currently be targeting this market segment as they do not see female producers as a legitimate market opportunity for their business. An MSD project may identify this as a market opportunity and partner with an input supply company to adapt their sales approach to intentionally target women as a new market segment.

Given the risk involved and our desire for sustainability, implementors need to have a solid understanding of:

1. market conditions, margins and business models to ensure we are encouraging enterprises at all levels to enter sustainable, profitable markets; and

2. a clear understanding of constraints and incentives to ensure we are introducing interventions which will create the lasting, systemic change we are looking for.
Subsequent course modules will provide you with a step by step guide to designing market systems development projects which integrate a private sector focus throughout.

3.5 Considering Market Systems with a Gender Lens

In addition to ensuring that private sector lens is applied to MSD, we must also apply a gender lens, to ensure that women and men benefit equitably from project interventions. For example, gender norms around women’s mobility and social expectations as well as the varied roles of men and women within the market system have important impacts on how project interventions affect men and women. Interventions that fail to consider gender issues may not benefit the target clients as intended and/or create unintended negative impacts such as increasing the labor burdens of women and inciting gender-based violence due to changing roles and resource sharing. On the positive side, supporting gender equity can drive economic growth—more equity equates to enhanced labor market efficiency and improved efficiency and performance. By incorporating a strong focus on gender and gender analysis from the onset of the design process, MSD projects can benefit more SMEs and SEs, regardless of their gender, and support more competitive value chains.

3.6 Core Principles of Market Systems Development

In developing and implementing Market Systems Development Projects there are 5 key principles which should be considered throughout the design and implementation process summarized below:

1) Scale:

When selecting an entry point for MSD work, it is important to consider scale. Scale is a measure of the spread of a behavior or benefit across a specific population taking into account potential for continued uptake through market actors after the project. Projects that work directly with individual farmers for example are limited in the number of people that they can realistically impact, as they have a finite staff team size, budget and time period. By working with actors in other parts of the value chain or market system, there is much more potential to achieve scale through leveraging the outreach of these already existing actors.

As illustrated in the example below adapted from the Springfield Center, a project focused on increasing access to information on effective farming techniques might be able to impact 5,000 farmers in a 5-year period; however, if that same project decided to work with a network of input retailers to disseminate this information, they might be able to reach 50,000 farmers by leveraging that existing networks. By working one level higher, with a major input supplier with a retail network, they might be able to reach 500,000 farmers or working with consulting service providers to input suppliers they could reach maybe 1.5 million farmers with information. One important note on scale - is that it is not the only consideration and needs to be balanced with the other core principles. For example, interventions designed to reach very large scale may have to make trade-offs in terms of the level of impact they are able to have on specific clients.

<table>
<thead>
<tr>
<th>System 1</th>
<th>System 2</th>
<th>System 3</th>
<th>System 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct delivery of advice to farmers</td>
<td>Work with input suppliers to train retailers</td>
<td>Work with ag input retailers to provide information/advice to farmers</td>
<td>Work with consulting services firm to advise input suppliers</td>
</tr>
</tbody>
</table>

1,500,000 Farmers
500,000 Farmers
50,000 Farmers
5,000 Farmers
2) Impact

While scale is important, it is essential that activities are carefully planned to ensure there is a meaningful impact on your target group. Returning to our vegetable example above, working with consulting service suppliers might draw in large numbers, but you must carefully consider whether this strategy is going to create meaningful change for your end client, in this case, low-income vegetable farmers. The strategy of working with consulting service providers as an entry point may enable you to reach large numbers, but if you aren’t convinced that farmers are going to get quality, tailored advice and you are not seeing a meaningful improvement in yields and incomes this is not the right approach. Alternatively, you may need to intervene at multiple levels within the market system (ie: with input suppliers directly as well as consulting services firms) or use a phased approach to achieve the desired impact.

From a gender perspective, as women are often responsible for the majority of household responsibilities, it is also important to consider the impact that activities focused on increasing women’s economic engagement may have on increasing women’s labour burden. Activities should be designed in a way which consider household responsibilities and encourage sharing of household labour between men and women.

As MSD focuses on working with economically marginalized populations or those who are otherwise excluded from equitable participation in markets, a focus on equity as a means to empowerment is an important aspect of maximizing impact. Whenever possible, market systems projects should seek to create more inclusive environments through which more economically marginalized individuals can empower themselves through enhanced market literacy and relationships to address power imbalances. Strong relationships that are based on trust and cooperation are essential for addressing marginalization, discrimination and power issues to promote strong, dynamic and inclusive market systems.

In order to achieve impact, we must ensure we are addressing the key constraints facing our target group and choosing the right partners that can help us to effectively address these constraints.
Careful monitoring throughout the implementation process, and learning from project outcomes, is also essential to ensure we are achieving the impact we want to see and can adjust our strategy during implementation if we are not seeing the anticipated results (or seeing unintended negative results – such as a disproportionate increase in women’s labour burden). You should also consider strategies that enhance the capacity of market system actors to assess and address new constraints throughout and after the life of the project.

3) Sustainability

Sustainability refers to the capability of market systems to respond to changes and provide a means by which target clients can continue to see benefits, beyond the period of project interventions. While scale and impact are important considerations, in order for these benefits to be maintained, sustainability is a key consideration. Without thinking about sustainability, while you may create short term benefits during the course of your project, once your project is over the impact for that group is gone.

MSD considers sustainability in a number of ways. First, in determining where to intervene and what constraints to address, during the design process good MSD work seeks to identify underlying
causes rather than symptoms. This requires a deep and multi-faceted understanding of the context. For example, if you enter a market and find that farmers are unable to access financing options, there are any number of reasons why this may be the case. If you don’t understand the key constraint you cannot offer the right solution. Furthermore, as project budgets are limited you must focus on the most important constraints first. In a later module we will introduce the constraints tree, which is a valuable tool for identifying key constraints.

Also key to sustainability of results is considering the different life experiences of market actors in project design, activity development, implementation and monitoring, according to their socio-cultural backgrounds, gender, age, ethnicity, ability, and other pertinent characteristics. This is crucial to tailoring MSD projects that deliver greater impact and more sustainable results by addressing market actors’ specific concerns and meeting their needs according to the barriers and opportunities to accessing markets they experience.

Secondly, improvements in the market system need to be tailored and market-based, with solutions offered by commercial businesses on a profitable basis to build a dynamic, efficient market system that endures beyond external support. Implementers should play a facilitation approach – providing client-centered support which meets the needs of partners and demonstrates the business case for providing these solutions long term. Partner selection should come out of an understanding of business models and the needs articulated by partners themselves who have specialized knowledge of the operating context and their own needs.

It is important to note that MSD projects do not work exclusively with the private sector. Implementers should often work with public service providers, such as government extension agencies, but there must be a commitment to providing these services on an ongoing basis – it must be part of their own business model or priorities.

Projects should also focus their work beyond targeted businesses, beyond a few buyers, and beyond a handful of service providers in order to foster competition and increase economic choice for all market actors. MSD projects and interventions can support scale-up and sustainability by creating learning systems and promoting demonstration among entrepreneurs and their businesses. Examples of learning systems and venues for demonstration include:

- Trade association activities,
- Commercial business service markets,
- Informal knowledge transfer, and
- Formal training institutes

4) Business Case

As MSD works within a market context, we must recognize that actors are driven by market realities. As noted above, when selecting market systems and partners, we must have an in-depth understanding of the business models of the actors involved and ensure that there is a business
case for actors to provide services. An understanding of financial margins (see Module 2) is also essential to ensure that we are not pushing market actors into commodities or areas of the market that won’t be profitable for them.

However, MSD can and should be used to de-risk the testing of new and innovative ideas which the actors might see a business case for but are hesitant to introduce on their own. If successful, innovations and new models can then be transferred to others through activities which encourage market uptake and the demonstration effect. This is particularly important for economically marginalized populations who have limited access to capital and may be hesitant to adopt new ideas, technologies, etc. or pilot their own ideas without seeing clear demonstration of value from peers. Implementers must be careful to use a facilitation approach, ensuring that they are not directly providing services and instead are acting to stimulate uptake by a long-term market actor.

In order to grow, project activities and interventions must be driven by end-market opportunities in each sector. These include local, national, and international markets. Both practitioners and market actors need to understand the different demands and criteria to compete in these markets, with activities, interventions, and initiatives developed accordingly. Markets are dynamic; market system actors must be equipped to identify and respond to trends and changes on an ongoing basis and continue to develop innovative solutions to market constraints.

5) Feasibility

When selecting where and how to intervene, you must consider whether it is feasible to do so. The decision around feasibility relates in part to the priorities and skills of your organization and donor, but more importantly it relates to the context in which your initiative will be implemented. Some market systems have more conducive operating environments that might make it more attractive for your organization to intervene. For example, if the government of Pronesia recently invested significant funds into the rice sector or introduced a new trade policy it might be increasingly appropriate to work in rice. In contrast, you might find that there are substantial barriers to intervening in a sector or you can’t overcome the key constraints identified in the project timeframe and you may need to focus your project elsewhere.

3.7 Market Systems Project Design and Implementation Cycle

The remainder of this course will apply the principles outlined above while working through the project design and implementation cycle, using a facilitation approach throughout. The course will walk you through the steps involved in developing and delivering a market systems development, which can be seen in this cycle.
1. **Goal Development** – This step (described at the end of this module) involves identifying and articulating an initial, high-level goal informed by the skills of the implementer, donor priorities and the development context that will guide program design. This goal can and should be refined throughout the research and design process and finalized during the causal model development stage.

2. **Initial Market Research/Analysis** – While market research should be conducted continually throughout the design process. A high level of research is conducted at the very beginning of the process to understand the market context and ensure the overall design process is informed by research.

3. **In-depth Gender Analysis** – Gender and Social Inclusion (GESI) analysis (alongside considering cross-cutting themes such as environmental sustainability and climate change adaptation) should be integrated throughout the design process. For projects with a stronger gender/WEE focus, a supplemental, increasingly in-depth gender analysis should be conducted. The module on gender and WEE included in this course provides additional background and tools for projects specifically focused on these areas.

4. **Market System Validation** – This is where the project designers select a particular market system for further analysis. The goal is to select a market system that best meets a set of core and supplemental criteria that are defined during this step. These criteria drive the
selection process such that the market system chosen, and hence the project designed around it, will most effectively benefit the intended impact group.

5. **Market System Mapping** – Once a focus market system is selected, implementers map out the overall market system, including developing a business model canvas for key actors within the system, identifying the subsector and value chain actors as well as relevant supporting functions and rules. You may use overlays to help understand key elements of the interactions between market actors, including Gender, Access to Finance, Environment, Margins and production volumes.

6. **Strengths and Constraints** – Building on the market systems map, at this stage implementers continue to analyze the market research collected to articulate key strengths and constraints that can be leveraged (in the case of strengths) or need to be addressed (in the case of constraints) in order to make market systems operate more effectively for target populations.

7. **Solutions and Inventions** – At this stage we will start to build a picture of our intended future picture, articulating our vision for how we want the market system to operate in the future, who would be best placed to provide the solutions (based on an analysis of incentives and capacities or will/skill), who will pay and what short term interventions a development agency can implement to help create this future picture.

8. **Causal Model Development** – This step is a chance to articulate your overall project design based on the goal, solutions and interventions identified throughout the design process. This includes an explanation of the cause-and-effect relationships between the different results levels, and the assumptions on which these relationships depend as well as key external risks and contextual factors that could influence the achievement of results.

9. **Monitoring and Impact Measurement (MIM)** – This stage in the design/implementation process involves identifying indicators and putting in place systems to track progress towards achieving project goals and collect information which can be used to improve performance and inform the design of future projects.

10. **Implementation** – At this stage, implementers must develop and put in place the appropriate organisational processes, procedures and team members needed to effectively implement an MSD project as well as adapt the implementation approach as needed based on ongoing monitoring and learning activities.

As you’ll note in the diagram – gender, environment and market research are cross-cutting activities that should be integrated throughout the design process and will be referred to throughout the course. We will continue to use the example of Kasanga throughout the remainder of the course and a fictional economic development agency looking to design and implement an MSD project based in Kasanga based on the initial Goal Statement developed below.
3.8 Goal Development

As outlined at the start of this chapter, MSD projects typically use a **theory of change** and accompanying **causal model** to articulate how interventions will lead to long term systemic market change with the **goal** of improved livelihoods for target populations. At the start of a market systems project you first must identify a working ultimate goal of your project or initiative. This goal statement should capture the following:

```
Intended change + Target group + geography + sector
```

Often, the key elements of this ultimate level goal are at some level prescribed by the donor or funding agency that is financing your project and their priorities. This goal is also informed by the experience and skillset of the implementing agency. For example, agencies may have more expertise working in certain countries or with certain target populations (such as women or youth) which will influence the focus of their work. The articulation of an ultimate level goal should be a joint development process between implementers and funders informed by the priorities and skills of both entities as well as an understanding of the needs of underserved populations in developing countries.
For example, in the case of our Kasanga case study, Economic Development Solutions (EDS) has the following mission:

Building from our strong background in economic development, agriculture, health and water, we strive to promote sustainable social and economic development for poor communities in developing nations. Our programs target on people living in poverty in rural areas, with an emphasis on smallholder farmers, particularly women, for market-based solutions to weaknesses in specific value chains in an effort to produce a sustainable agent of change toward combating rural poverty. We have been working in Kasanga for the last 5 years, working primarily in the agricultural sector.

They have been approached by a donor agency specifically interested in funding a project in Kasanga focused on economic development in the agricultural sector benefitting smallholder farmers living under a dollar a day. They are also interested in a particular focus on gender equality.

The following background information has also been collected on Kasanga:

**Kasanga currently has high unemployment in both rural and urban areas, 14% and 20% respectively. Its largely peri-urban and rural areas contain the majority of the population. There are a large number of women-headed households, 26% of the total population, many of whom rely upon inconsistent remittances from men family members. Much of the population is rural, living below the poverty line and a significant percentage of smallholder farmers exhibit seasonal food insecurity during periods of the year when food production is low.**

**Kasanga has a semi-progressive government that has prioritized agriculture as a growth sector going forward. The government is committed to investing in better extension and agriculture research and is currently identifying priority crops it would like to support. The majority of the population (75%) is involved in agriculture, but the sector only contributes 35% of GDP. The majority of farmers, about 60% of whom are women, are smallholder farmers with an average of 2 hectares (ha) of land. While women have access to land, most women in Kasanga do not possess land titles which are traditionally inherited through male family members. Changing weather patterns have affected rainfall levels and temperatures, making agriculture riskier than in the past.**

**Kasanga has a good environment for business due to its high-quality cell phone coverage. However, it has one of lowest Human Development Index (HDI) rankings in the world. Kasanga has a strong indigenous banking sector, limited product range, some rural outreach by financial service providers and decent capital holdings.**
The country has had a long history of non-governmental organization (NGO) support to agriculture, which has contributed to a culture of dependency. There are many active international and local NGOs, but they are limited in terms of commercially oriented work using MSD approaches as well as their application of gendered market systems analysis and engagement of women farmers. Their main activities are increasing productivity of crops, via direct training and extension without clear understanding of market demand for these crops or how to facilitate specific market-based services and products that can be made available to smallholder farmers in the long run. For example, the NGOs might link farmers to one or two large buyers, without an understanding of the larger market system of other buyers and the commercial linkages needed to support the crop’s production.

The following information has been collected specifically on the proposed target group of male and female smallholder farmers living below $1 a day.

This group is dependent on agriculture with few other income sources. On average in this target area, 60% of household income is made from crops. Land access is not an issue for this target area--there is still abundant land, both communal and individually owned; however, land title is typically held by men. The average family owns up to five hectares (ha), with 2 to 3 ha sufficiently fertile for farming. However, due to poor farming practices, soil fertility in this area is declining. Also, changing climate conditions such as the inconsistency in water access and temperature are putting further pressures on productivity. Recent deforestation concerns make shifting cultivation an issue. Less than 30% of all households have ever been visited by a government extension agent, typically male headed households.

The majority of Kasangan men, 60%, are literate and most have finished primary school. Households at USD 1 a day or less tend to rely on agriculture and some off-farm labor. Households at USD 2 a day or more tend to have another two to three income sources. Although households
at USD5 and up are often more specialized, perhaps engaged in some high value crops, they still usually have another income source such as fishing, a retail shop or a household member with permanent work.

In rural Kasanga, a high percentage of the population, 26%, is comprised of women-headed households. Poverty rates are higher among female headed-households compared to men headed-households, 45% to 25% respectively. This is largely because women are concentrated in lower-value crops and have more limited access to technology, extension services, land title and are the sole breadwinners for their families. Though women-headed households may be poorer, they exhibit greater nutritional food security than women and children in lower income men-headed households, likely as they have more autonomy over resource use.

Based on: 1) the expertise of EDS, 2) donor priorities and 3) the development challenges facing Kasanga as outlined above, the following initial goal might be developed. (NOTE: remember that Goal = Intended change + Target group + geography + sector)

**Goal** = Increased prosperity for male and female smallholder farmers living on under $1 a day operating in Kasanga in the agricultural sector.

Please note that this is a working goal and can and should be changed and refined throughout the project design process; however, it is important to have a working goal at the start of the research and design process to focus your work.

### 3.9 Review

This module provided an introduction to MSD and project design, focusing on the key elements and principles of designing MSD projects as well as introducing the Kasanga case study to be used throughout the remainder of the course. The key learning objectives and information presented in line with these objectives are summarized below. By the end of this module, participants will:

1) *Be able to describe MSD and the key elements of a facilitation approach*

   Economic growth and expanded access to basic services are critical in developing competitive and inclusive economies. A market systems approach recognizes the key role of these two activities in poverty reduction as well as the reality that all economic activities happen within a wider market context. Furthermore, people living in poverty face systemic barriers to engaging in profitable economic activities and accessing the basic services that build their capacity to contribute to the economy (such as education, health and water).
As implementers are focused on ensuring long term change and recognize that they will not be present in the system long term, implementing agencies employ a facilitation approach, which seeks to catalyse others within the market system to bring about system level changes through temporary activities or interventions. This means that rather than working directly with end clients, MSD projects work with a range of actors operating within targeted market systems to improve the way that the market functions long term, considering the key dimensions at the enterprise, value chain and market system level.

2) **Be able to articulate how a private sector and gender lens is applied to MSD**

In a private sector-driven approach, enterprises are key partners and beneficiaries of MSD projects. As such, it is essential to apply a business lens throughout the design and implementation process. We have a set of objectives (or strategies) that we want to see implemented through private sector businesses and through market forces.

In order to do that effectively, we need to understand the current market (enterprises, value chains, market ecosystem) in order to comprehend current business models and incentives. Given where we want to go (strategies and objectives), we construct a series of actions (“interventions” in the market) to:

1. TEST and VALIDATE our market assumptions
2. LEARN additional incentives
3. MODEL new business opportunities
4. DEVELOP viable business cases for enterprises

3) **Be able to identify and apply the 5 Core Principles of Market Systems Development**

- **Scale** – maximizing the number of clients reached through leveraging the outreach of market actors
- **Impact** – ensuring meaningful change in levels of economic access and empowerment among clients
- **Sustainability** – the capability of market systems to respond to changes and provide a means by which target clients can continue to see benefits, beyond the period of intervention
- **Business Case** – Understanding market realities and the business models of actors involved to ensure we are supporting entering into profitable (and thus sustainable) markets
- **Feasibility** – Considered with regards to the priorities and skills of your organization and the local context/enabling environment
4) Be able to identify the steps of the market systems project design process

5) Be able to develop a goal statement for an MSD project

Development agencies typically use a theory of change and accompanying causal model to articulate how interventions will lead to long term systemic market change with the goal of improved livelihoods for target populations. At the start of a market systems project you first must identify a working ultimate goal of your project or initiative. This goal statement should capture the following:

**Goal/Purpose statement = Intended change + Target group + geography + sector**

Often, the key elements of this ultimate level goal are at some level prescribed by the donor or funding agency that is financing your project and their priorities. This goal is also informed by the experience and skillset of the implementing agency. For example, agencies may have more expertise working in certain countries or working with certain target populations which will influence the focus of their work. The articulation of an ultimate level goal should be a joint development process between implementers and funders informed by the priorities and skills of both entities as well as an understanding of the needs of underserved populations in developing countries.
MODULE 4: Market Research
4.1 Introduction

Market Research refers to the process of gathering information on a market system to identify gaps, barriers and opportunities in the multiple, dynamic systems that exist around producing and delivering products/services to end markets. Research should cover all parts of the market system, including understanding enterprises, value chains and supporting functions/rules and is used to inform project/intervention design and implementation decisions, including the selection of focus market systems.

As noted in Module 3, market research is at the core of the project/intervention design and implementation process and data should be continually collected to validate assumptions and inform project design decisions. Incorporating market research throughout the process will ensure that the project is truly responsive to the demands and needs of market actors. The following graphic demonstrates the importance of market research and how it informs each step of the design/implementation process.
This section is presented at the beginning of the course as the most extensive market research is conducted to inform the initial market system selection and design process. Market research follows the general steps in the graphic below which will be outlined in further detail in this section of the course:
This module is adapted from MEDA’s Market Research for Value Chain Initiatives Toolkit developed by Linda Jones and Alexandra Miehlbrandt and provides an overview of key principles of market research and a high-level overview of common market research tools. For a more detailed description and templates to utilize for specific market research tools, please see the full guide available on MEDA’s website (www.meda.org).

### 4.2 Learning Objectives

By the end of this module it is expected that you will be able to:

1. Select an appropriate research team
2. Determine what information to gather and formulate appropriate research questions
3. Select stakeholders from whom to gather information and choose appropriate research tools, including environmental sustainability, gender equality and social inclusion and other cross-cutting themes
4. Plan information gathering, organize and analyze the information collected

### 4.3 Getting Ready for Market Research

#### 4.3.1 Choose your Research Team

Comprehensive market research can be carried out by a team of as few as 2-3 people or as large as 25. The size of the team will, generally, have a direct correlation to the size and scope of the expected project. However, within a given project size, the number of people on the team may vary. Although it will take a smaller team more time to gather sufficient information, a small team benefits from all members having an intimate understanding of the target market system(s). This deep understanding often makes project design easier and more effective.

A larger team can get the information more quickly. However, each team member will have a more limited understanding of the market they are investigating. Usually in a large team, a few people take responsibility for the project design based on the information collected by the whole group. In this case, the designers will have had less personal interaction with market actors. Effective communication between the designers and the researchers is critical, as is validating the conclusions and design with a range of stakeholders both in the organization and in the target market.

Regardless of the size of the team, there are some essential skills and knowledge needed for an effective design-focused research process:
• Clear research goals and understanding of the ultimate project goal, including target group(s)

• An in-depth understanding of market systems concepts

• Awareness and knowledge of the local culture, values and context (ensure wherever possible that the team includes one or more individuals from the target region/country).

• Sensitivity to gender norms and standards

• The ability to see the bigger picture – to combine various aspects of research and recommendations into a coherent whole

• Entrepreneurial/business minded – the talent for spotting opportunities and promising solutions

• Strong skills in research design, such as determining the most appropriate respondents for a particular research question and formulating effective interview questions for a variety of different types of respondents

• Expertise in interviewing and information collection from diverse sources

In order for the research process to be effective and useful, the research team, as a whole, should have these skills. Not every person on the team needs to have every skill, but the team should be formulated so that all the skill areas are covered. It is helpful to have at least one team member with technical knowledge of the sector being investigated. It is advisable to conduct initial secondary research prior to

---

**Research Guidelines and Ethics**

**Respect Cultural Norms:** There are a number of cultural norms which exist in any setting of which you must be aware prior to beginning research. For example, in some contexts interviewing members of the opposite sex is inappropriate. Identify and have a strategy to adapt your research plan to these norms prior to beginning.

**Be Transparent:** It is important that all interviewees understand who you are and why you are conducting research. If you are arriving without prior notification to conduct research, be respectful of their other obligations and do not pressure them to participate if they are not willing to do so.

**Manage Expectations:** It is prudent not to promise any specific outcome from your research (such as a new project) that is not confirmed.

**Share Your Results:** Market research should not be approached as an ‘extractive’ process, in which you take information and leave. In discussing peoples’ problems and gathering their ideas for solutions, expectations are often raised that you will also adopt these suggestions and improve conditions. It is important that after gathering information, you also share the results with interested clients. This not only honours their contributions but allows you to gather additional feedback for your analysis.
finalizing the research team to ensure that the team composition is aligned with key areas/markets to be investigated.

4.3.2 Formulate your Research Questions

Market research questions are more specific and detailed than overarching project design questions. While project design decisions concentrate on what the project aims to do and how, market research questions focus on understanding market systems and exploring how they could change to benefit the target group. As noted above, market research is conducted throughout the project/intervention design and implementation process. Initial market research at the start of the design process is typically conducted in three phases:

1. Early Stage – Exploratory Research – Getting an overview of relevant value chains and market systems, identifying potential focus market systems for further investigation

2. Middle Stage – Causal Research – Expanding understanding of promising market systems, including more in-depth understanding of constraints, opportunities and potential leverage points as well as business models of key actors involved

3. Late Stage – Testing Models – Confirming results from earlier research, testing potential intervention models with stakeholders

The research questions should be geared to the specific research phase. For example, referring back to our Kasanga case, you may consider the following questions at each stage of the process:

1. Early Stage – Exploratory Research
   a. What are the major economic activities in the area?
   b. What activities are our target population currently involved in?
   c. Where are the growth trends?

2. Middle Stage – Causal Research
   a. What are the business models utilized by actors within the selected value chain? What are their margins?
   b. What are the constraints and opportunities in the market system?

3. Late Stage – Testing Models
   a. Are the constraints identified earlier in the process the most significant or pressing?
   b. Are my proposed solutions and interventions viable?
   c. Is my proposed business model appropriate/profitable for actors involved?
Research starts with formulating research questions to explore your tentative project goal identified in Step 1. As noted in the introduction to this module, the development of the goal statement itself should also be informed by market research and adjusted based on findings. However, keep in mind, as discussed in Module 3, the goal statement is influenced by additional factors including donor priorities and organizational capacity/experience. These research questions will guide your market research, providing the information needed to make project design decisions. Therefore, it can be useful to organize the research questions by those decisions they will inform. The questions change as your research evolves, often becoming more specific, as you move through the research and design process to arrive at a detailed project design. Generally, early research will inform broader project design decisions, while later research will inform more detailed project design decisions.

For example, the Kasanga project we are designing is focused on creating improved economic opportunities for male and female smallholder farmers living below $1 a day. Some initial research questions, organized by the project design decisions they will inform, might be:

- **Target Market Systems**: What economic activities are target populations currently engaged in? Where is there growing demand? What are the characteristics of demand for different products? What are the key actors involved in these market systems?

- **Enterprise Business Models**: What is the business model for the key actors involved in the potential market systems identified? What is their cost structure, margins, etc.? Is this a profitable activity for the businesses engaged?

- **Strengths and Constraints**: What are the matches and gaps between demand and current output of target clients? What are the key rules/support services needed for the market to operate effectively? Where are the gaps?
• **Sustainable Solutions:** What are available or potential mechanisms through which gaps can be addressed? What market actors could fill gaps? What are potential incentives to fill those gaps? Which are the most promising channels for target clients to reach profitable markets?

• **Intervention Design:** What might the project do to leverage these mechanisms? What short term interventions are needed to entice current market players to fill gaps long term?

• **Gender and Social Inclusion:** What is the gender context? What are the current roles and responsibilities of men and women? What resources do men and women have access to? Which assets do women and men own? What are women and men entitled to? Who in the household and community makes decisions? Controls resources? What social and cultural norms dictate how women and men relate to one another in the household and the market? What roles are young people performing in the market? What skills and resources would they need to be more economically active? (See Module 5 for more information on increasing gender equality and social inclusion in markets.)

• **Environment and Climate Change:** What are key challenges and opportunities related to environment and climate change? What is the business case for considering the environment/climate change? How is climate change having an impact on market opportunities? What are examples of effective business models already incorporating environment/climate change?

Again, these questions should be tailored to the specific stage of market research and will focus increasingly on certain design areas at each stage as detailed below. Please note that Gender and Environment/Climate Change should be considered throughout the process, with more detailed information collected as you progress.

1. **Early Stage**
   a. Target Market Systems
   b. Enterprise Business Models
   c. Strengths and Constraints
   d. Gender and Social Inclusion
   e. Environment and Climate Change

2. **Middle Stage**
   a. More detailed Business Model development for selected market system
   b. More detailed Strengths and Constraints for selected market system
   c. Sustainable Solutions
   d. Gender and Social Inclusion
   e. Environment and Climate Change
3. Final Stages
   a. Confirm Constraints and Strengths
   b. Confirm Sustainable Solutions
   c. Interventions
   d. Gender and Social Inclusion
   e. Environment and Climate Change

Gendered Market Research/Analysis

Gendered market research/analysis is not focused exclusively on women, but rather looks to understand the roles of both men and women, how society gives meanings to differences in femininity and masculinity, and the power relations and dynamics that come about as a result of this. In order to analyze gender in market systems, we have to collect information on activities and power at three different levels: the market system, household and society as a whole.

At the level of the market system, it is essential to understand how gender relations operate by considering the following regarding men’s and women’s participation:

- The types of activities that men/women undertake in the market system (Who does what?)
- The involvement of men/women in the management (Who determines how things are done?).

Two useful tools for assessing these dynamics at the market research stage include the Gender Empowerment Framework and the Chain Empowerment Matrix.12 When they are combined into one matrix, four dimensions of gender and empowerment in value chains can be distinguished focused on the accompanying research questions:

- **Vertical integration (roles)** – What activities do men and women do? What benefits do men and women gain?

- **Horizontal integration (decision-making)** – Who is involved in decisions around how activities are done and who receives benefits?

- **Gender dynamics in household and community (agency)** – How do changes in the first two dimensions affect gender division of labour, assets and decision-making within the household? How do changes in the first two dimensions affect the gender dynamics within the community?

- **Institutional context (rules, norms and values)** – Which economic, political and social factors enable or constrain women's empowerment on the other three dimensions? How do changes in the first two dimensions influence the institutional context?

---

At the market research stage, conducting this type of gender analysis and assessment is intended to produce market-based strategies that can improve gender equality and support the empowerment of women and men according to their needs and experiences within market systems to bring about systemic change that can benefit all market actors. For further detailed on conducting gendered analysis see Module 5.

4.3.3 Organize the Information you need to gather

It is helpful to organize your research questions, needed information and key information sources using a chart such as the example included below. This is an excerpt from a mid-stage research guide for the urban dairy market in Kasanga:

<table>
<thead>
<tr>
<th>Research Questions</th>
<th>Information Required</th>
<th>Key Information Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>What are the characteristics of demand for dairy products in urban markets?</td>
<td>• Types of dairy products demanded in urban areas (camel, goat, cow? Milk, yogurt, cheese?)&lt;br&gt;• Quality specifications of milk/dairy products demanded in urban areas&lt;br&gt;• Growth rates of demand for milk/dairy products in urban areas&lt;br&gt;• Pricing of dairy products</td>
<td>• Owners / managers of urban retail outlets&lt;br&gt;• Dairy marketers&lt;br&gt;• Aggregators, processors and traders&lt;br&gt;• Key implementers / donors working in dairy sector</td>
</tr>
</tbody>
</table>

Note that you will not know all the information you need and the best sources of data when you initially outline your research plan. List what you can and add other gaps and sources during the research as you develop your understanding of the market context and stakeholders. Often interview respondents will offer referrals to additional sources of information.

4.3.4 Market Research and the Design Process

Keep in mind that you will need to develop research questions, identify information required and sources for each round of research you conduct to help you make project design decisions. As you continue to gather, organize and analyze information, you will find that you are able to progressively provide more useful and detailed answers to the research questions and begin to build a vision for how the market system could be developed to benefit your target clients through project interventions.
Key information from market research that will inform this process is:

- How the market system works now (considering the enterprise, value chain and market system levels) – both the norm and promising, but unusual, business models
- Trends in the market system
- The strengths, weaknesses and relationships between market system actors (both within the value chain and wider market system)
- Ideas from your team and from respondents on how the market system could change to benefit your target clients and others
- Innovations that are already happening in the market system and might be leveraged and/or replicated to benefit target clients
- Gender context, including gender-based constraints and opportunities
- Environment and climate change context, including constraints and opportunities

Feeding information into your project design process may lead to changes in design, additional ideas and/or a need for more data. Based on the discussions with your research and design team, determine:

- What information is missing that is necessary for answering research questions, making decisions or adding detail to your project design? Depending on the answers, develop additional research questions and/or identify additional information required for the next round of research.
- Did you come up with project design ideas that you want to discuss with your target clients and other stakeholders? If so, plan this into your next round of research.
- Did you identify any exceptional business leaders or stakeholders who are enthusiastic, willing and capable of spearheading market changes? If so, you may want to include them in your next round of research or project planning.

### 4.4 Choosing and Sequencing Market Research Tools

There are two aspects to choosing market research tools. The first is to identify the tool that best matches both the information that you aim to gather and the sources of that information. The second is deciding, incrementally, on the overall sequencing of tools that will provide the information you need to design your project.
4.4.1 Types of Tools

Key data collection tools are summarized below:

- **Secondary Source Research** is the gathering of background information from existing documents, journals, studies, reports, databases, websites, etc.

- **Surveys** involve asking people for information through a questionnaire, which can be delivered through a variety of methods including in person, on paper, via phone, text message or online.

- **Key Informant Interviews** are consultations with value chain entrepreneurs, support service providers or other stakeholders, such as government and NGO staff, who can provide an overview and/or preliminary information on a market system.

- **Market Observation** involves watching actual transactions and other interactions between value chain entrepreneurs, to get a sense of relationships and power dynamics in the value chain.

- **In-Depth Interviews** are semi-structured interviews designed to gather detailed information from stakeholders about their experiences and opinions.

- **Focus Group Discussions** are facilitated discussions amongst a group of similar stakeholders designed to investigate specific issues and/or ideas, including potential solutions to shared challenges. Consider incorporating interactive, participatory activities into focus groups to ensure active engagement of participants.

- **Stakeholder Meetings** bring together stakeholders who are involved at various levels in a value chain both for information gathering and to initiate action to improve the vertical functioning of the market channel.

- **Action Research** allows a researcher to try out a specific intervention with the aim of testing its feasibility, impact and suitability for achieving project goals.

4.4.2 Tool Selection

Keep in mind the following when selecting the tools you will use:

- **Secondary Sources vs. Direct Respondents:** Usually secondary sources are more useful for collecting broad information and statistics that individual stakeholders may not know, such as the aggregate export sales of a particular product. Look at secondary sources first, since you will have limited time with respondents, and you will get a better reception from them if they can see that you have prepared by doing some prior research. Much of the detailed information on a market system will have to be gathered from respondents as it is not usually available from secondary sources.
• **Probability vs. Non-Probability Sampling:** When conducting surveys, researchers must have a methodology for choosing which participants will be asked to respond, known as sampling. There are two key sampling methods: probability and non-probability sampling. In probability sampling researchers use a set methodology for selection, aiming to get a random selection of respondents from across the target population. Probability sampling uses statistical theory to select randomly, a small group of people (sample) from an existing large population and then predict that all their responses together will match the overall population. These samples may be divided into different groups (stratified) to ensure equal representation based on key characteristics important to the survey (such as age, sex, geography), but within each group participants are chosen randomly. Non-probability is a sampling technique in which the researcher selects samples without using a random methodology, at their own discretion. Probability sampling has the advantage of allowing you to generalize results across the population (assuming you have used the appropriate sampling technique and large enough sample size); however, this approach can be costly and time intensive. Non-probability sampling is a less stringent method which depends
heavily on the expertise of the researchers, most useful for exploratory studies and where it is not possible to draw random probability sampling due to time or cost considerations.13

- **Key Informant Interviews vs. In-depth Interviews**: Key informants are respondents who are in a position to have an overview of a particular market system or issue but are not direct actors within that market system (such as staff at other NGOs implementing projects in the area). In-Depth Interviews are more appropriate when you want to learn about the respondent’s particular situation, attitudes and behaviors. In-Depth Interviews are generally conducted with businesses in a market system who might later be involved in the project.

- **One on One vs. Group-based Tools**: One-on-one interviews are better for grasping the basics of how a market system works and for investigating entrepreneurs’ and stakeholders’ attitudes and behaviors. Group-based tools (FGDs and Stakeholder Meetings) are better for exploring ideas new to the respondents, engaging stakeholders in thinking about issues and problems, and generating and discussing ideas or solutions for developing a market system. Group-based tools tend to be more effective when the moderator already understands the basics of the respondents’ situations.

- **Fitting the Tools to the Respondents**: Sometimes, there are particular cultural issues which make one tool more appropriate than another. For example, gender issues or power relations in a particular culture may mean that some stakeholders, such as low-income SEs or market women, feel more comfortable with group-based rather than individual interviews. Or, for example, if there is ethnically based animosity among individuals or groups, one-on-one interviews might be more appropriate than risking conflict while using group-based tools. It is often also beneficial to include separate FGDs for men and women to ensure that perspectives of both genders are taken into account, particularly in cultures where women are less vocal than men.

### 4.4.3 Sequencing Tools

There is no fixed order in which research tools must be implemented, no hard rules on how many tools you should use in market research, or restrictions on which ones to combine with others. However, some tools tend to be most useful in the early stages of market research while others are generally more productive later in the process. Generally, the more tools you use, the more time and resources you will spend on market research. Therefore, smaller projects will typically use fewer tools than larger projects.

Typical stages of market research and the tools of most value to each stage are summarized in the graphic and outlined in further detail below. However, note that this process should be iterative.

---

https://www.questionpro.com/blog/surveys
rather than linear. As illustrated by the arrows on the right, it is typical to utilize the full range of tools throughout the market research process, cycling between different methods depending on the questions raised at each research stage:

**Early Stage – Exploratory**

When information collection starts, researchers usually do not know much about the targeted market system. In fact, they may still be deciding among several market systems as a focus for their project. At this stage, research questions tend to be broad, and researchers are often looking for overview information on end markets, value chain characteristics, and key trends in the market system. The tools that normally elicit the most relevant information at this stage are:

- Secondary Source Research
- Key Information Interviews

Information collected with these tools helps project designers develop the goal statement, including identifying project clients, geographies and prospective target market systems as well as a high level understanding of these market systems, helping to shape further, more detailed, research questions. There is usually not much secondary source information on market systems that are very weak or largely in the informal sector. Therefore, projects focusing on such markets will have to rely more heavily on direct respondents.
Middle Stage – Causal

Once researchers have narrowed down to a short-list of target market system or even selected their target market, information collection questions tend to become more specific, focusing on the details of project design. The tools that are generally the most productive at this stage include:

- Market Observation
- In-Depth Interviews
- Focus Group Discussions
- Surveys

This group of tools provide information which helps project designers to pinpoint which market system strengths and constraints the project will target and identify potential market-based solutions and partners.

While In-Depth Interviews and Focus Group Discussions will yield different information, they can usually be used to explore similar issues. If you are short on time or budget, choose to do one or the other with each type of stakeholder, rather than both.

Final Stage – Testing

The research questions in the third stage tend to focus on confirming results from the second stage and adding final details to the project plan. The tools most useful at this stage are:

- Stakeholder Meetings
- Action Research

These tools provide information that can help project designers analyze the feasibility of specific strategies or activities, finalize the logical framework, and develop the project implementation plan and budget.

Stakeholder Meetings and Action Research can often be used to explore the extent to which market systems actors are both capable of and willing to invest in particular types of market solutions. While Action Research tends to give a more thorough understanding of participants’ intentions and the potential outcomes, Stakeholder Meetings can also provide insights into such issues with lower resource requirements.

Stakeholder Meetings and Action Research cross the border between “research” and “action,” delivering information while beginning to test activities which develop a market system. Therefore, both tools often form an on-going component of project implementation.
4.5 Participatory Gender Tools for Market Research

In conducting market research, it is important to ensure that you are collecting sufficient information on the gender context in order to understand constraints and opportunities and build projects that will effectively support both men and women. Ensure that questions related to gender (as well as environment/climate change and other cross-cutting themes) are integrated into each of the tools noted above. In addition, there are a number of participatory tools which are particularly suited to understanding the gender context:

- **The Harvard Analytical Framework**, sometimes called the “Gender Roles Framework” is a simple and practical toolset to identify the type and amount of work men and women do in a household, farm, or community.

- **The Gender Analysis Matrix (GAM)** examines gender differences and their impact in four areas: labor, time, resources and socio-economic factors. This matrix requires simple coding during the discussion process:
  - Use plus sign (+) if the outcome is consistent with community goals or cultural practices.
  - Use minus sign (-) if the outcome is contrary to community goals or cultural practices.
  - Use a question mark (?) if community is unsure whether the process is consistent or contrary to goals or cultural practices.

- **The Seasonal Calendar** is a visual tool used to identify the various income generating activities (farm or non-farm) engaged in a household, as well as the gender-based patterns of labour, income and expenditure patterns, shifts in household health and welfare, and free time.

See Module 5 for further details on gender specific tools.
4.6 Conducting Market Research

The steps for planning and implementing market research are briefly described below. For more detailed, tool-specific guidance, please refer to MEDA’s Market Research for Value Chain Initiatives Toolkit:

- Build a research team with appropriate skills; this team may be drawn from your in-house staff or you may add to the team by bringing in outside skills or manpower.

- Finalize the specific research questions that each tool will answer, based on your overall research plan. Breaking down broad research questions into more specific questions will help you develop guides for interviews and discussions.

- Identify information sources and determine how you will get a representative sample of sources or respondents that can most effectively help you answer your research questions.

- Determine the target number of respondents to consult for each tool. For each key subgroup, ensure you are consulting multiple stakeholders to confirm results and where conflicting data is obtained confer with a high number of respondents. For FGDs, 2-6 sessions should be conducted with each sub-group (for example, men, women, young men and young women) to identify key themes, with a larger number of sessions conducted if conflicting data is being obtained.14

- Prepare a research guide, interview questions or a discussion guide as applicable, based on the research questions and information required. Interview questions and discussion guides are most effective when they are carefully tailored and adapted to your research questions, project context and the particular respondents.

- Pretest the tools with (a) the survey team and (b) respondents who fit the profile of your respondents, but who are not your key target. There may be issues with question comprehension or clarity for both your team and/or for respondents. This can be solved during a pretest, rather than launching all the tools and finding there are issues later.

- Select times and places for the tool implementation that take respondents’ schedules and needs into consideration; this approach will enable you to gather more extensive and accurate information. Some respondents may have challenges in travelling to an interview location, due to logistics, cost, time or cultural views on the appropriacy of participation. Take this into consideration when selecting times and locations. For young respondents, consider inviting families or guardians.

---

Outline and execute an invitation process for respondents as required. Having a culturally appropriate way to contact respondents and request their participation is critical to getting the cooperation of your respondents and setting the stage for effective information collection.

Gather and record information. For many tools, this requires a team of at least 2 people: one who solicits the information and another who records it.

Organize resulting information in preparation for analysis. Once information from a specific tool is organized, transfer and consolidate the information on your overall organizing worksheet.
4.7 Data Analysis

Once you have completed initial data collection, it is time to begin analyzing. For quantitative data collected from surveys, this will involve compiling the data and conducting statistical analysis using a tool like Excel, comparing average responses or ranking of answers using tables and Pivot Charts, or more sophisticated statistical analysis tools such as the Statistical Package for Social Science (SPSS) or R.
For qualitative information, you should start by reading through all of the data and organizing comments into categories aligned with your research questions. Once you have organized the data, look to identify patterns, causal relationships or common themes in the data. Consider if trends are different for women focus groups vs. male focus groups for example – are men and women experiencing different constraints or barriers? You may also choose to quantify your qualitative data, by tracking the number of times a common theme is mentioned across interviews or FGDs.

In Module 7, we will utilize the data collected on business models and relationships among value chain and wider market system actors to create business model canvases for key actors and create a market system map which lays out the relationships between actors. We will then use overlays to further analyze where men and women are present in the market system and analyze financial margins. This initial data analysis will also feed into strength/constraint analysis and development of solutions and interventions.

4.8 Review

This module provided an introduction to Market Research, focusing on the following learning objectives:

1. Select an appropriate research team

Essential knowledge and skills needed across the team include:

- Clear research goals and understanding of the ultimate project goal, including target group(s)
- An in-depth understanding of market systems concepts
- Awareness and knowledge of the local culture, values and context (ensure wherever possible that the team includes one or more individuals from the target region/country)
- Gender sensitivity to norms and standards
- The ability to see the bigger picture – to combine various aspects of research and recommendations into a coherent whole
- Entrepreneurial/business minded – the talent for spotting opportunities and promising solutions
- Strong skills in research design, such as determining the most appropriate respondents for a particular research question and formulating effective interview questions for a variety of different types of respondents
- Expertise in interviewing and information collection from diverse sources
2. **Determine what information to gather and formulate appropriate research questions**

Research is conducted in 3 general stages with research questions focused on gathering the following information:

- **Early Stage – Exploratory Research** – Getting an overview of relevant value chains and market systems, identifying potential focus market systems for further investigation

- **Middle Stage – Causal Research** – Expanding understanding of promising market systems, including more in-depth understanding of constraints, opportunities and potential leverage points as well as business models of key actors involved

- **Late Stage – Testing Models** – Confirming results from earlier research, testing potential intervention models with stakeholders

3. **Select stakeholders from whom to gather information and chose appropriate research tools, including environmental sustainability, gender equality and social inclusion and other cross-cutting themes**

Key data collection tools and target stakeholders are summarized below:

- **Secondary Source Research** is the gathering of background information from existing documents, journals, studies, reports, databases, websites, etc.

- **Surveys** involve asking people for information through a questionnaire, which can be delivered through a variety of methods including in person, on paper, via phone, text message or online.

- **Key Informant Interviews** are consultations with value chain entrepreneurs, support service providers or other stakeholders, such as government and NGO staff, who can provide an overview and/or preliminary information on a market system.

- **Market Observation** involves watching actual transactions and other interactions between value chain entrepreneurs, to get a sense of relationships and power dynamics in the value chain.

- **In-Depth Interviews** are semi-structured interviews designed to gather detailed information from stakeholders about their experiences and opinions.

- **Focus Group Discussions** are facilitated discussions amongst a group of similar stakeholders designed to investigate specific issues and/or ideas, including potential solutions to shared challenges. Consider incorporating interactive, participatory activities into focus groups to ensure active engagement of participants.
• **Stakeholder Meetings** bring together stakeholders who are involved at various levels in a value chain both for information gathering and to initiate action to improve the vertical functioning of the market channel.

• **Action Research** allows a researcher to try out a specific intervention with the aim of testing its feasibility, impact and suitability for achieving project goals.

4. **Plan information gathering, organize and analyze the information collected**

Key steps for gathering, organizing and analyzing data are as follows:

• Build a research team with appropriate skills

• Finalize the specific research questions that each tool will answer, based on your overall research plan.
• Identify information sources and determine how you will get a representative sample of sources or respondents that can most effectively help you answer your research questions.

• Determine the target number of respondents to consult for each tool.

• Prepare a research guide, interview questions or a discussion guide as applicable, based on the research questions and information required.

• Pretest tools with both survey team and a limited number of respondents before embarking on a full survey.

• Select times and places for the tool implementation that take respondents’ schedules and needs into consideration.

• Outline and execute an invitation process for respondents as required.

• Gather and record information. For many tools, this requires a team of at least 2 people: one who solicits the information and another who records it.

• Organize resulting information in preparation for analysis. Once information from a specific tool is organized, transfer and consolidate the information on your overall organizing worksheet.

• For quantitative data collected from surveys, this will involve compiling the data and conducting statistical analysis using a tool like Excel, comparing average responses or ranking of answers using tables and Pivot Charts, or more sophisticated statistical analysis tools such as SPSS or R.

• For qualitative information, you should start by reading through all of the data and organizing comments into categories aligned with your research questions. Once you have organized the data, look to identify patterns, causal relationships or common themes in the data.
MODULE 5: Increasing Gender Equality in Market Systems
5.1 Introduction

Economic growth can be made more inclusive by supporting marginalized populations to increase their contributions to and benefits from viable and growing markets. Marginalized people include those who face discrimination based on age, gender (identity or expression), sexual orientation, race, class, ethnicity/nationality, ability, or religion, among other identity factors.

Increasingly, organizations doing inclusive economic development bring a gender equality and social inclusion (GESI) lens to market systems work. Diversity in markets is important, contributing to greater profitability and increased innovation. This unit focuses on increasing gender equality. Readers interested in learning more about the barriers and opportunities for young people pursuing economic opportunities can refer to MEDA’s Youth Entrepreneurship course. GESI has also been mainstreamed throughout this course, with a strong focus on gender equality.

Increasing the participation of women and promoting women’s economic empowerment (WEE) and gender equality within markets benefits market systems as a whole, in addition to households and communities. This unit outlines the importance of gender analysis in assessing market systems to identify women’s specific gender-based constraints to market participation. It introduces a suite of tools and approaches for increasing women’s inclusion into markets and highlights the need to address historical, cultural, and structural inequalities that continue to hinder WEE and the development of gender equitable market systems.
5.2 Learning Objectives

By the end of this module it is expected that you will:

1. Understand the gender-based constraints women face in accessing markets
2. Be introduced to the concept of gendering market systems tools
3. Understand models that MEDA uses to increase women’s participation in markets

5.3 What is Gender?

While a person’s sex is determined based on physical characteristics, gender is socially constructed. This means that society determines or influences the types of job opportunities or household tasks that are considered appropriate for men or women. In addition, these jobs or tasks have value judgements, meaning that society considers some types of work less important – often domestic tasks and care work, which are dominated by women.

Some characteristics of gender include:

- Views about gender roles change over time. For example, among the Iroquois in Canada, women were traditionally the political decision-makers, whereas now, the Assembly of First Nations, the national advocacy organization representing First Nation citizens in Canada, is primarily male.

- Gender roles are learned. You are socialized to understand your gender role.

- Gender roles and expressions of gender vary between cultures and communities. For example, young men holding hands has different meanings around the world.

5.4 Understanding Gender-Based Constraints

Many women and men in lower-income countries struggle to maintain sufficient livelihoods to move and keep their families out of poverty. However, women encounter gender-specific challenges and gaps due to historical and cultural gender-based discrimination. For example, as seen in the following diagram developed by Oxfam, women only earn 10 percent of the world’s income. For this reason, gender-based considerations of market systems often end up focusing on women.
A growing body of documentation exists on the business case for increasing gender equality. Arguments in favour of increasing gender equality include:

- **Gender equality is good for the economy**: the FAO found that closing the gender gap in agriculture could increase yields on farms by 20 to 30%, which could raise total agricultural output in low income countries by 2.5 to 4%, reducing the number of hungry people in the world by 12 to 17%.\(^{15}\)

- **Gender equality improves productivity**: women are currently a large part of the global workforce. If women and men had equal opportunities and resources (including knowledge and skills), it would result in higher productivity and improved efficiency, leading to increased profits and savings.

- **Gender inequity in agricultural value chains creates a missed business opportunity**: Women often play important (but invisible) roles in markets, thus playing a key role in upgrading strategies.

- **Providing equal economic opportunities to women improves household wellbeing**: Many studies have shown that if women have control over income, they tend to spend on children’s health, nutrition, and education.

---

How does gender impact on people’s market participation?

Many women and men in low-income countries struggle to maintain sufficient livelihoods to move and keep their families out of poverty. In addition, women encounter gender-specific challenges and gaps due to historical and cultural gender-based discrimination. A recent study by the World Bank revealed that, if women earned as much as men, $160 trillion in additional human capital wealth would be generated (2018). In sub-Saharan Africa alone, gender inequality is costing $95 billion a year. The table below summarizes gender-based constraints faced by women that present challenges to developing truly inclusive market systems:

<table>
<thead>
<tr>
<th>Market Constraint</th>
<th>Gender Constraint</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small land holdings</td>
<td>Laws or customs that restrict women’s land ownership</td>
</tr>
<tr>
<td>Limited range of finance and credit options</td>
<td>Bank policies requiring husband or father’s signature for loans</td>
</tr>
<tr>
<td>Lack of access to market information</td>
<td>Social norms limit women’s networking or mobility</td>
</tr>
<tr>
<td>Low productivity</td>
<td>Inequitable access to high quality inputs</td>
</tr>
</tbody>
</table>

Because women provide such a large portion of the informal agriculture workforce in the developing world, increasing their status in agriculture market systems is vital for economic development.

Women around the world are seen as “invisible farmers” and are often portrayed merely as helpers to their spouses rather than as farmers and entrepreneurs in their own right. This means that women farmers frequently have less access to vital inputs and support services, limiting their agricultural productivity. In addition, they frequently produce the food that the family eats, rather than cultivating cash crops. This reinforces their invisibility in the market. Therefore, promoting women’s

---

recognition and leadership in agriculture raises their visibility and increases their status in the overall economy.

For example, while scoping a new soya value chain development project in Ghana (GROW), government officials told MEDA, “There are no women farmers in northern Ghana.” However, just a few years later, 24 of MEDA’s project participants won awards in Ghana’s annual Farmer’s Day celebrations including “best soybean farmer”, “best soybean aggregator” and “best conservation agriculture farmers” in the same region.

According to the FAO, women, on average, comprise 43% of the agricultural labor force in low income countries and yet receive only a fraction of the land, credit, inputs, agricultural training, and information that men do. The gap in yields between men and women farmers averages around 20% to 30% worldwide; studies show that the difference exists not because women are less skilled, but because they receive less recognition and have less access to inputs such as improved seeds, fertilizers and equipment. In addition, female farmers receive only 5% of all agricultural extension services in 97 low income countries; and only 15% of the world’s extension agents are women.17

Gendered division of labour

Gendered division of labour refers to the socially determined ideas and practices which define what roles and activities are deemed appropriate for women and men. The graphic below illustrates how men and women in farming families in Northern Ghana spend their time during the harvest.

---

Focus group discussions were held with women farmers and their husbands to explore how they spent their time on a daily basis, and how this changed over the course of the project. The clocks on the left show how men and women spent their time in 2012, and the clocks on the right show time use after multiple years of project intervention.

Despite many positive changes, there are still significant differences in how women and men spend their time. Women continue to do the bulk of the reproductive work in the families, though by 2017, men have begun to contribute to these tasks. Reproductive work includes caring for children, the elderly and family members who are ill, preparing food, gathering water and firewood and other domestic tasks. Though unpaid and generally unrecognized, these tasks are vital for productive farms and functioning markets. One other thing to note from the clocks is the significant difference in personal time available to men versus women. Though women’s personal time doubled over the course of the project, it is still less than a third of what men have.
5.5 Gender in Market Systems

As discussed earlier, the ways in which women and men interact with markets are influenced by gender considerations such as roles, social norms, and differing access to resources. This diagram shows four dimensions in which women and men interact with markets.

The vertical integration dimension looks at different activities that women and men perform and the benefits they gain from these. For example, many women provide unpaid labor for husband or family cash crop production for which men will collect and control the income. This is an example of women's work that contributes to households and markets but is often invisible and unpaid.

As discussed earlier, the ways in which women and men interact with markets are influenced by gender considerations such as roles, social norms, and differing access to resources. This diagram shows four dimensions in which women and men interact with markets.

The vertical integration dimension looks at different activities that women and men perform and the benefits they gain from these. For example, many women provide unpaid labor for husband or family cash crop production for which men will collect and control the income. This is an example of women's work that contributes to households and markets but is often invisible and unpaid.

Four Dimensions of Gender in Market Systems

- **Vertical Integration:** What activities do men and women perform? What benefits do men and women gain?
- **Horizontal Integration:** How do women and men operating at the same level in the market function together for greater benefit?
- **Gender Dynamics within Households and the Community:** How do gender dynamics determine market participation?
- **Enabling Environment:** Which factors enable or constrain women's equitable participation in markets?

Gender dynamics within households and the community is the third dimension and determines women's participation in markets. While facilitating change that allows women to earn more from their traditional roles, women can also be encouraged to take on new roles, thus expanding their
choices and prospects. In some cases, such change emerges from the work that women have traditionally done. For example, women who traditionally care for livestock on the homestead can be trained as livestock health workers, offering a valuable and sustainable business service to other women. Training women to be sales agents or lead farmers are other effective entry points for women to advance. These models are discussed further in the implementation models section of this module.

Finally, the enabling environment looks at factors which enable or constraint women's equitable participation in markets and affects all three other dimensions described here. For example, women's vertical linkages are often hampered by their lack of experience in male-dominated business environments and perceived increased "risk". This can be mitigated with cost-sharing mechanisms (such as a matching grant from a project) for firms to expand their services to women suppliers. Horizontal linkages are often hampered by women's lack of mobility. For example, women have trouble accessing formal financial services which often cater to men and are located in urban centers. This enabling environment constraint can be mitigated by leveraging women's production or savings groups.

**Gender inequality in agricultural production**

In the agriculture sector, "women tend to be employed for labor-intensive tasks, generally earn lower wages than men and are more likely to be paid at piece rate. For example, in the casual agricultural labor market in Africa, women's casual wages (whether in cash or in kind) are usually half of men's wages". Moreover, limited experience with business transactions and negotiating can also put women at a disadvantage in dealing with other market actors, who are frequently men.

Across all developing regions, women's ownership of agricultural land is under 20% and the land that women do own is less secure in rights, smaller in size and of inferior quality compared to land owned by men.

For women to be successful in agriculture, they need access to appropriate products and services. For example, training in agronomics, value addition, business and negotiation skills are important for women to be competitive. Access to financial services that meet women's needs is also necessary for women entrepreneurs to start and grow businesses. However, agronomic knowledge, finance and business skills are not enough. Women also need linkages to markets and reliable market information in addition to a more equitable division of labor at home and in the community. Wherever possible, market systems initiatives should try to identify and engage the private sector to provide these services.

---

Gender inequality in business and entrepreneurship

In addition to production, a functioning agricultural market system includes a range of micro, small and medium enterprises. All entrepreneurs face constraints in starting and growing businesses, and women face additional constraints. Constraints vary across regions and sectors, but common issues include:

- Lack of access to appropriate financial services (see below for further detail)
- Lack of role models
- Women’s time poverty and gendered division of labour
- Lack of access to resources and information
- Perceptions of women’s ability to do business
- Lack of representation in upper-level management
- Occupational segregation
- Legal barriers, including registration requirements

Gender inequality in access to finance

In addition, women in lower-income countries are less likely than men to secure credit from banks (World Bank 2013) and often pay higher interest rates (IFC 2011). In a recent study of East African countries by Graca Machel Trust, over 50% of the 607 female entrepreneur respondents, including smallholder farmers, noted that the most common barriers that keep them from succeeding economically are access to finance and markets. They face a range of barriers to financial inclusion, notably lack of collateral and high interest rates. Respondents recommended that financial institutions customize products and services to address women’s unique needs. They also suggested that capacity-building programs that help women prepare for financing and identify market and trade opportunities are critically needed.

---

20 Ibid.
Gender inequality in the care economy

In addition to time spent on “productive” work, such as farming, women also spend much of their time on “reproductive” work, such as childcare and housework, and “social” work such as community and religious obligations. When all women’s work is accounted for, women’s total work hours are longer than men’s around the world (see diagram below from the World Economic Forum’s Global Gender Gap Index 2016). This triple work burden can affect the broader communities’ food security and prosperity and potentially women’s well-being and health.21

Market systems development (MSD) interventions seeking to advance WEE through greater participation in agricultural markets must recognize this extra labor burden and develop appropriate solutions. These solutions must be context-specific and can include promotion of affordable labor-saving technologies and products, advocating for employers to provide childcare assistance, redistribution of care work among women and men, and fostering women’s expanded agency. For example, after a gender transformative intervention carried out by Promundo in Rwanda, women and men reported higher levels of men’s participation in childcare and household tasks and less dominance of men in decision making (2018). In summary, increased gender equality is critical to achieve stable and effective market systems that lead to economic growth.

![A working day for men and women](Source: Global Gender Gap Index 2016, World Economic Forum)

5.6 How Do the Five Key Principles Relate to Women and Market Systems?

Scale

While scale is important, it is equally as important that interventions are inclusive. Sometimes it is easier to hit target numbers when sex-disaggregated data and quotas for women participants and leadership are not planned for or enforced. In order for inclusive economic growth to occur,

---

gender-specific barriers must be identified, and strategies developed for how to overcome them. Gender-specific barriers which should be considered when scaling an intervention can include:

- workforce discrimination,
- lack of mobility,
- lack of access to and control over financial products and services
- lack of decision-making authority at home, in the community and on the national level.
- gender-based violence
- discriminatory customary law
- manageable workloads
- lack of access to and control over resources/land/technology
- lack of access to market information
- discriminatory social/cultural norms

Impact

Related to the principle of scale, the impact of MSD initiatives should include more equitable access to opportunities for marginalized groups. One way to achieve this is to develop strategies to address the barriers mentioned above. Other barriers to depth of impact might include:

- Return on labor for women – women are paid less than men for the same job in every country of the world.
- Access to skills development and employment – these opportunities are fewer for women, youth and rural populations

Sustainability

When looking at improving gender equality and increasing WEE, MSD considers sustainability in a number of ways. First, in determining where to intervene and what gender-based constraints to address. Then, during the design process, good MSD work seeks to identify underlying causes rather than symptoms. For example, a sunflower oil processor may source seed from more men than women suppliers. While this is a constraint for women’s inclusion, the solution would not be for the processor simply to work with more women farmers. The underlying cause is that women may not be producing to the quality or quantity standards of the processors due to their limited access to market information, quality extension services, and affordable inputs in comparison to men. In order to be sustainable, a project or intervention would need to address the underlying constraints and not the symptom of limited women’s involvement.

Improvements in the market system also need to be market-based, with solutions offered by commercial businesses on a profitable basis to build a dynamic, efficient market system that
endures beyond external support. Using the example above, a commercial solution would be for processors to provide market information, agronomic training and inputs to their farmers, including women, to increase the number and productivity of their suppliers.

It is important for MSD implementors to work with private sector to build the capacity of women to participate equitably in markets so that positive economic and social impacts can continue once a project or intervention has concluded. It’s also in the firm’s best interest to do so. Research shows that firms with greater gender equality in their operations and supply chains are more innovative and more profitable.22

Business Case
As noted in Module 3, sharing a business-driven perspective on innovation and learning is important for enterprise upgrading and can be particularly important for vulnerable populations who face additional risk in adopting new ideas or technology. For example, women generally own smaller and less productive farms than men, making them more vulnerable to failure. Because of the volatile nature of agriculture and their added risk as women, they may be less likely to adopt a new farming method or tool without first seeing a peer’s demonstrated success.

Feasibility
Feasibility is another critical element to consider while designing MSD projects and interventions, particularly when it comes to successfully and sustainably integrating women into markets. One

way to explore the feasibility of different potential interventions is to explore various “entry points” to elevate women’s status in the market system.

**Strengthening women’s vertical relationships in market systems**

Market relationships are shaped by business interest, power inequalities and social norms. To create enduring systemic change that benefits women, market actors must see the business case for working with women. In some cases, businesses need initial support from MSD projects to catalyze behavior change and learning. For example, they can share the risk that businesses take when extending their backward supply chains or services to reach women in the form of cost-sharing.

**Strengthening women’s horizontal relationships in market systems through women’s groups**

Women’s groups can take many forms and serve a range of purposes. Farmer groups, for example, can provide a vehicle for market information sharing, training, and networking with other actors in the market system. Community-managed production or aggregation of outputs by women's groups can open new marketing channels for women. Village savings and loan groups (VSLAs) have proven to be a powerful method for women to save money for productive investment, to cover household costs or mitigate economic shocks such as the loss of a family member or a drought. In these new horizontal structures, women create value addition, take on tasks that were previously dominated by men, develop leadership skills and coordinate with other women to become more visible to other market actors such as buyers, input suppliers and service providers. Groups also provide an opportunity for women to discuss their common experience and challenges which, for many women, has proven to be an empowering opportunity.

**Supporting women to move into new roles in the market system**

While facilitating change that allows women to earn more from their traditional roles, women can also be encouraged to taken on new roles, thus expanding their choices and prospects. In some cases, such change emerges from the work that women have traditionally done. For example, as noted above women who traditionally care for livestock on the homestead can be trained as livestock health workers, offering a valuable and sustainable business service to other women. Training women to be sales agents or lead farmers are other effective entry point for women to advance.

Notice that each of these entry points directly addresses the social and cultural barriers that negatively affect the enabling business environment for women in various contexts. For example, women’s vertical linkages are often hampered by their lack of experience in male-dominated business environments and perceived increased “risk”. This can be mitigated with cost-sharing mechanisms for firms to expand their services to women suppliers. Horizontal linkages can be expanded by leveraging women shared cultural experiences and the tradition of group savings. Similarly, new roles for women in the market system can directly address women’s mobility constraints and limit their need to interact with men business partners by connecting them with
women sales agents or expand traditional roles to new business opportunities such as health services for livestock.

5.7 Frameworks and Tools: Conducting Gender-Responsive Market Analysis and Implementation

Gender Equality Framework
Women are often disempowered by the overarching power structures in our societies. Therefore, achieving greater gender equality requires addressing power imbalances and promoting empowerment. This diagram shows the USAID Leveraging Economic Opportunities (LEO) initiative’s theory of change for promoting WEE in market systems. The framework is built on the following considerations:

- Enhanced access and agency are key indicators of empowerment
- Gendered rules are key determinants of access and agency
- Rules influence and are influenced by multiple subsystems in market systems
- Non-economic actors are important influencers of access and agency
- The combined effect of both structural transformation and bottom-up change interventions lead to sustained empowerment for women.

**What is Empowerment?**
Integrating Gender Equality into Programming

Gender equality is operationalized at each step in the project life cycle, from project design, to staffing, through implementation and into project closure. The first step to integrating gender equality considerations into MSD is to perform a gender analysis and market research. The data you collect during this analysis will feed into a gender equality strategy which will inform all interventions. In this section we will explore tools to assist in gender-responsive data collection and implementation.

It is important to conduct all market analysis with a gender lens to ensure that women and men benefit equitably from business opportunities. Responses to the gender analysis will provide detailed information on men and women market actors regarding the division of labor, access to and control of resources, gender relations, gender-specific needs and interests, gender disaggregated statistics and a review of social, economic and political power dynamics. This information will inform the development of a gender equality strategy. Ongoing analysis should also be done periodically to track the progress of your strategy throughout the implementation and monitoring and evaluation of an activity, project or intervention. By incorporating a strong focus on gender and gender analysis from the onset of the design process, MSD projects can benefit more SMEs and SEs, regardless of their gender, and support more competitive value chains.

Many tools are used in analyzing market systems, with some focusing on specifically on gender dynamics and others on analysis of the market while integrating gender considerations. In addition,
some tools govern what data is being collected, providing insight into gender constraints and opportunities; others provide guidance on how to collect data in participatory ways, to give voice to both women and men’s experience in markets. The diagram below shows these different types of tools, as well as examples of each type:

One way to gather important market information with a gender lens is by conducting a gender analysis. This is an important first step in gathering information to plan and design an effective gender equality strategy to guide MSD activities and interventions. Gender analysis will provide detailed information on men and women market actors regarding the division of labor, access and control of resources, gender relations, gender-specific needs and interests, gender disaggregated statistics and a review of social, economic and political power dynamics. Ultimately, the intent of a gender equality strategy is to improve gender equality by addressing negative social norms, promote transformational and gender equitable behavior change in market actors, as well as influence positive systemic change within the market system as a whole. This can help to address gender-related issues and improve the ability of your MSD project to deliver results equitably to men and women with sustainability in mind. Ongoing analysis should also be done periodically to track the progress of your strategy throughout the implementation and monitoring and evaluation of an activity, project or intervention. By incorporating a strong focus on gender and gender analysis from the onset of the design process, MSD projects can benefit more SMEs and SEs, regardless of their gender, and support more competitive value chains.
Key Questions for Gendered Market Analysis

- Is all information in the analysis gender-disaggregated?
- Does quantitative information seek to ensure relative proportions of women and men involved in different levels and locations of the value chain?
- What gendered assumptions are made in the analysis language and terminology—for example, in definitions of “enterprise,” “worker,” and “head of household”? How can these be addressed?
- Is there an explicit effort to identify potentially hidden roles of women in economic activities? For example, in agriculture value chains, this might include weeding or stages in processing throughout the process (analysis and potential interventions).
- Are gendered power relations within and between enterprises part of the analysis and recommendations throughout? Within households? Within markets? Within communities? Within development, government, and other institutions?
- Are gender implications of macro- and meso-level policies included in the analysis and recommendations?
- Are the full range of female stakeholders included both in the analysis and in the development of the resulting conclusions and recommendations for action?
- Are the gender dimensions of men’s attitudes, behavior, and experience included in the analysis and recommendations? Are activities with men included as part of the solution?
- What are the implications for the gender skills and gender composition of the implementation team? For any stakeholder groups that the project may work with?
- In developing the vision for the market system following the project intervention, how are gender equality, empowerment, and power conceptualized? Are the underlying assumptions and activities to be supported to achieve this vision clearly identified and linked?23

Important Considerations for Participatory Data Collection

- Including additional gender-targeted questions within MSD data collection tools (e.g. focus group discussion, individual interview) to highlight women’s perspectives and experiences, to address topics or concerns disproportionately affecting women, and/or to identify women’s “hidden” roles;

- Setting a criterion such as a quota for women respondents;

- Timing and location and confidentiality of such data collection is also particularly relevant to women who traditionally face more time and mobility constraints, and have different privacy needs than men; having women-only dialogues to ensure confidentiality as well as the gender of the enumerator are also important considerations so that women feel they can speak freely;

- Finally, data should also be analyzed from a perspective that is gender-aware.

Gender-specific analysis tools\(^\text{24}\)

Some examples of gender-specific analysis tools referenced in Chapter 4 – Market Research include:

- Gender Analysis Matrix
- Gender Action Learning System (GALS) Participatory Tool: Future Household Vision
- Seasonal Calendars
- Daily Clock

**Gender Analysis Matrix**

The **Gender Analysis Matrix (GAM)** is used to discover the different impacts of development activity or intervention on women and men by providing community-based techniques for the identification and analysis of gender differences. It is particularly helpful during the implementation and monitoring and evaluation stages of an intervention or project. The GAM examines impact of four areas: labor, time, resources and socio-economic factors. This matrix requires simple coding during the discussion process:

- Use plus sign (+) if the outcome is consistent with community goals or cultural practices.
- Use minus sign (-) if the outcome is contrary to community goals or cultural practices.
- Use a question mark (?) if community is unsure whether the process is consistent or contrary to goals or cultural practices.

---

\(^{24}\) For more gender-specific analysis tools, please see the Additional Resources section at the end of the course.
Table 1: Illustrative Gender Analysis Matrix\(^{25}\)

| Project Intervention: piped water is brought to all homes in one village |
|---|---|---|---|---|
| **Women** | **Labor** | **Time** | **Resources** | **Culture** |
| + no longer need to transport water to fields | + no longer need to transport water to fields | + saves time | + water is easily available for irrigation | - reduction of mobility |
| | | + option of leisure | | - social interaction at water source stops |
| **Men** | + acquire skills in water system building and maintenance | + women have more time for childcare and other domestic work | + better health | - uneasy about women having free time |
| **Household** | + net savings or increase in labor | + women have more time for childcare and other domestic work | + better health | ? women spend more time at home |
| **Community** | + trained community committee in water system maintenance | ? Less time for leisure for men, more time for women | + more water easily available | - women interact less with each other |

**GALS Future Household Vision: Participatory Tool**

This is a participatory tool called Future Household Vision. On one side, participants draw their current household, including the resources available to them. The other side is a drawing of the household they want to have in five years. When using this tool, it is important to reflect participants on what needs to happen for them to reach this vision.

---

See below for an example of this tool from the Agri-ProFocus Learning Network’s resource Gender in Value Chains.

![Seasonal Calendar Illustration](image)

**Seasonal Calendar**

**Objective:** to identify the various income generating activities (farm or non-farm) engaged in in a household, as well as the gender-based patterns of labour, income and expenditure patterns, shifts in household health and welfare, and free time.

**Materials:**
- Flip chart paper
- Markers
- Tape

**Procedure:**

1. Group of men and women can be separate or together (we have done it once so far where they are together)

2. Ask them to identify their daily and seasonal tasks which earn money and maintain the home and family (including productive, reproductive, and integrative (social) work, paid or unpaid)

3. Ask the group when it considers that the year begins (it doesn’t have to necessarily start in January (in Karen, it starts in April), based on the group’s decision, label the months of the year across the top of the flip chart paper
4. Draw or write each task on a small piece of paper or directly on the large grid (down on the side column) on the same paper you wrote the months of a year.

5. Discuss various aspects of each task (based on crop, farm/non-farm activities) and draw a put an “x” under the appropriate month(s) when these activities take place (include planting vs. harvesting, etc.).

6. Identify which member of the household does which task (not necessary if you are able to use other tools in a different FGD or the same).

7. Identify by times of year and sources, when income flows into the household.

8. Indicate variations in household expenses, for example, are there particular expenses that are higher at specific times of year? (school, holidays, religious festivals).

9. Indicate patterns of household health and welfare, for example: are there certain times of the year when people are hungrier?

10. If you do this as one group, synthesize the information with the group taking a short bit of time to clarify any questions or ask other questions you may have from your interview guides; if they completed the tasks as men and women separately, (and if you have time) try to analyze each of the findings (summarizing) of the groups with the entire group.
11. The groups come together, posting their calendars where everyone can see them

12. When interpreting the information on the calendars, consider the following:
   a. Opportunities such as free time for other activities, available income for developing activities
   b. Constraints such as period of high expenditures, periods of illness, intensity of activities, cultural practices
   c. Other specific purposes determined by the facilitator or needs or desires of the community, for example: when during the year (and day – for daily activity clock discussion) might men or women be available for training? When might be a good time to plant other secondary value chain crops?

**Daily Clock**

**Objective:** Daily Activity Clocks ask community members to examine the different kinds of activities carried out in a day and the different workloads of women and men. Side-by-side illustration of the different roles and activities women and men perform in a typical day reveals information about who works the longest hours, who concentrates on a small number of activities, who divides her/his time between many activities, and who has more leisure and sleep time.

**Materials:**
- Flip chart paper
- Markers
- Tape

**Procedure:**

1. Draw two circles in advance to form the “Daily Activity Clock” on flip chart pages.

2. Ask participants to discuss a typical day in the life of a woman and a man in their community. Tell them you will be illustrating tasks carried out by women and men throughout a typical day. Ask participants what a woman does from the moment she wakes up until the moment she goes to sleep. Someone will likely give you an overview. Then ask them to tell you hour by hour. Using the circle “clock” on the flip chart, illustrate how they spend each hour of their day. Make sure you inquire how long each activity takes to complete. Activities carried out simultaneously, such as childcare and gardening, can be noted in the same spaces. Then ask them to do the same thing for the men. At this point, you will have mapped out a complete day for both women and men onto your clocks.

3. This tool can also illustrate seasonal variations in women and men’s work. To do this, you will carry out the activity clock exercise several times based on the number of seasons in
the location. The first time you perform the clock exercise, ask participants to discuss their typical day within a particular season (e.g. rainy season, dry season). You will then ask participants to repeat the clock exercise from start to finish, mapping their typical day in a different season.

4. Lead the group in a discussion about the workloads and schedules of women and men and across seasons (if applicable). Ask follow-up questions and take notes on responses.

Example of a Gender-Integrated Tool: Behaviour Change Communication

Behaviour Change Communication (BCC) is an example of a gender-integrated tool. It involves contextually appropriate communication strategies to promote specific behaviors. Gender-related BCC involves communications focused on transforming behaviors related to gender norms. For example, communication strategies such as media campaigns with key messaging promoting equitable division of labour in the household. This could look like community or household-level discussion around men and boys’ engagement in domestic and care work.

BCC tools can be gender-specific or gender-integrated. This means that some will have content that explicitly focuses on changing gender roles and relations while others may focus on broader topics like agriculture but incorporate gender messages. There is a wide range of models and tools for behavior change, but we will focus on one example of a battery-powered communication device utilized by MEDA called Talking Book (see image). Talking Book is a device created by Literacy Bridge, a non-governmental organization that operates in various African countries including Ghana. These devices have pre-recorded messages on a range of topics that women can listen to at their leisure, and, as many times as they wish. As a partner of the MEDA’s GROW project, Talking Book delivered weekly messages to Lead Farmers with critical information on nutrition, agricultural tips, finance and gender sensitization. The device is easy to use, with pictograms indicating distinct functions, and is an effective learning tool for non-literate users. Talking Book is an example of both gender-specific and gender-integrated BCC because it covers several topics including gender equality and agriculture and nutrition with gender considerations built in.

BCC is an effective strategy for changing gender norms. Anecdotally, women clients who utilized Talking Book as part of the GROW project described significant changes in their family and partner relationships. In focus group discussions, women stated that Talking Book encouraged both women and men to reconsider and reassess their respective workloads to allow women more time for economic activities. This is an important but sensitive topic because it challenges culturally-
dictated gendered division of labour. Talking Book provides a user-friendly and neutral platform for families to discuss the implications of current gender relations.

For example, one woman said, “Before the Talking Book, I dare not even talk to my husband concerning men-women relations. At first, he did not show any interest in listening to the Talking Book, so I started playing it anytime he was taking his supper. He showed a lot of interest in the agriculture aspect. The first day I tuned into the gender messages he laughed a lot and we argued a lot. The next day he asked that we should listen to the messages on gender again. We began to discuss showing how joint decision-making and reviewing the workload can help all of us. I was surprised when he asked our sons to always wash their bowls anytime they finish eating.”
Gender Equality Strategy

The gender equality strategy takes information from the gender analysis and proposes solutions to identified gender-based constraints. Ultimately, the intent of a gender equality strategy is to improve gender equality by addressing negative social norms, promote transformational and gender equitable behavior change in market actors, as well as influence positive systemic change within the market system as a whole. This can help to address gender-related issues and improve the ability of your MSD project to deliver results equitably to men and women with sustainability in mind.

Ongoing analysis should also be done periodically to track the progress of your strategy throughout the implementation and monitoring and evaluation of an activity, project or intervention. By incorporating a strong focus on gender and gender analysis from the onset of the design process, MSD projects can benefit more SMEs and SEs, regardless of their gender, and support more competitive value chains.

Example GBC issue areas:

1. Institutional gender gaps (e.g. company management/workforce dynamics);
2. Gender inequality issues in the business enabling environment and barriers faced by women producers, women entrepreneurs (WEs) and SME-owners (W-SMEs);
3. Financial inclusion and access to/control over financial products and services;
4. Gendered impacts of climate change & environmental issues;
5. Gender barriers to alternative income generation and diversification for women;
6. Relevant women’s rights issues (e.g. labor, land, customary law, financial services, gender-based violence);
7. Women’s time poverty/gender division of labor/care work and the care economy;
8. Gender-based violence/unequal power relations;
9. Access to resources/land/technology;
10. Access to market information;
11. Relevant intersectional issues (e.g. gaps and constraints related to age, ethnicity, sexual orientation etc.);
12. Relevant cultural stereotypes/religious constraints and barriers (e.g. early and forced child marriage);
13. Masculinities and barriers to men/boys’ engagement
5.8 Implementation: Models

As noted earlier in this section, women face multiple barriers to accessing markets. The following diagram outlines examples of key gender-based constraints that limit women’s participation in markets.

Many women, for cultural and logistical reasons, have limited mobility. For example, some women are not able to leave their household or communities due to the practice of purdah which limits contact between men and women. In other places, such as Northern Ghana, poor infrastructure and cost of transportation limits women’s mobility. This limited mobility, in addition to lack of contact with other market actors, means that women often lack market and product information.

Social norms dictate roles that are deemed appropriate for men and women, often excluding women from some earning opportunities and making decisions over resources. For example, women may be discouraged from becoming entrepreneurs or going to markets.

Limited access to technology also traps women in labor-intensive, underpaid roles. More often than men, women are excluded from financial services limiting their ability to start, grow and invest in their businesses.

Models for More Inclusive Markets

A range of approaches and models can be used to increase women’s participation in markets. Three models are highlighted here:

- **Women Sales Agents or WOSAs** are market intermediaries who provide product information and buy from producers and sell their products in larger quantities to processors and buyers. This helps to address women’s mobility issues and lack of market information.
• **Male engagement** – Because women and men’s lives are interdependent, MEDA employs male engagement strategies such as helping men to facilitate change as advocates for women’s agency. This helps to address women’s limited decision-making and restrictive social norms.

• **Smart incentives** take a variety of forms. They can be financial, such as coupons or price discounts to allow clients to purchase services or commodities at a preferential rate. They can also be provided in the form of services such as training.

While each model corresponds to specific constraints, they also address a wide variety of additional constraints.

**Women Sales Agents**

Many women working in production or processing face challenges in getting their products to market. Some challenges are due to market failures, and others are more determined by socio-cultural norms. As noted earlier, women face socio-economic constraints in addition to the poverty and social problems that men also face. For example, all market actors may be negatively impacted by exploitative intermediaries; women are additionally disadvantaged because their limited mobility may reduce the intermediaries that are available to them.

MEDA has successfully leveraged the Woman Sales Agent (WOSA) model in several countries to overcome these challenges, facilitating market linkages between producers and buyers. Challenges will vary from context to context, and the specific role and profile of the Sales Agent is adjusted to most effectively link producers to markets.

---

**Women Sales Agents (WOSAs)**

- **WOSAs or “middleman”**
- **Perception: exploitative part of market system**
- **A buyer who pays the lowest possible price and then reaps high margins**

Women Sales Agent Model: rather than eliminating the middleman, MEDA reimagined the role.

**WOSAs:**

- Create valuable linkages to markets,
- Are agents of growth and empowerment through the provision of embedded services and increased information flows.
The WOSAs are often – but not always – women who have a higher degree of mobility than others in their community. They act as “middlemen” who intentionally add value to the producers and buyers with whom they interact. As seen in the diagram above, they buy from producers, aggregating and selling in larger quantities to retailers, wholesalers or processors, depending on the product. They link producers to a range of support services, including input suppliers, logistics and financial institutions. Women Sales Agents typically facilitate buyer / seller meetings and arrange exposure visits. In short, they provide a valuable linkage to markets for small producers, and are also agents of growth and empowerment through the provision of embedded services and increased information flows. In addition, the WOSA model is self-sustaining; the women earn a small commission on their sales, allowing them to continue offering services and linking women to markets long after a project wraps up.

**Identifying and Supporting WOSAs**

When selecting and preparing women to become WOSAs, MEDA first identifies women who are more mobile. For example, this photo comes from MEDA’s work in Pakistan where the women sales agent model was employed very successfully. In this case, MEDA found that widows were one group of women who tended to have greater mobility. Society accepted their need to interact with markets to provide for their family in the absence of a male guardian.
Next, WOSAs were provided with training such as basic accounting, negotiation skills and product quality information. They were also mentored by project staff and other sales agents. Eventually they became sales agents who act as liaisons between home-based producers and markets.

This diagram shows the intermediary role WOSAs play. At the bottom are women farmers or producers. In the middle, are the WOSAs who live in the same communities. They are trained in business and negotiation and link the women farmers to input suppliers, processors, tractor service operators, thresher operators and other services. The WOSAs provide both forward and backward linkages to actors in the value chain.

As mentioned above, the WOSA model can be adapted to a range of contexts to help women overcome specific local barriers to accessing markets. MEDA’s programming in Pakistan and Afghanistan targeted women small producers who had limited mobility due to social norms that restricted women’s movement outside of the home. Women Sales Agents were vital linkages to markets for these women, who were unable to interact directly with buyers or go to market themselves. Sales Agents were local women selected on the basis of their entrepreneurialism, but also their relatively higher levels of mobility. In northern Ghana, MEDA worked with smallholder
women farmers. Like their counterparts in Pakistan and Afghanistan, these women had limited mobility, but in this case, it was more due to economic and logistical reasons. Roads are poor, transportation options are limited and unreliable. Sales Agents have more success in getting products to market because they aggregate and sell in much larger quantities, allowing them to attract buyers.

**Success Factors: Making the Model Work**

As shown in the diagram below, several factors contribute to the success of the Woman Sales Agent model.

- **The model empowers women.** Women are able to earn money for their services and bringing money into the household often increases their decision-making power. Women role models are highlighted.
- **In contexts where women face challenges participating directly in markets, the WOSA provides a culturally appropriate linkage.**
- **WOSAs receive a range of different types of support, including training, information and linkages to service providers.**
- **The model is scalable and replicable.**
Engaging Men to increase Women’s Economic Empowerment

As we seek to increase women’s engagement in markets, it is important to recognize that men and women do not live mutually exclusive lives; rather, they are interdependent. Men and women are unequal in the opportunities and resources to them. Engaging men and boys is vital in increasing gender equality in all areas of life, including the economic sphere.

Why do we engage men and boys?

- Men and boys can be allies with women and girls and many are ready to engage publicly
- Gender equality is good for everyone. Men also suffer from gendered roles and constraints.
- For sustainable change in gender dynamics, men and boys must also be meaningfully involved.
- Men often act as gatekeepers, with the power to make decisions about the lives of girls and women in their households, workplaces, and communities.
- Positive change for women and girls has a ripple effect, causing changes for men and boys in their families and communities

Understanding gender roles is vital for understanding behaviour and vulnerability. Promundo describes how girls’ and boys’ lives are gendered, and how learning to think critically about inequalities allows change:

<table>
<thead>
<tr>
<th>Girls</th>
<th>Boys</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Control of body, movement, sexuality, and repression of their voice</td>
<td>Performance of power, policing of actions and repression of emotions</td>
<td>Increasing ability to think critically about inequities and be agents of their own development</td>
</tr>
</tbody>
</table>

To effectively engage men as advocates for women’s empowerment and gender equality, it is important to understand how boys and girls experience gender. For example, in most cultures, girl’s bodies, movement and sexuality are controlled by adults. They also may experience their opinions and voice being closely monitored. Meanwhile, boys are often encouraged to exhibit strength and power, over sensitivity and compassion, to “be a man.” Their actions are policed, and they may even be shamed into repressing their emotions.
These roles that children are taught to play can be damaging when it keeps to realizing their full potential. On the contrary children who are encouraged to think critically about inequities and taught to be agents of their own development are likely to also become advocates for others.

Promundo points out that engaging with men and boys can have positive impact on the lives of women and girls, reducing vulnerability and improving opportunities available to them. In addition, encouraging men and boys to understand and question gender inequalities also improves the lives of men and boys.

**Engaging Men on MEDA Projects: Male Gender Champions**

MEDA is increasingly engaging with men to increase women’s engagement in markets. In the GROW project in northern Ghana, MEDA piloted the Male Gender Champions (MGCs) initiative, in which men were trained to advocate on behalf of women in the community and conduct awareness raising activities. They were trained and supported by the project’s gender team.

The purpose of the MGCs was threefold:

- assist with recruitment of project clients (speak to family members and encourage women’s participation in project),
- advocate (advocate for changes in socio cultural norms that hinder women’s access to productive resources to improve livelihood of women and households) and
- raise awareness of gender issues by facilitating dialogues with men in the community on gender constraints (time use, resources, and social norms)

In the Improving Market Opportunities for Women (IMOW) project in Myanmar, this model was adapted slightly: all MGCs had to be affiliated directly with an IMOW client, usually through marriage or a family relationship. These men have already seen the benefits of IMOW interventions in their own households and were found to be excellent advocates in the community because of this direct experience.
Process of engaging men through the MGC model:

- **Define MGC profile**
  - Interested in gender equality
  - Resident of community
  - Married to project client
  - No history of violent conduct, especially against women and children

- **Share TOR with MGC**
  - Outlines objectives and responsibilities

- **Training and support**
  - Gender equality training
  - Support on advocating for women
  - Ongoing support and refresher training
  - MGC forum for peer learning

- **Certification**
  - MGCs given certificates after running specified number of events in community

On both projects, Terms of Reference were created for MGCs. These include the following:

**Goals of MGCs**
- Men are agents for change, partners, allies, gatekeepers of power
- Interrogate masculinities and form alternatives, such as positive masculinity
- Positively use power
- Acceptance of women’s participation in household and community decision-making
- Increased knowledge of and respect of women’s rights among women and men
- Acceptance of alternative definitions of masculinity and femininity that involve both genders sharing power

**Responsibilities of MGCs**
- Host men-to-men gender dialogues and facilitation of community forums on gender awareness
- Conduct gender awareness raising discussions/sessions for community members, in particular for men
  - Educate men about project work and activities
  - Educate men on effects of gender biases and discrimination against women and girls
• Recognize the importance of involving women in productive activities
• Highlight the importance of assuming responsibilities for some of the reproductive tasks for men
• Model the way to change and transformation by serving as an advocate in challenging traditional notions of gender roles and responsibilities and speaking out on actions that hinder women’s access to productive resources.

Training for MGCs

MGCs received an initial training and ongoing support from the project gender team. This included refresher training sessions at regular intervals, informal coaching and a forum for peer learning and discussion.

The initial training included:
• gender quality fundamentals, such as gender vs sex, and gender-based constraints
• what are gender stereotypes and how do they affect both women and men
• gender in the local context (in these cases, Myanmar and Ghana)
• how to be an ally, advocating for women without overshadowing or speaking over them
**Training for MGCs**

A key training session for MGCs uses the Daily Activity Clocks (see example below). As shown earlier, these clocks show the differences in how men and women spend their time during a typical day. MEDA uses these clocks with MGCs to demonstrate how gender dictates time use.

Trainers lead MGCs in a discussion that includes the following questions and discussion points:

- Separately examine the schedules for men and women, and then compare the following:
  - Times of the day with the most/heaviest work
  - Tasks that take the most time
  - Tasks that are the most physically demanding
  - Times in the day when there is less work
- What are the differences between the men’s and women’s responses?
- What aspects of men’s and women’s schedules do they have in common?
- Is this situation fair to all members of the family?
- What could be done to make the situation fair for all members of the family?

![Pie charts showing time distribution for men and women in 2012 and 2017](image)
What next?

For future initiatives, MEDA is exploring additional ways to model behaviour leading to greater gender equality, including ‘role model families.’ There is a growing literature on the importance of modelling positive behaviour within the family unit. Promundo works with families and men on broadening ideas about fatherhood; for example, they work with boys and men on the value – to themselves and their families – of taking on more domestic chores.

Smart Incentives

As noted above, smart incentives are used to address a business problem or barrier in the market system that has been identified and requires a catalyst to create change. Smart incentives take a variety of forms. They can be financial, such as coupons or price discounts to allow clients to purchase services or commodities at a preferential rate. Incentives can also be provided in the form of services such as training. Smart incentives can be used in a variety of ways:

- to promote or incentivize specific behaviours, such as encouraging sale of products to a previously underserved market segment
- to overcome access barriers, such as limited availability of a particular commodity or product

**Characteristics of smart incentives:**

1. **Link market actors** – MEDA’s STRONG desire is to use incentives to build reciprocal market relationships between actors by stimulating market interaction.

2. **Transparent** – the client must see the incentive/discount, transaction and recognize its value

3. **Invisibility of funder** – implementors should not be market players, but rather facilitators to allow emergence of relationships, rules, and norms of market transactions

4. **Limited duration** – time bound

5. **Strategic** – should be used selectively and strategically to promote sustainable change along with other interventions, always promoting a sustainable solution with minimal market distortion

6. **Targeted** – gear toward those needing the incentive, i.e. most in need or most vulnerable. This reduces the risks of displacing non-discounted sales and promotes growth for target populations.
**Smart Incentives are NOT:**

1. Giving something for free (unsustainable and not market-driven)
2. Motivated only by end clients’ inability to pay (unsustainable)
3. Products/services that target market can access on their own or would have been supplied regardless
4. Redeemed/Used without market interaction/participation
5. Long-term or permanent (always built with exit or phasing out strategy)

**Smart Incentives in Action: Matching Grants**

A matching grant is an example of a smart incentive. MEDA has successfully provided matching grants directly to individuals, as well as to companies. In both cases, the grant allows for the purchase of equipment or services to expand business activities. In addition, MEDA is rewarding specific behaviours that increase the market competitiveness and promote development goals – in this case, increasing women’s access to markets.

To avoid distorting the market, matching grants should be viewed as a one-off, or limited term activity. Recipients make a specified contribution, or ‘match’ to ensure that they are willing to take on part of the cost. Grants and matching contributions can be either in cash or in kind, or a combination of both. The selection process should be clear and transparent.

**Matching Grants Catalyzing Change**

- **Matching grant**
- **Purchase equipment or services**
- **Increased business capacity**
- **Improved market competitiveness**
- **More access to services**
- **More women in markets**

**Smart Subsidies to Individuals: the GROW Project’s Technology Fund**

In GROW, MEDA focused on upgrading the soybean sector in Northern Ghana as the market assessment showed that improvements in this sector could contribute to the alleviation of widespread poverty and chronic food insecurity. Both of these factors had remained intractable challenges among tens of thousands of traditional, small scale farmers in the region. The soybean sector was targeted for upgrading due to strong market demand from large buyers, and the high nutritional value for families. Moreover, market systems failures such as insufficient extension
services, poor market linkages and lack of needed inputs and services could be sustainably addressed by the project.

Women in northern Ghana have limited access to agricultural technology and are forced to do most of their agricultural activities manually, from clearing land to planting, harvesting and processing. To address this barrier, in 2017, GROW launched a large-scale matching grant program to increase women’s access to selected technologies through commercial providers. On the demand side, MEDA is facilitating increased usage of technology by stimulating demand and linking women to vendors, using a coupon system summarized below:

**Technology Coupon Flow**

![Diagram of Technology Coupon Flow]

Even with increased supply, the technologies are expensive for the women farmers, many of whom would be unable to purchase even a single item of technology without financial support. This Technology Fund (TF) smart incentive allows women to benefit from technology they could
otherwise not afford. In addition, timing is important: the technologies have been selected to support multiple stages of the agricultural cycle, and farmers frequently lack capital at the planting or growing phases. The TF gives them the flexibility to select the technologies that will benefit them most, thus increasing their agricultural efficiency. Through the smart incentive program, supply and demand were increased in order to encourage sustainable access to these necessary inputs. The specific points of intervention are shown here:

**GROW Technology Fund: Points of Intervention**

5.9 Review

This module focused on the following learning objectives:

1. **Understand the gender-based constraints women face in accessing markets**

Women face a variety of gender-based constraints which limit market participation including:

- Lack of access to appropriate financial services
- Lack of role models
- Women’s time poverty and gendered division of labour
- Lack of access to resources and information
- Perceptions of women’s ability to do business
• Lack of representation in upper-level management
• Occupational segregation
• Legal barriers, including registration requirements

2. Be introduced to the concept of gendering market systems tools

It is important to conduct all market analysis with a gender lens to ensure that women and men benefit equitably from business opportunities. Responses to the gender analysis will provide detailed information on men and women market actors regarding the division of labor, access to and control of resources, gender relations, gender-specific needs and interests, gender disaggregated statistics and a review of social, economic and political power dynamics. This information will inform the development of a gender equality strategy. Ongoing analysis should also be done periodically to track the progress of your strategy throughout the implementation and monitoring and evaluation of an activity, project or intervention. By incorporating a strong focus on gender and gender analysis from the onset of the design process, MSD projects can benefit more SMEs and SEs, regardless of their gender, and support more competitive value chains.

Many tools are used in analyzing market systems, with some focusing on specifically on gender dynamics and others on analysis of the market while integrating gender considerations. In addition, some tools govern what data is being collected, providing insight into gender constraints and opportunities; others provide guidance on how to collect data in participatory ways, to give voice to both women and men’s experience in markets. The diagram below shows these different types of tools, as well as examples of each type:
3. Understand models that MEDA uses to increase women’s participation in markets

A range of approaches and models can be used to increase women’s participation in markets. Three models are highlighted in this module:

- **Women Sales Agents or WOSAs** are market intermediaries who provide product information and buy from producers and sell their products in larger quantities to processors and buyers. This helps to address women’s mobility issues and lack of market information.

- **Male engagement** – Because women and men’s lives are interdependent, MEDA employs male engagement strategies such as helping men to facilitate change as advocates for women’s agency. This helps to address women’s limited decision-making and restrictive social norms.

- **Smart incentives** take a variety of forms. They can be financial, such as coupons or price discounts to allow clients to purchase services or commodities at a preferential rate. They can also be provided in the form of services such as training.
6.1 Introduction

Market system subsector validation is the next step in the market system project design process. This is where the project designers evaluate multiple subsectors and focus in on one or more for further analysis. The goal is to select a subsector that best meets a set of core and supplemental criteria that are defined during this step. It is important to note that Market System Subsector Validation is not a definitive process in which a project team selects one subsector and sticks to it for the duration of the project. Instead, this is the first step to guide project designers in understanding which subsectors are most viable for facilitation. Markets and the environments surrounding them change over time, and projects need to change and adapt with them. As much as possible, project implementation teams should stay flexible to the needs of the target population and the potential seen among market subsectors.

Market System Subsector Validation involves determining a set of criteria that then drives the selection process, such that the subsector chosen, and hence the project designed around it, will most effectively benefit the intended impact group. It is important to note that, despite the team’s best efforts to be neutral, the selection is inherently biased to the criteria chosen by the project.
designers. As a result, project designers need to be intentional about choosing criteria and relate it back to the goal statement and intent of the project.

Upon selecting one or two subsectors, the next step is to conduct additional in-depth market research (once again drawing on the tools detailed in Module 4 – Market Research) for the purpose of project design. Therefore, it is understood practitioners need not have all of the information on the subsector at this stage of the process.

6.2 Learning Objectives

By the end of this module it is expected that you will:

1. Understand what kind of data is needed to validate market system subsectors
2. Develop a primary market system subsector list
3. Develop a list of criteria and system to validate market system subsectors
4. Consolidate the short list of market system subsectors through rating and scoring for further consideration (this will be the focus of Module 7 – Mapping and Module 8 – Strengths and Constraints)
Value chains vs. Subsectors vs. Sectors

As outlined in Module 2, a value chain is a network of firms that buy and sell to each other in order to supply a particular set of products or services to a particular group of final consumers. A related concept is subsectors, which are defined as the network of enterprises involved in the production of a particular product or service. While a value chain is focused on one specific end market, a subsector includes all of the actors involved in the buying/selling of a particular product or service to diverse end markets. In selecting an area of focus for a project, you may choose to focus on a specific commodity (i.e.: tomatoes) and you may even define the specific value chain of focus (i.e.: high value urban tomato markets). Alternatively, you may go broader, choosing a general sector (Agriculture) or a subsector (horticulture). There are challenges that emerge in choosing a project focus which is either too narrow or too broad.

The danger with going too narrow (i.e.: high value urban tomato markets) is that markets change. For whatever reason, what seemed like a good business decision at the time may not be true 12 to 24 months into the future. World prices of commodities change, markets fluctuate, future macroeconomic policies and decisions may negatively affect a value chain selected 24 months ago. Tying a project to a specific value chain can limit options and curtail activities in broader market systems influences.

When you go broad (i.e.: agriculture), and pick a variety of subsectors to work in, this may widen your impact but it may be challenging to have a significant impact on the overall market system for any specific subsector as players and needs are diverse. If targeting agriculture generally, you may choose to focus on specific subsectors within that wider sector to deepen your impact while looking at common needs among players working in agriculture.

As a result of these challenges, firms and non-profit organizations generally adopt a subsector approach, which allows practitioners to have more flexibility to adjust as markets change, while a sufficiently narrow focus to ensure an adequate understanding of market players and forces.

As noted throughout this chapter, subsector validation is just one step in an ongoing process and the subsectors initially selected may be changed at future stages of the design process, particularly following Market Systems Mapping (Module 7) where we enter into a more rigorous examination of business models/margins at the enterprise level and gain a more in-depth understanding of value chain and wider market system dynamics, challenges and opportunities.
6.3 Market Research and Information Required

At this point you are selecting market system subsectors for further consideration, meaning you will not have all of the information needed to fully evaluate the subsectors. However, there is data that you can consider from the previous work you’ve done in Gender Analysis and Market Research:

- Gender analysis information (Captured in Module 5)
- Secondary and primary research to gain sufficient knowledge about the country and subsectors in order to develop a short list of potential subsectors (see Module 4).

Market research on gender roles and relations within market systems are key in identifying the market systems development strategy. This will inform how different individuals and types of households will be impacted by the intervention. It is also important to identify that women and groups of individuals are not homogenous, and that taking an intersectional approach to identifying gender-based constraints and barriers in a market system through one’s research will enable more equitable outcomes.

6.4 Applying the Core Principles to Market System Subsector Validation

Before choosing to intervene in a market system subsector, and using the data generated from market research, project designers will need to consider the potential of various subsectors based on a set of criteria. Every project will need a specific development objective and to be relevant to a specific target group. Moreover, there are certain criteria that will be more important to a prospective project than others, for example, being inclusive of specific target groups, having a very defined geography or large number of people impacted. These are captured by the Core Principles as outlined below:

Scale: The selected subsector should aim to reach large numbers of women and men clients. The clients who the project targets may not be homogeneous; they may have a variety of constraints related to their gender, ethnicity, age, physical capacity, geographic location or degree of poverty. You must specify groups that are sufficiently
identifiable for expected impacts to be measured, but also large enough to constitute significant impact for the project. Practitioners may consider:

- Does the subsector have the potential to reach large numbers of women, men and youth in the target group?

- Is the subsector prevalent in your target geography? This should be as specific as possible. If you are intervening in certain states/provinces, or even districts, the analysis should try to understand whether the subsector exists where you intend to intervene.

- Is the subsector inclusive of different racial groups/ethnicities?

- Is there potential for “crowding in” of market actors that would help support your change?
  - Are there sufficient businesses to adopt new business models to promote competition?
  - Are there enough businesses that can provide options for smallholder farmers (i.e. enough partners to reach scale)?

**Impact:** The potential subsectors should have a direct and measurable link to impacting the target clients’ economic status or access to goods and services. This is especially important for those who are economically marginalized and already excluded from the market. Subsectors that target “the low hanging fruit” (i.e.: the most easily accessible populations and economic activities) risk
not creating a measurable impact. In order to improve impact, the project may need to address imbalances to produce meaningful change. Practitioners should consider the following questions:

- How will the selected subsector address vulnerability and/or disadvantage?
- What is the economic capability of the group of women and/or men that are being targeted? (e.g. specific size of farm, those seasonally poor due to flooding/drought etc.)
- Is the target client group producers, workers or consumers? [e.g. producers (smallholder farmers with X hectares / head of livestock), employees (unskilled and semi-skilled urban workers), consumers (pregnant and nursing mothers and infants)].
- How will the project improve livelihoods? (e.g. raising incomes or reducing mortality)
- Are project resources sufficient to make a serious impact? (i.e. human capacity, expertise and funds)

When considering impact, it is also important to recognize the implications of a given subsector on gender, especially if gender outcomes are an element of the overall goal of the intended project. Project designers should consider impact questions that highlight women and men’s role in the subsector as well as how changes in that subsector and the wider market system would affect these roles. Project designers should also consider that projects may impact different groups of the same gender (i.e. older women vs. younger women) differently. These differences are important if the project intends to have sustainable impact on a particular subgroup. Illustrative questions include:

- Are there differences between rural and urban families in the way women participate in the subsector?
- Are there differences in the way women access and control resources within the subsector?
- Are there differences in the way women benefit from their participation in the subsector?
- Are there differences in the way young men and young women participate in the subsector?

**Sustainability:** For change to be sustainable, it must be led by market players, so it is important to assess which market players have incentives to support or to block change. Practitioners must identify subsectors where there is potential to address underlying constraints, taking into consideration the unique socio-cultural experience of market actors and whether the subsector is acceptable to them for change. Practitioners should consider:

- Is the subsector important to the national or regional GDP?
- Is there a temporary incentive (from government or other actors) that is making the subsector attractive now? What is the outlook for the long run?
• To what extent are donors already present in this subsector? Has the market become so distorted that it is challenging for commercial actors to compete?

• Is there potential demand from new markets (locally, regionally, internationally?)

• What is the previous growth and future forecasted growth of the market?

• Are there enough partners in the subsector to create redundancy (i.e. if one were to experience difficulty/shut down, the subsector would continue to exist)?

**Business case:** Practitioners must identify the market system subsectors both where there is benefit to the target group’s economic livelihood/needs and where the private sector can gain opportunities to create efficiency. This win-win will ensure better buy-in from the private subsector to create meaningful Market Systems change. Practitioners should examine:

  - In which industries is there good potential for linkages for microenterprises and small enterprises? These linkages could be to larger firms or services (financial, technical, etc.).

  - Are the companies in the subsector currently profitable?

  - What is the proposed gain for the private sector in the subsector (e.g. improved efficiency, larger market, better quality goods, etc.)?

  - Are the market actors in the selected subsector well managed and structured (clear financial policy, governance, etc.)?

  - What are the challenges to industry competitiveness? To participation by microenterprises and small enterprises? How do these challenges differ for women, men, young women and young men?

  - What is the previous growth trajectory of the subsector?

  - Forecast for growth/improved access in the next 5-10 years (consider: demand, revealed preferences, expansion of market)?

  - What is the (present) ability for the poorest to access growth opportunities and improvements (i.e. with respect to mobility and barriers to entry/access)?

  - Is the subsector attracting interest from potential investors (private/public)?

**Feasibility:** Selected subsectors should align where possible with national/local priorities as well as donor priorities. Certain market system subsectors are dynamic and extremely susceptible to changes in political will or security changes. When choosing a subsector, practitioners should ask themselves:

  - Does the subsector align with the goal/purpose statement (See Module 3 – Introduction to Market Systems Development, Project Design and Goal Statements)?
• Do changes in or around the subsector lead to further, positive change (i.e. does the project have momentum)? For instance, policy reforms, institutional or technological innovations, a critical incident, shifts in alliances between key players, new investors or entrants.

• Are your agency’s procurement, oversight and administrative systems flexible enough to allow a project to be responsive to the dynamism of market systems? Do you have the experience, staff capacity and strategic alignment in this subsector/wider market system?

• Are sufficient funds available for effective implementation? While excessive funding can create distortionary pressure to spend, the level of flexibility about how funds are allocated over time is more important, if projects are to be responsive.

• Does the project’s strategy conflict with other projects in your agency’s country portfolio or that of other agencies? Coherence reduces the risk of distortion or duplicated effort.

6.5 Market System Subsector Validation Process

The subsector validation process has three main steps, each of which refine project focus, drawing on the key questions outlined above related to the 5 core principles of market systems development:

• Developing a long list of subsectors
• Developing a shortlist
• Refining your shortlist to select an initial focus subsector
1. Developing a long list

The first step to validating Market System Subsectors involves compiling a long list of market subsectors to investigate in greater detail. Project design documents and the technical proposals of contracted parties may have already specified a defined subsector or a long list of subsectors for projects to explore further in their design phase. In other cases, long list development is informed by some pre-defined basic criteria which guide desktop research and consultation with key informants. Module 4 – Market Research articulates how to conduct research at each step of the design process (i.e. whether a subsector focus is provided by the donor or not).

The subsector long list EDS was given from the donor included:

1. Poultry
2. Textiles
3. Horticulture
   a. Tomatoes
   b. Pineapples
   c. Eggplant
4. Ecotourism
5. Agroforestry
6. Masonry
7. Aquaculture
8. Dairy
9. Beekeeping
10. Information Technology
11. Hospitality and Culinary Arts

2. Developing a short list

During the process of Market Research, the project design team will review secondary research and existing industry and third-party research (i.e. government websites, NGO/industry research, etc.). In the case that the subsector long list is a given, project designers should verify that the subsectors identified remain relevant given the lengthy gap that often elapses between initial project scoping, design and tender. The project team will also validate assumptions through primary research and key informant interviews. During this initial scoping, it is important to keep in mind that the selected subsectors should have the potential to contribute to increased women’s empowerment and gender equality. This requires employing a participatory approach so that the selection process involves the views and perspectives of the stakeholders. The project team should specifically consider secondary sources and/or conduct discussions and interviews to identify market/growth
potential and the potential to increase women’s empowerment and gender equality. More detail on this can be found in Module 4 – Market Research.

Guiding questions drawn from the 5 Core Principles may include:

1. Based on your research, what subsectors exhibit the most growth potential? (Business Case)
2. Does the subsector have the potential to reach large numbers of women, men and youth in the target group? (Scale)
3. What subsectors show the most promise for public/private investment? (Sustainability)
4. Which subsectors are most interesting for your target population, given your goals of gender equality and social inclusion? (Impact)
5. Does the sector align with the project goal and organizational expertise? (Feasibility)
3. Refining your short list

Projects need a basis for choosing market systems and prioritising which one(s) to investigate in more depth, to determine where to intervene. The next step in subsector validation is to apply a set of criteria, again aligned with the 5 Core Principles, to assess the short-listed subsectors relative to each other in order to identify a priority list for more detailed analysis. The purpose is to ascertain which subsector(s) has the most potential to improve livelihoods through intervention, taking into account the likelihood of improved growth or access and the feasibility of successfully intervening.

This process is largely reliant upon the availability of good quality secondary information and targeted field research as project teams will have limited scope or resources to thoroughly examine the short-listed subsectors. Project teams must use the basic quantitative information available and then make qualitative judgements to make decisions, using some form of scoring matrix to compare – often very different – subsectors transparently and on a common basis (see example below).

Setting and applying selection criteria makes your decision-making more transparent and aids constructive dialogue between funder and implementer on why decisions have been made. It can be helpful if the funder and implementer determine these criteria collaboratively.

Each subsector you consider should be assessed for its relative potential to include the five principles of market systems: scale, impact, sustainability, the business case and feasibility. These basics can be turned into a more detailed table of questions, which can be used to assess individual market systems or to compare different market systems.

a. Choosing criteria to apply to subsectors

Applying all of these indicators would be exhaustive and would make choosing a subsector difficult. Instead, project teams should choose the 4-7 most important criteria in each category and apply them to the subsectors of interest, each in its own scorecard. In this way, these scorecards can be customized to the project goals. The selection criteria you establish can be further customized to reflect your organizational priorities. For example, a project may require special focus on environmental sustainability in more detail than the above questions (see section 6.4) encompass. If

---

After considering these questions, the following short list was constructed by EDS:

1. Poultry
2. Horticulture
3. Ecotourism
4. Dairy

---
this is the case, your project team can decide to use this cross-cutting theme as a broad category to evaluate the subsectors.

In addition to selecting the indicators, projects may decide to allocate weightings to specific criterion, should some elements be deemed more important than other criteria in subsector selection. However, this weighting system should be consistent across subsectors. Project teams should not wholly rely on subjective scoring (with little in-depth insight) – they should try to use data to make their judgements and include that data or reference it within their scoring in the “Rationale” column. Not only does this provide a quick reference to the wider team but allows for a more seamless transition of thinking if staff change, or the situation changes. An example of a relative scoring matrix (with weighting) is also presented below for the poultry and horticulture market system subsectors.
## Example 1

### Market System Subsector: Poultry

<table>
<thead>
<tr>
<th>Subsector Potential</th>
<th>Detailed Criteria</th>
<th>Weight (1/2)</th>
<th>Score (1-4)</th>
<th>Total (WxS)</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scale</td>
<td>Potential to reach large numbers of women, men and youth in target group</td>
<td>2</td>
<td>3</td>
<td>6</td>
<td>Both men and women are targeted in our project and poultry is a business largely run by women in Kasanga due to the fact that it is small scale and has few barriers to entry. This also offers opportunities for youth. Initial research indicates that 83% of backyard poultry farmers in target districts are women. However, their opportunities to aggregate and scale operations are limited due to gender norms (women are not seen as primary negotiators)</td>
</tr>
<tr>
<td>Scale</td>
<td>Prevalence of Market System in target geography</td>
<td>2</td>
<td>3</td>
<td>6</td>
<td>Poultry is commonly eaten and in demand in the target districts of Kos and Ewawa in Kasanga. There is a steady demand for it, but safety and reliability of eggs and chicken is questionable due to lack of refrigeration, which deters customers.</td>
</tr>
<tr>
<td></td>
<td>Inclusivity of different racial groups/ethnicities</td>
<td>1</td>
<td>4</td>
<td>4</td>
<td>Poultry is consumed and produced across ethnicities. There is no dietary restriction that prevents acceptability of poultry.</td>
</tr>
<tr>
<td></td>
<td>Potential for crowding in of market actors</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>There are 2 larger poultry processors and 1 egg collection center, but they have not expanded their reach to include smallholder participants.</td>
</tr>
<tr>
<td>Subsector Potential</td>
<td>Detailed Criteria</td>
<td>Weight (1/2)</td>
<td>Score (1-4)</td>
<td>Total (WxS)</td>
<td>Rationale</td>
</tr>
<tr>
<td>---------------------</td>
<td>-----------------------------------------------------------------------------------</td>
<td>--------------</td>
<td>-------------</td>
<td>-------------</td>
<td>------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td></td>
<td>Ability to address vulnerability and/or disadvantage</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>Poultry production offers an avenue for those without resources to generate an income. However, inter-household allocation of wealth often dictates that incomes generated by animals belong to men, since they may have provided the capital for them in the first place.</td>
</tr>
<tr>
<td></td>
<td>Economic capability of the group of women and/or men that is being targeted in market system</td>
<td>2</td>
<td>2</td>
<td>4</td>
<td>Purchasing power is USD $1.25 during the lean season and $3.00 during the harvest season. Average cost of a good meal for a family of 5 is $1.00. This means that households do not save much of their earnings but are not food insecure.</td>
</tr>
<tr>
<td></td>
<td>Ability of market system to improve livelihoods</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>It is unclear how much impact the project can achieve given land constraints. Even if prices rise for poultry products, the average size of a current backyard operation is 5m², after land has been allocated for household crop production. This does not allow for a large amount of chickens, and limits revenue growth. Farmers could specialize as poultry producers, but this might be viewed risky for them as most household income (60%) is generated from crops. Moreover, specialization into poultry could be risky as it does not allow for as much income diversification.</td>
</tr>
<tr>
<td></td>
<td>Women can access and control resources within the market system</td>
<td>2</td>
<td>2</td>
<td>4</td>
<td>As per above, women manage most poultry but if the initial inputs are purchased by men, men dictate how revenues are spent. In contrast, if women own the asset, they keep the revenue generated from it. This is only true for half of the women who are engaged in poultry production.</td>
</tr>
<tr>
<td>Subsector Potential</td>
<td>Detailed Criteria</td>
<td>Weight (1/2)</td>
<td>Score (1-4)</td>
<td>Total (WxS)</td>
<td>Rationale</td>
</tr>
<tr>
<td>---------------------</td>
<td>-------------------</td>
<td>--------------</td>
<td>-------------</td>
<td>-------------</td>
<td>-----------</td>
</tr>
<tr>
<td>Sustainability</td>
<td>Importance to national and regional GDP</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>Poultry production accounts for 1% of GDP. It is an inefficient market system due to concerns with cold chain; there are no exports of poultry or even very much cross-regional trade</td>
</tr>
<tr>
<td></td>
<td>Incentive(s) that make the market system attractive now?</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>Currently there is no government/private incentive for poultry production.</td>
</tr>
<tr>
<td></td>
<td>Ability to apply market development principles (low donor distortion)</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>There are two competing NGOs in the same Kos (target district) that are working in poultry production and upscaling. The first ends in one year, the second will run for another three years. They have similar goals to EDA's mission. They are working in training and extension but have not facilitated market-based services that can be provided to smallholder farmers in the long run.</td>
</tr>
<tr>
<td></td>
<td>Level of consistency/conflict with public/national priorities</td>
<td>2</td>
<td>4</td>
<td>8</td>
<td>There is a National Nutrition Strategy that is pushing for cheaper sources of protein to combat malnutrition. It is unclear how this will support local production, but local authorities expect further investment in behaviour change mechanisms that promote consumption of poultry and other lean meats as sources of protein.</td>
</tr>
<tr>
<td></td>
<td>Sufficient partners in the market system to create redundancy/competition</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>While there are many SEs in the subsector, there are few identified buyers/off-takers. The project estimates 700 SEs in the target districts. This is in line with the goals of the project. However, there are few larger firms that seem willing to engage with these SEs.</td>
</tr>
<tr>
<td>Subsector Potential</td>
<td>Detailed Criteria</td>
<td>Weight (1/2)</td>
<td>Score (1-4)</td>
<td>Total (WxS)</td>
<td>Rationale</td>
</tr>
<tr>
<td>---------------------</td>
<td>----------------------------------------------------------------------------------</td>
<td>--------------</td>
<td>-------------</td>
<td>-------------</td>
<td>----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Business Case</td>
<td>Potential for linkages for microenterprises and small enterprises</td>
<td>2</td>
<td>2</td>
<td>4</td>
<td>There is some potential for linkages with existing larger processors. However, it is unclear whether these firms are willing to engage with SEs. There is also an opportunity to link SEs with improved feed/inputs, and financial services though these services are outside the geographic area.</td>
</tr>
<tr>
<td></td>
<td>Previous growth trajectory of the market system (last 5 years)</td>
<td>2</td>
<td>4</td>
<td>8</td>
<td>Demand for animal source proteins is growing. The average household consumes 2 servings of animal sourced protein a week, and demand is increasing especially for poultry. Demand has grown by 6%-10% in the last 5 years.</td>
</tr>
<tr>
<td></td>
<td>Forecast for growth/improved access in the next 5-10 years</td>
<td>2</td>
<td>4</td>
<td>8</td>
<td>Due to increasing demands for low-cost animal protein, demand is only expected to rise for poultry. Projections indicate the same growth as the last 5 years, if not larger.</td>
</tr>
<tr>
<td></td>
<td>Subsector interest from potential investors (private/public)</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>There are currently no notions of public/private investment in poultry at the large scale. However, there is little crowding of private sector actors and if a company was to enter the market, they could have the potential to improve livelihoods for SEs.</td>
</tr>
<tr>
<td>Subsector Potential</td>
<td>Detailed Criteria</td>
<td>Weight (1/2)</td>
<td>Score (1-4)</td>
<td>Total (WxS)</td>
<td>Rationale</td>
</tr>
<tr>
<td>---------------------</td>
<td>----------------------------------------------------------------------------------</td>
<td>--------------</td>
<td>-------------</td>
<td>-------------</td>
<td>------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Feasibility</td>
<td>Market system aligns with the goal/purpose statement (See Introduction)</td>
<td>2</td>
<td>3</td>
<td>6</td>
<td>The subsector aligns well with the goal/purpose statement as it targets low income smallholders earning under $1/day.</td>
</tr>
<tr>
<td></td>
<td>Organization procurement, oversight and administrative systems are flexible enough to allow a project to be responsive to the dynamism of market systems</td>
<td>1</td>
<td>4</td>
<td>4</td>
<td>The team has run previous animal husbandry projects in the country (but not in the target districts) and has the experience necessary to create a responsive program.</td>
</tr>
<tr>
<td></td>
<td>Sufficient funds available for implementation</td>
<td>1</td>
<td>4</td>
<td>4</td>
<td>There are enough funds available through the opportunity to make this a worthwhile endeavour for two districts. The project is more limited by market players.</td>
</tr>
<tr>
<td></td>
<td>Project’s strategy is in line with other projects in your agency’s country portfolio</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>This project would expand on the agriculture focus that EDS has in Talaika and Mulungi – Kasanga’s neighbouring countries.</td>
</tr>
</tbody>
</table>

| Total Score         | 84                                                                                  |

Total Score 84
## Example 2

### Market System Subsector: Horticulture

<table>
<thead>
<tr>
<th>Subsector Potential</th>
<th>Detailed Criteria</th>
<th>Weight (1/2)</th>
<th>Score (1-4)</th>
<th>Total (WxS)</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Potential to reach large numbers of women, men and youth in target group</td>
<td>2</td>
<td>3</td>
<td>6</td>
<td>Horticulture is a market system with participation from both genders in Kasanga. However, this exists at different scales depending on age and gender. Women tend to have smaller allocations of land and men larger, more commercial operations. 80% of men and women above 40 years of age are involved in horticulture production. For youth, however, land access is extremely rare, so they work on others’ fields as labourers but have little ability to own a plot themselves.</td>
<td></td>
</tr>
<tr>
<td>Prevalence of Market System in target geography</td>
<td>2</td>
<td>4</td>
<td>8</td>
<td>Extremely prevalent in market system. 70% of the population is involved in some sort of horticulture production, however due to poor market linkages (lack of cold chain, lack of regular aggregation, etc), these crops tend to stay in local markets and do not expand past the village level. Cultivation technology and inputs remain relatively rudimentary, despite good rains.</td>
<td></td>
</tr>
<tr>
<td>Inclusivity of different racial groups/ethnicities</td>
<td>1</td>
<td>4</td>
<td>4</td>
<td>Horticulture crops are produced across ethnicities. Kasanga does not have strong ethnic differences across the region. Fruits and vegetables are consumed across different incomes and geographies.</td>
<td></td>
</tr>
<tr>
<td>Potential for crowding in of market actors</td>
<td>1</td>
<td>4</td>
<td>4</td>
<td>There are several fruit and vegetable processors/aggregators (15+) in the key target districts, however they do not typically have consistent (contracted or annual) relationships with small producers due to a lack of consistent quality and variety across farmers. Interviews with small processors indicate that upscaling production/offering inputs to small farmers has not been explored in great detail.</td>
<td></td>
</tr>
<tr>
<td>Subsector Potential</td>
<td>Detailed Criteria</td>
<td>Weight (1/2)</td>
<td>Score (1-4)</td>
<td>Total (WxS)</td>
<td>Rationale</td>
</tr>
<tr>
<td>---------------------</td>
<td>-----------------------------------------------------------------------------------</td>
<td>--------------</td>
<td>-------------</td>
<td>-------------</td>
<td>----------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Horticulture</td>
<td>Ability to address vulnerability and/or disadvantage</td>
<td>1</td>
<td>3</td>
<td>3</td>
<td>Horticulture offers some potential for those without resources to generate an income. Since land is already allocated towards crop production in Kasanga, upscaling this production could offer benefits for this group. One mitigating factor is that land title is typically held by men, and thus the ability for women to make decisions about the land, crops or prices may be affected.</td>
</tr>
<tr>
<td>Impact</td>
<td>Economic capability of the group of women and/or men that is being targeted in market system</td>
<td>2</td>
<td>2</td>
<td>4</td>
<td>Purchasing power is USD $1.25 during the lean season and $3.00 during the harvest season. Average cost of a good meal for a family of 5 is $1.00. This means that households do not save much of their earnings but are also not food insecure.</td>
</tr>
<tr>
<td></td>
<td>Ability of project to improve livelihoods</td>
<td>1</td>
<td>3</td>
<td>3</td>
<td>The target group already makes their money from crop production, and improvements in quality, inputs and relationships with other value chain actors could provide significant boosts to income. However, the impact for women, given their land title constraints could be reduced.</td>
</tr>
<tr>
<td></td>
<td>Women can access and control resources within the market system</td>
<td>2</td>
<td>2</td>
<td>4</td>
<td>Women have access to land but do not possess land titles, which are traditionally inherited through male family members. Thus, depending on the intrahousehold relationships, women may have more or less control over resources within horticulture.</td>
</tr>
<tr>
<td>Subsector Potential</td>
<td>Detailed Criteria</td>
<td>Weight (1/2)</td>
<td>Score (1-4)</td>
<td>Total (WxS)</td>
<td>Rationale</td>
</tr>
<tr>
<td>---------------------</td>
<td>-------------------</td>
<td>--------------</td>
<td>-------------</td>
<td>-------------</td>
<td>-----------</td>
</tr>
<tr>
<td>Sustainability</td>
<td>Importance to national and regional GDP</td>
<td>2</td>
<td>2</td>
<td>4</td>
<td>Agriculture contributes to 35% of GDP. Due to varying quality of crops and lack of cold chain, there are few exports of horticulture. However, the government is committed to investing in better extension and is currently identifying priority crops it would like to support.</td>
</tr>
<tr>
<td></td>
<td>Incentive(s) that make the market system attractive now?</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>There is currently no government/private incentive for horticulture production. However, depending on what the government identifies, this could sway individuals to move into specified crops. There is a Nutrition Strategy that is encouraging nutritionally enhanced meals in schools and at home. This could improve local demand for horticultural products.</td>
</tr>
<tr>
<td></td>
<td>Ability to apply market development principles (low donor distortion)</td>
<td>2</td>
<td>2</td>
<td>4</td>
<td>There are three other NGOs supporting agriculture in the area, one with a specific focus in horticulture. However, these NGOs are limited in terms of commercially oriented work using MSD approaches as well as their application of gendered market systems analysis and engagement of women farmers. Their main activities are increasing productivity of crops, via direct training and extension without clear understanding of market demand for these crops or how to facilitate specific market-based services and products that can be made available to smallholder farmers in the long run.</td>
</tr>
<tr>
<td></td>
<td>Level of consistency/conflict with public/national priorities</td>
<td>2</td>
<td>2</td>
<td>4</td>
<td>Horticulture is in line with the government’s push towards agriculture. However, if they were to prioritize root crops or staples, this could limit growth of horticulture.</td>
</tr>
<tr>
<td>Subsector Potential</td>
<td>Detailed Criteria</td>
<td>Weight (1/2)</td>
<td>Score (1-4)</td>
<td>Total (WxS)</td>
<td>Rationale</td>
</tr>
<tr>
<td>---------------------</td>
<td>-------------------</td>
<td>--------------</td>
<td>-------------</td>
<td>-------------</td>
<td>-----------</td>
</tr>
<tr>
<td>Sufficient partners in the market system to create redundancy/competition</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>75% of the population is involved in agriculture and of these, nearly all are involved in horticulture to some degree. However, there are barriers to scaling. There aren’t any forums/associations for horticulture producers to sell together or advocate for greater government funding. There is also a lack of specialized financial services for farmers which could help them procure loans at planting season and repay at harvest.</td>
<td></td>
</tr>
<tr>
<td>Subsector Potential</td>
<td>Detailed Criteria</td>
<td>Weight (1/2)</td>
<td>Score (1-4)</td>
<td>Total (WxS)</td>
<td>Rationale</td>
</tr>
<tr>
<td>---------------------</td>
<td>-------------------</td>
<td>--------------</td>
<td>-------------</td>
<td>-------------</td>
<td>-----------</td>
</tr>
<tr>
<td>Business Case</td>
<td>Potential for linkages for microenterprises and small enterprises</td>
<td>2</td>
<td>4</td>
<td>8</td>
<td>There are also more than 15 aggregators and processors, varying in scale. So far these have only made contractual agreements with larger farmers who have 5 acres of land due to lack of consistency with smallholders. However, they report to only be operating at 60% capacity due to lack of product.</td>
</tr>
<tr>
<td></td>
<td>Previous growth trajectory of the market system (last 5 years)</td>
<td>2</td>
<td>3</td>
<td>6</td>
<td>Demand, especially outside of the country, has been growing for horticulture. Hot pepper, eggplant and pineapple from Kasanga are famous in the region. The average household will produce at least one leafy green and a few different vegetable types, but only at a small scale; enough for household consumption and some for the market. Local demand has remained consistent (grown by &gt;5% in the last 5 years) but is expected to grow as the government insists on healthier eating. Regional demand for horticulture has grown by 15% in the last 5 years, presenting export and trade opportunities.</td>
</tr>
<tr>
<td></td>
<td>Forecast for growth/improved access in the next 5-10 years</td>
<td>2</td>
<td>3</td>
<td>6</td>
<td>The horticulture subsector in Kasanga is expected to grow by 20% (by some estimates) in the next 5 years. This estimate comes from the Ministry of Agriculture based on their belief in exports driving that growth. More realistically, the subsector will grow by 10-15%, mirroring the previous 5 years.</td>
</tr>
<tr>
<td>Subsector Potential</td>
<td>Detailed Criteria</td>
<td>Weight (1/2)</td>
<td>Score (1-4)</td>
<td>Total (WxS)</td>
<td>Rationale</td>
</tr>
<tr>
<td>---------------------</td>
<td>-----------------------------------------------------------------------------------</td>
<td>--------------</td>
<td>-------------</td>
<td>-------------</td>
<td>-----------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Business Case</td>
<td>Subsector interest from potential investors (private/public)</td>
<td>1</td>
<td>4</td>
<td>4</td>
<td>There are three companies in the horticulture subsector who are receiving private investment to improve operations. All investment is linked to improving capacity for packaging and cold chain. If these are successful and the companies become more efficient, it could lead to increased demand for fruits and vegetables from smallholders.</td>
</tr>
<tr>
<td>Feasibility</td>
<td>Market system aligns with the goal/purpose statement (See Introduction)</td>
<td>2</td>
<td>4</td>
<td>8</td>
<td>The market system aligns well with the goal/purpose statement as it targets low income smallholders earning under $1/day.</td>
</tr>
<tr>
<td></td>
<td>Organization procurement, oversight and administrative systems are flexible enough to allow a project to be responsive to the dynamism of market systems</td>
<td>1</td>
<td>4</td>
<td>4</td>
<td>The team has run previous horticulture projects in Kasanga and has the experience necessary to create a responsive program.</td>
</tr>
<tr>
<td></td>
<td>Sufficient funds available for implementation</td>
<td>1</td>
<td>3</td>
<td>3</td>
<td>There are enough funds available through the opportunity to make this a worthwhile endeavour for two districts.</td>
</tr>
<tr>
<td></td>
<td>Project’s strategy is in line with other projects in your agency’s country portfolio</td>
<td>1</td>
<td>4</td>
<td>4</td>
<td>This project would expand on the agriculture focus that EDA has in Talaika and Mulungi – Kasanga’s neighbouring countries</td>
</tr>
<tr>
<td>Total Score</td>
<td></td>
<td></td>
<td></td>
<td>95</td>
<td></td>
</tr>
</tbody>
</table>
By initially developing individual scorecards and not having all the subsectors “pitted against each other,” the reviewer is more likely to consider each subsector carefully and provide explanations for their score. Only in a second step are the scores of each subsector compared against each other to see which presents more opportunity for intervention. The below graph shows two additional market system subsectors for consideration: dairy and ecotourism. The individual selection criteria is not included, but the overall scores are:

<table>
<thead>
<tr>
<th>Market System Subsector: Comparison</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Subsector Potential</strong></td>
</tr>
<tr>
<td>--------------------------</td>
</tr>
<tr>
<td>Scale</td>
</tr>
<tr>
<td>Scale</td>
</tr>
<tr>
<td>Scale</td>
</tr>
<tr>
<td>Scale</td>
</tr>
<tr>
<td>Subsector Potential</td>
</tr>
<tr>
<td>---------------------</td>
</tr>
<tr>
<td>Impact</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Subsector Potential</td>
</tr>
<tr>
<td>---------------------</td>
</tr>
<tr>
<td>Sustainability</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Subsector Potential</td>
</tr>
<tr>
<td>---------------------</td>
</tr>
<tr>
<td>Business Case</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>
### Subsector Potential

<table>
<thead>
<tr>
<th>Detailed Criteria</th>
<th>Weight (1/2)</th>
<th>Range</th>
<th>Poultry</th>
<th>Horticulture</th>
<th>Dairy</th>
<th>Ecotourism</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market system aligns with the goal/purpose statement (See Introduction)</td>
<td>2</td>
<td>2,4,6,8</td>
<td>6</td>
<td>8</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Organization procurement, oversight and administrative systems are flexible enough to allow a project to be responsive to the dynamism of market systems</td>
<td>1</td>
<td>1,2,3,4</td>
<td>4</td>
<td>4</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Sufficient funds available for implementation</td>
<td>1</td>
<td>1,2,3,4</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Project’s strategy is in line with other projects in your agency’s country portfolio</td>
<td>1</td>
<td>1,2,3,4</td>
<td>2</td>
<td>4</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>Max: 128</strong></td>
<td><strong>84</strong></td>
<td><strong>95</strong></td>
<td><strong>53</strong></td>
<td><strong>68</strong></td>
<td></td>
</tr>
</tbody>
</table>

**INSTRUCTIONS:**

1. Rank each sector’s potential relative to the other sectors using the criteria; 1 = lowest, 2 = second lowest, 3 = second highest, 4 = highest
2. If the criteria is weighted (by a factor of 2), return to that line and multiply your ranking score (1 to 4) by the number in the weighting column
3. Add all of the criteria line scores for each sector together and enter the number in the corresponding box on the “total score” row
4. Index the highest scoring sector at 100. Express the other sector scores as a percentage of the highest-scoring sector
In this market system comparison, horticulture shows the most potential for impact and alignment with the project goals. That does not mean that implementers should unquestionably choose this subsector. The subsector may need further validation and consideration through additional interviews and consulting with local stakeholders. For the purposes of this guide, horticulture will be used in subsequent chapters as the subsector that is considered.
Tips for Portfolio Development (adapted from the Springfield Center)

- **Exercising judgement:** During the steps involved in subsector selection, projects have to make some subjective decisions based on an incomplete understanding of a subsector and largely secondary information. While this is not ideal, most projects do not have the time or resources to be any more thorough prior to the short-listing stage. As a result, it is important to exercise judgement. Scoring matrices are helpful but shouldn’t be followed blindly.

- **Validate selected market systems through participatory workshops:** Once the initial scoring is done, it is worthwhile to validate the selection with communities. One option is to host participatory workshops to assess market growth potential and the potential to contribute to gender equality and women’s empowerment, as well as other pragmatic considerations including outreach and prospects of success. The gender-specific criteria could include: women’s relative control over assets and sales, lower entry and start-up barriers, number of women employed and women entrepreneurs in the market system, cultural and geographic considerations, women’s ability to acquire skills in value-addition and/or whether the subsector represents a new opportunity for women, among others.

- **Choosing between “easy” and “complicated” market system subsectors:** It is crucial to avoid falling into the trap of simply picking ‘low-hanging fruit’. Selection criteria must be sufficiently rigorous to eliminate the implausible, but not so stringent that they prevent project designers from working in anything other than already well-functioning markets. Remember that market systems development projects cannot address everything. Corruption, political interference, ideology, insecurity and other donor projects complicate matters, but there are limits to what a single project can change. It needn’t be that systems with such complications are avoided entirely, but they might need to be approached in a different, indirect or smart way.

- **Verify project design documents:** The dynamic nature of markets can frequently result in significant changes in circumstances over short periods of time. If project design documents have proposed markets that are no longer relevant, it is the role of the project to scope them, rank them relative to alternatives and – if necessary – propose new markets which are more relevant to project objectives.

- **How many subsectors to begin with?** Projects have multiple considerations to make with respect to the number and type of subsectors to include in their project portfolio. The capability and bandwidth of management control is one such factor. Running a project that has interventions in multiple markets at the same time places a significant burden on managers. Projects should not spread managers and staff too thinly, especially if staff have limited experience as facilitators in market system development projects. At the same time, projects often have demanding donors and established quantitative targets that must be satisfied. The project should try not to let numbers be the key drivers with subsectors, but instead choose those that best fit the project goal and make sense for the target population.
6.6 Step by Step Instructions

1. Gather primary and secondary market research (both from the gender analysis and from primary and secondary sources)

2. Consider how the core principles apply to the Market Systems subsector selection

3. Develop a long list of market system subsectors

4. Use guiding questions to refine this into a short list of market systems subsectors

5. Refine your short list
   a. Select criteria to evaluate identified subsectors individually
   b. Collect and analyze data to illustrate potential of short-listed subsectors
   c. Consolidate findings into one chart that summarizes each subsector’s potential

6.7 Summary

This module focused on the following learning objectives:

1. Understand what kind of data is needed to validate market system subsectors

Data should be as objective as possible. Using your market research, project objectives and the framework of the core principles, develop a standard to assess each subsector.

2. Develop a primary subsector list (long list)

Verify the list provided to you (if applicable) or develop a list using secondary data that illustrates promising subsectors in the target geographic area for your target population. This is a first list and can be rough in nature; you will validate this list further in a second step.

3. Develop a list of criteria and system to validate subsectors and develop a short list

The list of criteria can be derived using the core principles. Use criteria that make sense to your project goal and target population.

4. Consolidate the short list of subsectors through rating and scoring for further analysis (in Module 7 and Module 8)

Using these criteria, score each of the market system subsectors individually. Then consolidate these scores into one chart to allow for further analysis.
MODULE 7: Market System Mapping
7.1 Introduction

Market system mapping is the next step in the Market Systems project design process.

A market system map graphically illustrates all of the components of the market system, including the roles and functions of different entities and relationships between them. It is a visual tool that helps us understand how a particular market system works. The mapping process involves looking at all three levels of the market system outlined in previous modules: enterprise, value chain and market system.

Market system maps not only demonstrate how a product moves from raw material to end market (through production, processing, and other steps) (value chain level), but also the supporting functions, rules and norms that shape that process (market system level) and the business models of key actors throughout the system (enterprise level). In addition, we can apply overlays to help understand key elements of the interactions between market actors, including gender, access to finance, environment, financial margins and production volumes.
By analysing the market systems map, project designers can identify bottlenecks, provide information about the market system’s capacity to meet priority needs and indicate where there are opportunities to improve efficiency. The level of detail in a market system map can vary, ranging from noting the essentials to highly comprehensive maps with multiple overlays.

7.2 Learning Objectives

By the end of this module it is expected that you will be able to:

1. Understand what kind of data is needed to develop a market systems map
2. Map value chain relationships in a specific subsector
3. Identify applicable rules and supporting functions within a specific subsector
4. Develop business model canvases for key enterprises
5. Apply overlays to analyze the market system
7.3 Market Research and Information Required

To build a Market Systems Map, the project designer needs to consider the three levels of the market system: enterprise, value chain and market system. The components that are generally needed to create this map include the following: transformation steps of the good or service, the end markets (consumers), market actors and key elements of their business models, and key supporting functions and rules that apply to the market system. Your initial market research should have provided you with the majority of this information, but you may find you need to conduct additional market research to fill in gaps.

First, collect all the market research that’s been compiled to date. The project designer should have data from several sources, including:

- Key informant/in-depth interviews
- Focus group discussions
- Market observation
- Secondary sources

Please revisit Module 4 – Market Research for greater insight on how to conduct Market Research.

7.4 Stages of Market System Mapping

There are 4 main stages involved in market system mapping, namely:

1. **Value chain/subsector mapping** – Visually displaying the relationships between actors directly involved in the production/sale of products within the subsector.

2. **Market System Mapping** – Adding in the supporting functions and rules that are relevant to value chain actors.

3. **Enterprise Mapping** – Developing business model canvases for critical actors involved in both the value chain/subsector and wider market system to better understand market incentives and roles.

4. **Overlay Mapping** – Adding relevant overlays to understand key elements of the interactions between market actors, including gender, access to finance, environment, financial margins and production volumes.
7.5 Value Chain/Subsector Mapping

As introduced in Module 2, a value chain is a network of firms that buy and sell to each other in order to supply a particular set of products or services to a particular group of final consumers. A related concept is subsectors, which are defined as the network of enterprises involved in the production of a particular product or service. While a value chain is focused on one specific end market, a subsector includes all of the actors involved in the buying/selling of a particular product or service to diverse end markets. Thus, a subsector typically includes multiple value chains. A value chain/subsector map is a visual display of these relationships. The steps involved in creating this map are detailed below and an example is provided for the horticulture sector in Kasanga, focused specifically on fruits and vegetables:

1. **Write out each transformation step**

Transformation steps are the stages a given product goes through along the supply chain. For example, in the horticulture sector the first transformation step is “input supplies” and would include items such as seeds, fertilizer or any other components needed to grow fruits and vegetables. In between, the products would be aggregated by small scale processors or SMEs. The last transformation step for fruits/vegetables would be consumption by end markets. Here we have listed the typical steps a product goes through (please note that note all steps will be relevant in every subsector):

- Input Supplies
- Production
- Processing
- Wholesaling
- Retailing
- Exporting
- End Markets

The project designer should identify each step in the transformation process for their specific subsector and begin listing those steps along the top of the map, as in the example below for horticulture (specifically fruits and vegetables) in Kasanga:

<table>
<thead>
<tr>
<th>Input Supplies</th>
<th>Production</th>
<th>Processing (juicing, drying, pulping, packaging)</th>
<th>Wholesaling/ Trading</th>
<th>Retailing</th>
<th>Exporting</th>
<th>End Market</th>
</tr>
</thead>
</table>
2. **Identify the various End Markets (Consumers) in the Subsector**

End markets are primary markets or consumers where the final products are sold. End markets are sub-divided into specific market segments, typically classified based on a combination of geography (Rural, Peri-Urban, Urban, International) and consumer income/willingness to pay (Low, Medium, High-value).

Start by listing all of the potential market segments you’ve identified in your research in order from lowest to highest value, beginning with low-value markets at the bottom (i.e.: markets where quality requirements and thus prices are typically lower) and moving to the top as the markets reach a higher value (i.e.: high prices, high quality). As shown in the example below, the same geography may have multiple end markets. For example, in urban markets in Kasanga there are separate low and high value market segments as these groups have different quality requirements and will need to be targeted differently.

Note that as consumers are not considered value chain “actors,” they should be listed within circles, not rectangles.

See the example map below for Kasanga. In addition to the steps of the transformation process listed along the top of the map, we have now added the consumers in the value chain. They are placed across the right side of the map in circles.
3. **Identify the different Value Chain/Subsector Actors**

Value chain/subsector actors are entities which are directly involved in buying/selling relationships that bring products to specific end markets. The actors in our horticulture example include:

- Input wholesalers
- Agro-vet chains (small shops involved in input distribution)
- Smallholder farmers
- Outgrower groups (smallholder farmers with formalized relationships with SMEs aggregating products)
- Large SME Aggregators
- Medium SME Aggregators
- Wet markets (large wholesale markets in urban areas)
- Open Air markets (informal markets in urban and rural areas)
- Chain supermarkets

Value chain/subsector actors differ from consumers in that they do not use the product but instead process or move the product through the chain.

Starting at the left side of the page, begin placing each actor on the map, according to the relevant activity (the rectangles along the top of the map) and the relevant end market (the circles across the right side of the map).

Continue to place each actor according to its activity, and the markets themselves, for the remaining subsector actors.

Expand the actor’s box to reflect involvement in multiple roles within the subsector. For example, if some farmers both produce and process product, expand the box accordingly.

See the following example map for the horticulture sector in Kasanga. In addition to the steps of the transformation process and the consumers, we have now added the actors in the subsector.

Tip! It is a good idea to brainstorm the actors based upon the end markets and/or the transformation steps. That way it’s more systematic, and we are less likely to forget any actors.

Another tip is to use a whiteboard so you can erase and move things around, or utilize index cards that can be stuck to a wall so that the project designers can move actors around while they are brainstorming, especially in the beginning.
4. Depict Relationships

Identify the relationships between the producers and the key actors that help link them to the end market or provide additional services (such as training or financing).

Arrows are the most commonly used symbols for depicting relationships on a value chain/subsector map, which should flow vertically from top to bottom and horizontally from left to right. Use a different style line to illustrate support services vs. buying and selling relationships so they are clearly defined.

For example, you may use solid arrows for buying/selling and dotted arrows for support products and services and/or different colours for these relationships.

See the example map below where buying/selling relationships are depicted in solid blue lines and support relationships in dotted black lines. In addition to the steps of the transformation process, the consumers, and the actors, we have now added arrows to depict the relationships between the participants in the 4 principle value chains that make up the horticulture subsector in Kasanga.
7.6 Market System Mapping

Now that we have a completed map of the value chain/subsector relationships, we turn our attention to the wider market system. As outlined in Module 2, value chains operate within a wider system of market actors and functions. A Market System is defined as the ecosystem in which market actors conduct business transactions. Value chain transactions form the core of the overall market system as this is where business transactions take place as a good, product or service moves along the value chain to an end consumer. Outside the core transactions taking place along the value chain, there are a variety of important supporting functions and rules, performed by a variety of market players, that are also needed for markets to operate effectively.

1. Identify and list the key supporting functions for your specific subsector

To recap Module 2, Supporting functions are the products and services which support the business functions of actors throughout a value chain. Essentially, supporting functions enable the core product/service delivery to take place and act as transition mechanisms for rules to be effective. Supporting functions may include financial services, business advisory services or other training/support to improve specific relevant skills and capacities, as well as technology that helps value chain players function more effectively and/or upgrade their businesses. They also typically include information on market trends or coordination among actors to ensure the market system operates efficiently, allowing relevant actors to work together to overcome shared constraints or take advantage of market opportunities.
Looking at the market research for the horticulture sector in Kasanga, key supporting functions include:

- Extension services
- Supply chain management
- Spraying services
- Agricultural technologies
- Chemical residue testing
- Transportation
- Financial services
- Training and education

Supporting functions may be provided by a variety of different types of actors, such as private sector companies, government, non-governmental organizations, etc. As noted in the value chain mapping process, they also may be provided by actors internal to the value chain as additional services either for direct payment or embedded (built into) the cost of doing business.

2. Identify and list relevant rules for your specific subsector

Once again recapping Module 2, Rules are the norms and practices that govern and shape incentives, behavior and practice of individual enterprises, value chains and supporting functions. As illustrated below, these factors typically include laws, standards, regulations and social/cultural norms (including gender norms). For example, taxation rates have an impact on the profitability of businesses; if a company wants to sell a new product but there are no approved standards, they might not be able to sell it commercially. On the positive side, governments may introduce incentive programs for specific sectors or socio-cultural norms may change to make it more acceptable for women to be involved in a new sector.
Reviewing the market research for Kasanga, key rules include:

- Export policies
- Perceptions of agriculture
- Export standards
- Gender norms
- Perceptions of youth
- Food safety standards
- Workplace safety standards

3. Map out Market systems relationships

One you have identified key rules and supporting functions, it is time to consider how these elements relate to and interact with the actors and processes in the core of the market system. A summary of the key actors and stages from our value chain/subsector map for horticulture in Kasanga is provided below:

Starting with the supporting functions, let's consider which functions are relevant to each specific group of actors within the process. Some (like finance and transportation) will be relevant throughout the sector and thus can be shown as continuous boxes along the transformation stages. Others (like spraying and extension services) are only relevant to specific actors (input suppliers, producers and aggregators in this case) and should be shown as shorter boxes aligning only with relevant actors, as displayed in the following example.
The same process can be used for rules. Again, some rules (such as gender norms) will be relevant throughout the market system; however, others (such as export policies and food safety standards) will only be relevant to specific actors, as illustrated below.
The completed map for the horticulture sector in Kasanga, incorporating the key supporting functions and rules identified through market research, can be found below:

In mapping the market system rules and norms, you may also choose to use the traditional market systems “donut” graphic like the example below; however, the mapping technique outlined above adds an additional layer of analysis, allowing you to better understand which specific actors are affected by these supporting functions and rules.
7.7 Enterprise Mapping

Now that we’ve mapped out the value chain/subsector as well as the rules and supporting functions within the wider market system, we have a strong idea of the major players and roles in the system. Before we move further, it is valuable to analyze the key elements of the business plans of the major players in the sector.

1. Identify Key Market Actors

Return to your market system map and identify the key players that, based on your analysis to date, are potentially of interest to the project and highlight them. For your initial analysis, prioritize actors that are currently linked to your end clients (in this case smallholder farmers) and targeting mid-high value markets. For example, the mid-sized SME aggregators are a key player connecting our end clients (smallholder farmers) to high value urban and export markets so we’ll likely want to develop a canvas for this actor. As your analysis continues, you can always develop additional business model canvases for other actors that you realize are critical later in the process. For Kasanga, critical actors are highlighted in red in the following map:
2. Develop Business Model Canvases for critical actors

For each of these actors, based on the information you have to date, develop a business model canvas, drawing on the key questions and template reviewed in detail in Module 2 (summarized as follows).
<table>
<thead>
<tr>
<th>Key Partners</th>
<th>Key Activities</th>
<th>Value Proposition</th>
<th>Customer Relationships</th>
<th>Customer Segments</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Who are the key partners?</td>
<td>• What key activities do the value propositions require?</td>
<td>• What value does the firm deliver to the customer?</td>
<td>• What type of relationship does each of the customer segments expect the firm to establish and maintain with them?</td>
<td>• For whom is the firm creating value?</td>
</tr>
<tr>
<td>• Who are the key suppliers?</td>
<td>• The distribution channels? Customer relationships?</td>
<td>• Which of the customer's problems is the firm helping to solve?</td>
<td>• Which ones have been established?</td>
<td>• Who are their most important customers?</td>
</tr>
<tr>
<td>• Which key resources does the business acquire from partners?</td>
<td>• Revenue streams?</td>
<td>• What bundles of products and services is the firm offering to each customer segment?</td>
<td>• How are they integrated with the rest of the business model?</td>
<td></td>
</tr>
<tr>
<td>• Which key activities do partners perform?</td>
<td></td>
<td>• Which customer needs is the firm satisfying?</td>
<td>• How costly are they?</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Key Resources</th>
<th>Value Proposition</th>
<th>Customer Relationships</th>
<th>Customer Segments</th>
</tr>
</thead>
<tbody>
<tr>
<td>• What key resources does the value propositions require?</td>
<td>• What value does the firm deliver to the customer?</td>
<td>• What type of relationship does each of the customer segments expect the firm to establish and maintain with them?</td>
<td>• For whom is the firm creating value?</td>
</tr>
<tr>
<td>• The distribution channels? Customer relationships?</td>
<td>• Which of the customer's problems is the firm helping to solve?</td>
<td>• Which ones have been established?</td>
<td>• Who are their most important customers?</td>
</tr>
<tr>
<td>• Revenue streams?</td>
<td>• What bundles of products and services is the firm offering to each customer segment?</td>
<td>• How are they integrated with the rest of the business model?</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Which customer needs is the firm satisfying?</td>
<td>• How costly are they?</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cost Structure</th>
<th>Revenue Streams</th>
</tr>
</thead>
<tbody>
<tr>
<td>• What are the most important costs inherent in our business model?</td>
<td>• For what value are the firm's customers really willing to pay?</td>
</tr>
<tr>
<td>• Which key resources are most expensive?</td>
<td>• For what do they currently pay?</td>
</tr>
<tr>
<td>• Which key activities are most expensive?</td>
<td>• How are they currently paying?</td>
</tr>
<tr>
<td></td>
<td>• How would they prefer to pay?</td>
</tr>
<tr>
<td></td>
<td>• How much does each revenue stream contribute to overall revenues?</td>
</tr>
</tbody>
</table>
Rather than developing this canvas for a specific business, focus on identifying trends and characteristics within each actor category, such as the following example for Mid-sized SME aggregators in Kasanga:

<table>
<thead>
<tr>
<th>Key Partners</th>
<th>Key Activities</th>
<th>Value Proposition</th>
<th>Customer Relationships</th>
<th>Customer Segments</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Outgrowers</td>
<td>• Collection</td>
<td>• High quality</td>
<td>• Trust with buyers</td>
<td>• High value export</td>
</tr>
<tr>
<td>• Large Ag input suppliers</td>
<td>• Transport</td>
<td>fresh vegetables/</td>
<td>(compliance with certification)</td>
<td>markets (85% of sales)</td>
</tr>
<tr>
<td>• Transport providers</td>
<td>• Cleaning/grading</td>
<td>fruit in line with market demands</td>
<td>• Contracts with buyers</td>
<td></td>
</tr>
<tr>
<td>• Financial service providers</td>
<td>• Packaging</td>
<td>• Compliance with EU standards</td>
<td></td>
<td>• Urban supermarkets</td>
</tr>
<tr>
<td></td>
<td>• Pulping (for fruit)</td>
<td>• Sustainable supply to urban markets of locally demanded products</td>
<td></td>
<td>(15% of sales)</td>
</tr>
<tr>
<td></td>
<td>• Sale</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Inputs on credit for farmers</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Key Resources</th>
<th>Value Proposition</th>
<th>Customer Relationships</th>
<th>Customer Segments</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Land for growing own produce (more sensitive products)</td>
<td>• High quality fresh vegetables/fruit in line with market demands</td>
<td>• Trust with buyers (compliance with certification)</td>
<td>• High value export markets (85% of sales)</td>
</tr>
<tr>
<td>• Processing plant/Collection centers</td>
<td>• Compliance with EU standards</td>
<td>• Contracts with buyers</td>
<td>• Urban supermarkets (15% of sales)</td>
</tr>
<tr>
<td>• Outgrower network</td>
<td>• Sustainable supply to urban markets of locally demanded products</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Technical extension staff</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Supply chain management software (some)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Channels</th>
<th>Cost Structure</th>
<th>Revenue Streams</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Outgrowers travel and manually deliver at processing plant</td>
<td>Variable costs:</td>
<td>• Sale of vegetables/fruit</td>
</tr>
<tr>
<td>• Some local collection centers</td>
<td>• Packaging, transport</td>
<td>• Sale of biogas (some companies)</td>
</tr>
<tr>
<td>• Air or freight shipping to export</td>
<td>• Rent at processing plant</td>
<td>• Inputs for outgrowers (limited revenue)</td>
</tr>
<tr>
<td></td>
<td>• Wages of center employees</td>
<td></td>
</tr>
</tbody>
</table>
7.8 Applying Overlays

The project designer can make the market system map more detailed by adding additional information and statistical data gathered during data collection using overlays. Data overlays are typically quantitative information (profit margins, prices) but can also include more detailed information about specific firms in the supporting markets. Overlays can be used to represent many things. For example, the number of firms and/or small enterprises, prices, profit margins, sales volumes, power imbalances, financial services flows. Overlays can also be used to better understand client dynamics, for example where women and youth are within the sector, and key environmental issues or practices (such as where water or energy are utilized).

See below for examples of overlays for the horticulture market system in Kasanga examining the number of enterprises and number of young people employed at the value chain/subsector and market system levels.

1. a) Enterprise Overlay – Value Chain/Subsector Level
b) Enterprise Overlay – Market System Level

- Training
- Finance
- Transportation
- Ag Tech
- Supply Chain Management
- Spraying
- Extension

Supporting Functions

- Export Policies
- Export Standards
- Food Safety Standards
- Gender Norms
- Perceptions of Youth

2. a) Youth Employment Overlay – Value Chain/Subsector Level

<table>
<thead>
<tr>
<th>Input Supplies</th>
<th>Production</th>
<th>Processing (husking, drying, pulping, packaging)</th>
<th>Wholesaling/ Trading</th>
<th>Retailing</th>
<th>Exporting</th>
<th>End Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Input Wholesalers</td>
<td>9,600 youth</td>
<td>280,000 youth</td>
<td>10,400 youth</td>
<td>41,920 youth</td>
<td>4,800 youth</td>
<td>100 TVETs, 20 universities</td>
</tr>
<tr>
<td>Out-Grower Groups</td>
<td>18,000 youth</td>
<td>19,200 youth</td>
<td>1,200 youth</td>
<td>1,200 youth</td>
<td>1,200 youth</td>
<td>6,000 government agents</td>
</tr>
<tr>
<td>Agrovet Chains</td>
<td>9,500 youth</td>
<td>SHFs</td>
<td>9,500 youth</td>
<td>9,500 youth</td>
<td>9,500 youth</td>
<td>600 youth</td>
</tr>
<tr>
<td>Independent Agrovet</td>
<td>18,000 youth</td>
<td>Informal Aggregators</td>
<td>18,000 youth</td>
<td>18,000 youth</td>
<td>18,000 youth</td>
<td>600 youth</td>
</tr>
<tr>
<td>Mid-Size Aggregators</td>
<td>1,000 youth</td>
<td>Coops</td>
<td>1,000 youth</td>
<td>1,000 youth</td>
<td>1,000 youth</td>
<td>9,000 youth</td>
</tr>
<tr>
<td>Small-Scale Processors</td>
<td>600 youth</td>
<td>Small Independent Supermarkets</td>
<td>2,000 youth</td>
<td>2,000 youth</td>
<td>2,000 youth</td>
<td>18,000 youth</td>
</tr>
<tr>
<td>Local Wholesalers</td>
<td>600 youth</td>
<td>Wet Markets</td>
<td>1,200 youth</td>
<td>1,200 youth</td>
<td>1,200 youth</td>
<td>600 youth</td>
</tr>
<tr>
<td>Local Traders</td>
<td>600 youth</td>
<td>Open Air Markets</td>
<td>600 youth</td>
<td>600 youth</td>
<td>600 youth</td>
<td>600 youth</td>
</tr>
<tr>
<td>Chain Supermarkets</td>
<td>4,800 youth</td>
<td>High Value International</td>
<td>20 companies</td>
<td>20 companies</td>
<td>200 MFIs</td>
<td>10 companies</td>
</tr>
<tr>
<td>Large SME Aggregators</td>
<td>10 companies</td>
<td>High Value Urban</td>
<td>20 commercial banks</td>
<td>20 commercial banks</td>
<td>200 MFIs</td>
<td>10 companies</td>
</tr>
<tr>
<td>High Value Rural</td>
<td>200 MFIs</td>
<td>Low Value Urban</td>
<td>20 commercial banks</td>
<td>20 commercial banks</td>
<td>200 MFIs</td>
<td>10 companies</td>
</tr>
<tr>
<td>Low Value Rural</td>
<td>200 MFIs</td>
<td>Low Value Rural</td>
<td>20 commercial banks</td>
<td>20 commercial banks</td>
<td>200 MFIs</td>
<td>10 companies</td>
</tr>
</tbody>
</table>
b) Youth Employment Overlay – Market System Level

Overlays can be helpful in identifying key leverage points within the subsector for targeting specific populations. For example, looking at the youth overlay, we can see that young people are extremely involved in outgrower groups, so this might be an appropriate leverage point for expanding employment opportunities for young people. Examining business metrics such as financial margins is also extremely important to ensure that we are not encouraging our clients to move into value chains or apply business models that are not profitable.

To fully navigate gender issues in market system mapping, a gender overlay should be completed for each map. Applying a gender overlay is useful to identify where women are concentrated in a subsector, where they may be hidden and where possible constraints and opportunities lie. Given the prevalence of family farming models in agriculture and the shared roles of men and women in production activities, a gendered value chain/subsector map should consider the contributions of both sexes at each transformation stage. This should include the unpaid support and care work commonly undertaken by women which contributes to productive activities, such as fetching water or childcare.
There are several analytical tools that can assist practitioners, including the ILO’s Gender Equitable Value Chain Action Learning (GEVCAL) approach. The GEVCAL approach mainstreams gender throughout value chain analysis by including women throughout the process as well as monitoring and evaluation, using sex disaggregated data and designing activities and interventions that provide equitable access to resources and opportunities for women and men. The approach is also designed in a manner to facilitate local skill development as well as elicit information that may be lost without heavy local participation. A number of tools make up this approach including gendered value chain mapping, which applies gender overlays, illustrating percentage involvement of men vs. women in different value chain activities (see example below from IFAD with Invisible Women).

Gender issues can vary by region, country, town, or family, and there are inherent complex sociocultural and economic factors involved in market systems. Taking care to address gender dimensions in mapping, analysis, and subsequent interventions helps to improve the effectiveness, equity, and outreach of development interventions using market system analysis.

7.9 Finalizing the Market System Map

You may have found during the course of completing your map that you were missing some critical information. If this is the case, the project design team should take the time to complete additional market research and fill in any missing information, as well as validate their findings with market system actors before finalizing the map.
Completing the market system map should have given the project designer a good visual representation of the current state of the market system. As the project designer moves into identifying strengths and constraints (Module 8), the team should use the map to see where these strengths and constraints lie and what relationships they impact.

As the project designer begins to develop solutions and interventions (Module 9), the designer can refer to the map and note where there is a need to strengthen the impact group’s position or improve operations. In this way, the project designer can see how completing the map and the rest of the steps in the market system design process will help as he or she structures the project’s causal model (Module 10), monitoring and impact measurement (Module 11) and implementation plan (Module 12). Overall, the map should do the following:

- Describe the market system structure, functions and relationships
- Identify the key stakeholders and their business models
- Depict product flow from inputs to final market
- Help identify gaps or bottlenecks in production flow, rules and support services
- Guide additional data collection

A market system map has many useful purposes, but it’s not infallible. The map has no capacity to describe end-market structure and dynamics and can become outdated as the market evolves. For this reason, mapping the market system should be a dynamic, ongoing process.

As noted above, it is also important to ensure that the project designer takes the market system map out into the community and verifies it with key stakeholders to ensure its accuracy. Then the project designer is ready to move on to the next step in the market system project design process, strength and constraint analysis.

7.10 Summary

This module focused on the following learning objectives:

1. **Understand what kind of data is needed to develop market systems maps**

To build a Market Systems Map, the project designer needs to consider the three levels of the market system: enterprise, value chain and market system. The components that are generally needed to map the market include the following: transformation steps of the good or service, the end markets (consumers), market actors and key elements of their business models, and key supporting functions and rules that apply to your market system. Your initial market research should have provided you with this information, but you may find you need to conduct additional market research to fill in gaps.
2. Map value chain relationships in a specific subsector

A value chain is a network of firms that buy and sell to each other in order to supply a particular set of products or services to a particular group of final consumers. A related concept is subsectors, which are defined as the network of enterprises involved in the production of a particular product or service. While a value chain is focused on one specific end market, a subsector includes all of the actors involved in the buying/selling of a particular product or service to diverse end markets. Thus, a subsector typically includes multiple value chains. A value chain/subsector map is a visual display of these relationships (see example below for the horticulture sector in Kasanga). There are 4 key steps involved in this stage:

1. Write out each transformation step
2. Identify the various end markets (consumers) in the subsector
3. Identify the different value chain/subsector actors
4. Depict the relationships between actors

3. Identify applicable rules and supporting functions within a subsector

After completing a map of value chain/subsector relationships, we turn our attention to the wider market system. A Market System is defined as the ecosystem in which market actors conduct business transactions. Value chain transactions form the core of the overall market system as this is where business transactions take place as a good, product or service moves along the value chain
to an end consumer. Outside the core transactions taking place along the value chain, there are a number of important supporting functions and rules, performed by a variety of market players, that also are also needed for markets to operate effectively. Key steps involved in mapping the market system (as depicted below for Kasanga) are as follows:

1. Identify and list relevant supporting functions for the specific subsector
2. Identify and list relevant rules for the specific subsector
3. Visually map market system relationships

4. Develop business model canvases for key enterprises

Now that we’ve mapped out the value chain/subsector as well as the rules and supporting functions within the wider market system, we have a strong idea of the major players and roles in the system. Before we move further, it is valuable to analyze the key elements of the business models of critical actors. At this stage we:

1. Identify critical actors in the value chain/subsector and wider market system
2. Develop business model canvases for each key actor using the tool below (see Module 2 for further details)
<table>
<thead>
<tr>
<th>Key Partners</th>
<th>Key Activities</th>
<th>Value Proposition</th>
<th>Customer Relationships</th>
<th>Customer Segments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Who are the key partners?</td>
<td>What key activities do the value propositions require?</td>
<td>What value does the firm deliver to the customer?</td>
<td>What type of relationship does each of the customer segments expect the firm to establish and maintain with them?</td>
<td>For whom is the firm creating value?</td>
</tr>
<tr>
<td>Who are the key suppliers?</td>
<td>The distribution channels? Customer relationships?</td>
<td>Which of the customer's problems is the firm helping to solve?</td>
<td>Which ones have been established?</td>
<td>Who are their most important customers?</td>
</tr>
<tr>
<td>Which key resources does the business acquire from partners?</td>
<td>Revenue streams?</td>
<td>What bundles of products and services is the firm offering to each customer segment?</td>
<td>How are they integrated with the rest of the business model?</td>
<td></td>
</tr>
<tr>
<td>Which key activities do partners perform?</td>
<td></td>
<td>Which customer needs is the firm satisfying?</td>
<td>How costly are they?</td>
<td></td>
</tr>
<tr>
<td>Key Resources</td>
<td></td>
<td>Channels</td>
<td></td>
<td></td>
</tr>
<tr>
<td>What key resources does the value propositions require?</td>
<td>Through which channels do our customer segments want to be reached? How are we reaching them now? How are our channels integrated?</td>
<td>Which ones work best?</td>
<td>Which ones are most cost-efficient?</td>
<td></td>
</tr>
<tr>
<td>The distribution channels? Customer relationships?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue streams?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost Structure</td>
<td>Revenue Streams</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>What are the most important costs inherent in our business model?</td>
<td>For what value are the firm's customers really willing to pay?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Which key resources are most expensive?</td>
<td>For what do they currently pay?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Which key activities are most expensive?</td>
<td>How are they currently paying?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>How would they prefer to pay?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>How much does each revenue stream contribute to overall revenues?</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
5. Apply overlays to analyze the market system

The project designer can make the market system map more detailed by adding additional information and statistical data gathered during data collection in the form of overlays. Data overlays are typically quantitative information (profit margins, prices) but can also include more detailed information about specific firms in the supporting markets. Overlays can be used to represent many things. For example, the number of firms and/or small enterprises, prices, profit margins, sales volumes, power imbalances, financial services flows. Overlays can also be used to better understand client dynamics, for example where women and youth are within the sector, and key environmental issues or practices (such as where water or energy are utilized). To fully navigate gender issues in market system mapping, a gender overlay should be completed for each map. It is a useful tool to identify where women are concentrated in a subsector, where they may be hidden and where possible gender-based constraints and opportunities lie.
MODULE 8: Strengths and Constraints
8.1 Introduction

Analysis of Strengths and Constraints is the next step in the market system project design process.

In the previous module (Module 7 – Mapping Market Systems), we detailed how to map out a Market System, identifying key players both within the value chain/subsector and wider market system and graphically demonstrating how they interact with each other and the business models for key actors.

We used different overlays to help understand key elements of the interactions between market actors, including gender, access to finance, environment, financial margins and production volumes. In this module, we will continue to analyze the information collected to articulate key strengths and constraints that can be leveraged (in the case of strengths) or need to be addressed (in the case of constraints) in order to make market systems operate more effectively for target populations. Based on our analysis of strengths and constraints we will also identify appropriate entry points that can be used to address market challenges.
8.2 Learning Objectives

By the end of this module it is expected that you will be able to:

1. Identify market system strengths
2. Identify market system constraints
3. Complete a constraint tree and system constraint map
4. Identify key constraints

8.3 Strengths Analysis

Market Systems projects aim to improve how markets function for target populations. While we want to identify aspects of the system that are not working, we also want to understand what is working well. Strengths analysis is the process of identifying and capturing the strengths, or positive conditions, present in a market system that can be leveraged and enhanced to help the targeted impact group reach market opportunities. In identifying strengths, we return to the 6 key elements of market systems presented in Module 2, summarized in the graphic below, aligned with the enterprise, value chain and market system levels:
At each level of the market system, think about where things are operating well and what might be learned from or leveraged to improve market performance. Pay attention to cases of positive deviance - signs that performance is clearly better among some players or within some areas than is the case on average – this may be a signal that there is successful model that could be leveraged. The following key questions can be used to help guide your analysis at each level of the market system.

**Enterprise Level:**

**Business Model**

In the previous module (Module 7 – Market Systems Mapping) we developed business model canvases for key actors in the market system using the following format:
<table>
<thead>
<tr>
<th><strong>Key Partners</strong></th>
<th><strong>Key Activities</strong></th>
<th><strong>Value Proposition</strong></th>
<th><strong>Customer Relationships</strong></th>
<th><strong>Customer Segments</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Who are the key partners?</td>
<td>Who are the key suppliers?</td>
<td>What value does the firm deliver to the customer?</td>
<td>What type of relationship does each of the customer segments expect the firm to establish and maintain with them?</td>
<td>For whom is the firm creating value?</td>
</tr>
<tr>
<td>Who are the key suppliers?</td>
<td>Which key resources does the business acquire from partners?</td>
<td>Which of the customer's problems is the firm helping to solve?</td>
<td>Which ones have been established?</td>
<td>Who are their most important customers?</td>
</tr>
<tr>
<td>Which key resources does the business acquire from partners?</td>
<td>Which key activities do partners perform?</td>
<td>What bundles of products and services is the firm offering to each customer segment?</td>
<td>How are they integrated with the rest of the business model?</td>
<td></td>
</tr>
<tr>
<td>Which key activities do partners perform?</td>
<td></td>
<td>Which customer needs is the firm satisfying?</td>
<td>How costly are they?</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Key Resources</strong></th>
<th><strong>Channels</strong></th>
<th><strong>Customer Relationships</strong></th>
<th><strong>Customer Segments</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>What key resources does the value propositions require?</td>
<td>Through which channels do our customer segments want to be reached? How are we reaching them now? How are our channels integrated?</td>
<td>What type of relationship does each of the customer segments expect the firm to establish and maintain with them?</td>
<td>For whom is the firm creating value?</td>
</tr>
<tr>
<td>The distribution channels? Customer relationships?</td>
<td>Which ones work best?</td>
<td>Which ones have been established?</td>
<td>Who are their most important customers?</td>
</tr>
<tr>
<td>Revenue streams?</td>
<td>Which ones are most cost-efficient?</td>
<td>How are they integrated with the rest of the business model?</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Cost Structure</strong></th>
<th><strong>Revenue Streams</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>What are the most important costs inherent in our business model?</td>
<td>For what value are the firm's customers really willing to pay?</td>
</tr>
<tr>
<td>Which key resources are most expensive?</td>
<td>For what do they currently pay?</td>
</tr>
<tr>
<td>Which key activities are most expensive?</td>
<td>How are they currently paying?</td>
</tr>
</tbody>
</table>

**Revenue Streams**
- For what value are the firm's customers really willing to pay?
- For what do they currently pay?
- How are they currently paying?
- How would they prefer to pay?
- How much does each revenue stream contribute to overall revenues?
Review the business model canvases you developed previously and consider the questions below. As you answer these questions develop a list of strengths in chart form. In the case of our Kasanga example, key questions considered, and strengths identified for the horticulture sector include:

<table>
<thead>
<tr>
<th>Element</th>
<th>Key Questions</th>
<th>Strengths</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Model</td>
<td>1. Are there models or business model elements that are working particularly effectively among value chain actors identified?</td>
<td><strong>1. Outgrower and Franchise Models</strong> – Many aggregators are using the model of working with farmers as outgrowers (independent farmers with consistent buying/selling relationships with an aggregator) rather than purchasing their own land and running their own farms. Aggregators may have their own farms for particularly sensitive products; however, many fruits and vegetables can be produced by smallholder farmers. This model, when implemented well, decreases operational costs for the aggregator. In addition, some input suppliers are employing sales agent or franchise models to expand their outreach to new markets. This is also working quite well, saving operational costs for the company and leveraging existing community relationships while creating employment for franchisees. This model is particularly effective for at engaging young people as it provides a ready-made business for them.</td>
</tr>
<tr>
<td></td>
<td>2. Are there elements of these business models that could be adopted by other actors?</td>
<td><strong>2. Expanding these models</strong> – More horticulture companies could employ or expand their outgrower modes bringing benefits to more farmers while also building a stable supply for companies. The sales agent/franchise model could also be considered by other companies.</td>
</tr>
</tbody>
</table>
Enterprise Performance

As outlined in Module 2, there are two key components to upgrading enterprise performance:

- Upgrade Operational Efficiency: Increasing productivity and lowering costs
  - Improved inputs and technologies
  - Improving process/operations
  - Specializing in new functions
- Upgrade Market Access: Effective market links into current and new markets and improved product
  - Moving into new market channels
  - Enhanced market linkages
  - Improving the quality of the product
  - New product development
  - Obtaining certification
Based on your market research and what you know about the strategies being used by market system actors (see business model canvases developed previously), consider the following questions. Again, as you answer these questions develop a list of strengths. See below for a completed chart using the example of the horticulture sector in Kasanga:

<table>
<thead>
<tr>
<th>Element</th>
<th>Key Questions</th>
<th>Strengths</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enterprise</td>
<td>3. What strategies are market actors currently using to upgrade efficiency that are working effectively? Is there potential to apply these strategies to other actors? For example:</td>
<td>3. <strong>New software</strong> – Given the need to carefully manage outgrowers in horticulture, SMEs are realizing the importance of investing in supply chain management software to more effectively manage their supply chains and improve traceability, including making payments and tracking outgrower production digitally. A number of software options exist on the market and there is growing demand/uptake among SMEs.</td>
</tr>
<tr>
<td>Performance</td>
<td>a. Are there new technologies that are working particularly effectively or becoming more widely available in the market?</td>
<td></td>
</tr>
<tr>
<td></td>
<td>b. Are there improved practices being used by businesses to be more productive?</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4. What market engagement strategies are being used currently that are working effectively? Is there potential to apply these strategies to other actors? For example:</td>
<td>4. <strong>Targeting local markets</strong> – Some SMEs are increasingly targeting high value local markets recognizing the importance of end market diversification and the potential of the local market. SMEs noted better returns, less strict compliance compared to European Union (EU) markets, and less government taxing/regulations. There is the potential to rotate locally demanded crops with export crops to meet market demand and allow for crop rotation for soil health which is part of Global Good Agricultural Practices (GAP) certification required by export markets already.</td>
</tr>
<tr>
<td></td>
<td>a. Are there new products showing strong market uptake?</td>
<td></td>
</tr>
<tr>
<td></td>
<td>b. What market linkage models are out there that are working well?</td>
<td></td>
</tr>
<tr>
<td></td>
<td>c. Are there certifications that are in growing demand? Are there market actors providing these currently?</td>
<td></td>
</tr>
</tbody>
</table>
Value Chain Level:

**Value Chain Relationships**

As outlined in Module 2, value chain relationships include buying and selling but are not limited to these transactions. In addition, relationships may include the transfer of information, product designs, credit, technology, or other support products and services either embedded into the transaction cost or offered for a separate fee. These relationships happen both horizontally (actors at the same level in the value chain) or vertically (actors at different levels in the value chain). In Module 7, we developed the value chain/subsector map below that graphically displays both buying and selling relationships (solid blue arrows) and support relationships (dotted black arrows):
Based on your market research and your value chain map, consider the following questions and identify strengths:

<table>
<thead>
<tr>
<th>Element</th>
<th>Key Questions</th>
<th>Strengths</th>
</tr>
</thead>
</table>
| Value Chain Relationships   | 5. Are there examples of strong relationships between value chain actors? What can be learned from these relationships and applied elsewhere? What is valued most in these relationships? | **5. Aggregator-Outgrower relationships**  
  – Many aggregators have very strong relationships with their outgrowers because there is a clear business case as quality requirements are so high for export markets. There is also high risk of side selling so aggregators need to ensure they are carefully monitoring and offering ongoing support to their suppliers. Consistent markets, higher prices and embedded extension services are most important to farmers engaged as outgrowers. For aggregators, they value consistent supply and high quality in their outgrower relationships. |
|                             | 6. Are there examples of value chain actors effectively providing embedded products/services? What types of services are being provided and which are valued the most by value chain players? Is there potential to apply these successful models more widely or build upon them? | **6. Embedded extension services** – Many horticulture aggregators/processors provide extension services as embedded services to their outgrowers, recognizing that farmers are not willing to pay for these services on their own, but that they are essential to ensuring end market quality requirements are met. Input suppliers also provide these services to promote their products and ensure proper use of products for maximum results. |
|                             | 7. How are actors at the same level of the value chain interacting? Are there examples of successful cooperation between these players? Is there potential to apply these successful models more widely or build upon them? | **7. Horticulture Associations** – The national horticulture exporters association is quite strong and active, with 200 SME members, representing most of the major players in the subsector. SMEs are collaborating via this association to advocate with government for changes to regulations and for joint trainings and export market events. |
**End Markets**

Module 2 defined end markets as where the final transaction takes place in a value chain. Typically, it 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. Depending on its size, an end market can often be divided into smaller market segments according to distinctive characteristics. Key end markets in the horticulture sector in Kasanga are summarized below:

Based on your market research and your value chain map, consider the following questions to help you identify strengths:

<table>
<thead>
<tr>
<th>Element</th>
<th>Key Questions</th>
<th>Strengths</th>
</tr>
</thead>
<tbody>
<tr>
<td>End Markets</td>
<td>8. Drawing in particular on your overlay of financial margins, what end markets are most profitable, specifically for the market actor (i.e.: smallholder farmers or SMEs) you are targeting?</td>
<td><strong>8. Margins in High value urban markets</strong> – While most horticulture companies are focused almost exclusively on export markets (80-90% for most SMEs), high value urban markets are the most profitable due to lower transport costs, and fewer losses due to less intensive residue tests.</td>
</tr>
<tr>
<td></td>
<td>9. What end markets show growing demand? What are the characteristics of those end markets?</td>
<td><strong>9. Demand in high value urban markets</strong> – This market segment also shows growing demand. Urban consumers are generally unaware of the importance of quality and traceability - educating this client base could create an untapped high value market.</td>
</tr>
</tbody>
</table>
Market Systems Level:

**Supporting Functions**

Supporting functions are the products and services which support the business functions of actors throughout a value chain. Supporting functions may include financial services, business advisory services or other training/support to improve specific relevant skills and capacities, as well as technology that helps value chain players function more effectively and/or upgrade their businesses. They also typically include information on market trends or coordination among actors to ensure the market system operates efficiently, allowing relevant actors to work together to overcome shared constraints or take advantage of market opportunities. In Kasanga key supporting functions identified in Module 7 are summarized below:
Based on your market research and market systems map, consider the following questions to help you identify strengths:

<table>
<thead>
<tr>
<th>Element</th>
<th>Key Questions</th>
<th>Strengths</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supporting Functions</td>
<td>10. What supporting functions are operating well? Are there particularly strong support service providers present in the market system?</td>
<td>10. <strong>Input/Technology providers</strong> – Given the high quality requirements of export markets, aggregators are extremely focused on quality inputs and are willing to spend money to purchase high quality products as well as offer inputs on credit to ensure these products get to their outgrowers. There is also increasing demand for climate smart technologies and several private sector companies offering products specifically designed for the smallholder farmer market (small land area, affordable, credit options).</td>
</tr>
<tr>
<td></td>
<td>11. Is there capacity among any support service providers to provide additional services?</td>
<td></td>
</tr>
<tr>
<td></td>
<td>12. Is there strong demand/willingness to pay for particular support services?</td>
<td></td>
</tr>
</tbody>
</table>

11. **Input/Tech Suppliers and Aggregators** – Input and technology suppliers are already providing additional training/support as embedded services. There is willingness among aggregators to provide additional training and supports to farmers in their supply chain to ensure quality. As noted above, some aggregators are providing inputs on credit and there is interest in expanding these programs if financing is available.

12. **Extension when bundled with other products/services** – While there is low willingness to pay for extension services among farmers, when bundled with other products/services [such as clean cook stoves, solar powered lighting, personal protective equipment (PPE), water purifiers, hand gloves, etc.] there is increased willingness to pay.
**Rules**

To recap, rules are the norms and practices that govern and shape incentives, behavior and practice of the core and supporting functions. This includes socio-economic, political, gender, and physical or environmental issues that will affect the target group and the broader value chain. Key rules in the horticulture market system in Kasanga are summarized below:
Based on your market research and market systems map, consider the following questions to help you identify strengths:

<table>
<thead>
<tr>
<th>Element</th>
<th>Key Questions</th>
<th>Strengths</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rules</td>
<td>13. Are there examples of already existing laws, regulations or policies which are supportive of sector growth?</td>
<td><strong>13. Export Promotion and Domestic Food Safety</strong> – The government is heavily promoting the export market, including supporting trade fairs and other activities to increase the international reach of products from Kasanga. Higher level food safety standards are being put in place domestically for supermarkets, creating a domestic opportunity for companies already meeting high quality requirements for export markets to shift to these markets.</td>
</tr>
<tr>
<td></td>
<td>14. Are there positive trends in the area of informal norms that might be leveraged for positive change?</td>
<td>14. <strong>Gender Norms</strong> – Men in many communities are showing openness to putting aside tracks of land for women to cultivate high value horticulture products such as chillies. There is a belief that women are better at cultivating chillies specifically as they are able to more easily recognize the specific colour and quality needs due to informal norms around women’s superior attention to detail compared to men.</td>
</tr>
<tr>
<td></td>
<td>15. With regards to GESI specifically, are there areas where informal and formal rules/laws supportive of women’s increasing economic engagement?</td>
<td>15. <strong>Women and youth</strong> – Women are extensively involved in the horticulture sector, representing 75% of employment in the sector overall. As horticultural crops are food security crops, there are often lower barriers to entry for women in production. Youth are also heavily involved, representing over 50% of employees in the sector. Chilli production in particular is dominated by women, representing 80% of producers and much of the processing activities.</td>
</tr>
</tbody>
</table>
Summarizing your Findings:

Use the following chart to summarize the strengths you have identified by market system dimension.

<table>
<thead>
<tr>
<th>Element</th>
<th>Strengths</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Enterprise</strong></td>
<td><strong>Outgrower, franchise and sales agent models</strong></td>
</tr>
<tr>
<td>Business Model</td>
<td></td>
</tr>
<tr>
<td>Enterprise Performance</td>
<td><strong>Supply chain management software and targeting local markets</strong></td>
</tr>
<tr>
<td><strong>Value Chain</strong></td>
<td><strong>Embedded service provision via outgrowers and input agents</strong></td>
</tr>
<tr>
<td>Value Chain Relationships</td>
<td></td>
</tr>
<tr>
<td>End Market</td>
<td><strong>High value urban market potential</strong></td>
</tr>
<tr>
<td><strong>Market System</strong></td>
<td><strong>Provision of high-quality inputs and climate smart technologies</strong></td>
</tr>
<tr>
<td>Supporting Functions</td>
<td></td>
</tr>
<tr>
<td>Rules</td>
<td><strong>Government support for export promotion and improved local food safety; social norms support women/youth involvement</strong></td>
</tr>
</tbody>
</table>
## 8.4 Constraint Analysis

To identify market system constraints, once again review the 6 key elements of market systems outlined above and consider areas where the market system is not operating effectively using the guiding questions and chart below:

<table>
<thead>
<tr>
<th>Element</th>
<th>Key Questions</th>
<th>Constraint Areas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enterprise</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business Model</td>
<td>1. What elements of the BMs of key enterprises within the MS are not functioning well?</td>
<td>1. <strong>Quality requirements and inputs</strong> – Given high quality requirements for horticulture exports, extension services and use of appropriate pesticides is extremely important; however, farmers are unwilling to pay for these services and often do not apply proper inputs because they are more expensive. Even if the SMEs provide inputs on credit, farmers will often sell them and use cheaper pesticides. If a portion of the crop is contaminated, they are rejected by EU markets.</td>
</tr>
</tbody>
</table>

| Enterprise Performance   | 2. Where are the inefficiencies in business performance among key market actors? For example:  
  a. Are outdated technologies or practices being used?  
  3. What market engagement strategies being used currently are NOT working effectively? For example:  
  a. Are there products/services that are not performing well?  
  b. Are current target markets declining? | 2. **Supply chain management and aggregation** – Many SMEs are using very basic systems for managing their supply chains, keeping paper records. There are also limited aggregation facilities so companies must either travel from farm to farm to collect products or require smallholders to do so.  
  3. **EU Markets** – There is growing competition for Kasanga in the EU market for fresh fruits and vegetables from other countries, leading to declining demand and lower prices offered for products. Costs of production remain high given the quality requirements. |
<table>
<thead>
<tr>
<th>Element</th>
<th>Key Questions</th>
<th>Constraint Areas</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Value Chain</strong></td>
<td>4. What relationships are not operating effectively? Consider both horizontal and vertical relationships.</td>
<td><strong>4. Side-selling and Supermarkets</strong> – There are high levels of side-selling by smallholder farmers working as outgrowers for companies with weaker relationships that provide few services to their farmers. There are currently very limited relationships between SMEs and local supermarkets.</td>
</tr>
<tr>
<td>Value Chain Relationships</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>End Market</strong></td>
<td>5. What is preventing target clients from selling to profitable end markets?</td>
<td><strong>5. Product Offerings and Processing</strong> – As noted under strengths, the high value domestic market shows high potential, but demands different products than export markets, such as onions, tomatoes and carrots, not currently produced by SMEs. Domestic markets are currently served primarily by informal traders. In addition, there is strong potential for increased incomes through processing of fruits into juice. Some companies are pulping, but the margins are very low compared to those for juice. Companies lack the equipment and technical knowledge to shift into this market.</td>
</tr>
<tr>
<td><strong>Market System</strong></td>
<td>6. Which specific supporting functions are not operating effectively? In what way is it not operating effectively?</td>
<td><strong>6. Extension Services and Finance</strong> – The extension services market is challenging as farmers are not willing to pay for these services. This limited willingness to pay makes sustainable delivery challenging.</td>
</tr>
<tr>
<td>Supporting Functions</td>
<td>Consider coordination, skills/capacity, technology, information, financial services and any other key supporting functions identified during your mapping process.</td>
<td>SMEs face working capital challenges which limit the level of financing they can provide to their supply chain and the amount of advance purchasing they can make. Financial institutions are hesitant to lend to SMEs in agriculture as these are viewed as high risk markets.</td>
</tr>
<tr>
<td>Element</td>
<td>Key Questions</td>
<td>Constraint Areas</td>
</tr>
<tr>
<td>-------------</td>
<td>-------------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Rules</td>
<td>7. Which specific rules are not operating effectively? In what way is it not</td>
<td>7. <strong>Taxation, Food Safety, Land Rights</strong> – While the government is promoting the export sector, they</td>
</tr>
<tr>
<td></td>
<td>operating effectively? Consider informal rules/norms, laws, standards,</td>
<td>are charging high taxes as well as high certification fees for services only available from the</td>
</tr>
<tr>
<td></td>
<td>regulations and any other relevant rules identified during your mapping</td>
<td>government. These rules limit the profitability of exports.</td>
</tr>
<tr>
<td></td>
<td>process.</td>
<td>There is limited knowledge among Kasanga citizens around food safety standards and the high level of</td>
</tr>
<tr>
<td></td>
<td></td>
<td>pesticides in fresh produce currently available domestically.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>There is limited access to land for women and youth. While laws have recently changed in Kasanga</td>
</tr>
<tr>
<td></td>
<td></td>
<td>around land inheritance, allowing women’s ownership, customary practice continues to be inheritance</td>
</tr>
<tr>
<td></td>
<td></td>
<td>of land by men.</td>
</tr>
</tbody>
</table>
Summarizing your Findings:

Again, let's use the following chart to summarize the constraints you have identified by market system dimension.

<table>
<thead>
<tr>
<th>Element</th>
<th>Constraints</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Enterprise</strong></td>
<td></td>
</tr>
<tr>
<td>Business Model</td>
<td>Quality requirements and inputs needed by EU markets not always met by outgrowers</td>
</tr>
<tr>
<td>Enterprise Performance</td>
<td>Challenges in supply chain management and aggregation by SME aggregators, limitations of EU markets</td>
</tr>
<tr>
<td><strong>Value Chain</strong></td>
<td></td>
</tr>
<tr>
<td>Value Chain Relationships</td>
<td>Side-selling by outgrowers, limited relationships between SMEs and supermarkets</td>
</tr>
<tr>
<td>End Market</td>
<td>Product offerings not aligned with domestic markets</td>
</tr>
<tr>
<td><strong>Market System</strong></td>
<td></td>
</tr>
<tr>
<td>Supporting Functions</td>
<td>Limited extension services and access to finance</td>
</tr>
<tr>
<td>Rules</td>
<td>High taxation of exports, limited knowledge of food safety standards in domestic markets, limited land access for women and youth</td>
</tr>
</tbody>
</table>

Identifying Key Constraints

Through the process outlined above, you have identified constraint areas within the market system. In developing a market systems project, it is not possible to address every constraint, so we want to ensure that we are prioritizing and focusing efforts on key constraints that can have a significant impact on the wider system. It is also important to ensure we are focusing on causes of constraints, rather than symptoms.

The next step is therefore to review each constraint area and consider 1) what causes this constraint to happen and 2) what are the consequences of this issue. To facilitate this process there are two visual tools that we can use:

1. Constraints Tree
2. System Constraints Map

These tools are simply two different ways to visualize and think about market systems constraints. The System Constraint Map is a particularly useful tool for analyzing the wider market system.
Constraints Tree

A constraints tree is a visual diagram that uses a tree structure to establish cause-and-effect relationships and separate symptomatic problems from underlying causes. It separates out what the program can potentially address and ends with problems that the project will directly address. Arrange your constraints in a cause and effect relationship with symptomatic problems at the top and underlying issues at the bottom. The top of the tree will likely be an overarching constraint related to your goal and target group, such as small-scale producers have limited income.

For each constraint, think about:

a. What causes this constraint to happen?

b. What is the consequence of this issue?

Use arrows to depict the relationships between the different constraints. Review your constraint tree to make sure that the cause-and-effect relationships are logical.

You likely have a number of constraints that reflect issues in the broader context in which you are working and are beyond the control of your project. These are referred to as root causes. Examples may be hierarchical societies, poor infrastructure, or economic recession. These issues should be listed at the bottom of the tree as these are important factors to keep in mind as you design and
implement your project but cannot be addressed and changed through your interventions. See below for an example of a constraints tree developed for the horticulture sector Kasanga:
System Constraints Map

Another approach to mapping out and prioritizing constraints is the use of a System Constraints Map. This tool builds directly onto the Market Systems Map developed in the previous module, focusing in on the Market Systems level. Based on the analysis you completed above, you will have identified which areas of the market system are not working effectively. A System Constraints Map is essentially a market systems map that looks to understand the market system (i.e.: supporting functions and rules) needed for an element of the system to work well. For example, in the case of the horticulture sector in Kasanga, one of the supporting functions that we identified that is not functioning well is extension services (as outlined in the graphic below using a simplified market systems “donut”).

In order to solve the issue of access to extension services for horticulture farmers we need to analyze the extension services market itself and understand the supporting functions and rules needed for it to operate effectively as its own market system. In analyzing the extension services market, we may find that appropriate business models given limited willingness to pay for extension services is the bottleneck and see that, for example, information on appropriate business models is the underlying constraint that needs to be addressed.
8.5 Prioritizing Constraints

Once the constraints have been identified, prioritize them to identify the most critical constraints that are within the capacity of the potential project to address, either by the implementing organization or by a partner institution. Prioritizing the project’s constraints will allow the project designer to see what takes precedence, is solvable, or time sensitive. Consider the following when prioritizing your constraints:

- Constraints are within the potential scope of implementing organization or a partner to address
- Constraints that, if addressed, would support increased gender equality and social inclusion
- Constraints that, if addressed, would contribute to more competitive market systems that generate substantive income increases for the ultimate impact group
- Constraints that affect many target clients and actors in the market system
- Constraints that are identified by target market systems actors as critical bottlenecks
• Constraints that are underlying issues and not symptomatic issues
• Constraints that are not being addressed by other organizations active in the sector

In addition, ensure you consider whether or not sequencing is important. Determine whether there is any interdependence between constraints: whether one system-level constraint needs to be addressed before another.

Prioritizing is important. Projects must strike a balance between what is feasible and where improvements and impact can be greatest. The farther away from the principal market you work, the more complicated, slow and sometimes political (particularly looking at rules) intervention becomes. This is, however, often where the greatest impact can be found. At this stage you should have sufficient understanding to inform what needs to change, but will not yet be able to articulate your vision of how the market should operate in the future (this will be considered in Module 9 – Solutions and Interventions).

Keeping the questions and considerations outlined above in mind, list the top 3-5 key constraints that need to be addressed in the system. Returning to our example of Kasanga and the horticulture sector, the following key constraints were identified:

1. Limited access to working capital at the SME level for upgrading/supply chain finance
2. Limited awareness of domestic market opportunities by SMEs
3. Lack of appropriate business models for delivery of extension services to smallholder farmers
4. Limited coordination among smallholder farmers
5. Use of poor-quality inputs by smallholder farmers

---

26 Adapted from Springfield Center
Let's also consider the strengths we identified previously and list any related strengths that could be utilized to address the constraints as we begin designing solutions and interventions in the next module:

<table>
<thead>
<tr>
<th>Constraint</th>
<th>Relevant Strengths</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Limited access to working capital at the SME level for upgrading/supply chain finance</td>
<td>• Many SMEs are already providing supply chain financing for purchase of provision of inputs on credit, willing to expand if could access sufficient working capital</td>
</tr>
<tr>
<td>2. Limited targeting of domestic market opportunities by SMEs</td>
<td>• Some SMEs are already starting to target these markets, noting improved profitability, high demand and benefits of diversifying their markets so they are less reliant on the EU in case of shocks</td>
</tr>
</tbody>
</table>
| 3. Lack of appropriate business models for delivery of extension services to smallholder farmers | • Farmers are willing to pay for extension when bundled with other technologies/services  
  • Many SME aggregators are willing to provide extension as an embedded service built into operating costs  
  • Some input supply companies are embedding extension services already |
| 4. Limited coordination among smallholder farmers                        | • Some SME aggregators are supporting establishment of aggregation centers operated by farmer groups, with leaders paid a premium for providing training/coordination  
  • Opportunity to support women/youth in leadership positions given high involvement of women and youth in the sector |
| 5. Use of poor-quality inputs/technologies by smallholder farmers         | • SME aggregators willing to provide inputs and support purchase of climate smart technologies (particularly irrigation/water saving technologies) on credit  
  • Growing number of companies developing climate-smart products focused on the smallholder market |
8.6 Summary

This module focused on the following learning objectives:

1. **Identify market system strengths**

Strengths analysis is the process of identifying and capturing the strengths or positive conditions present in a market system that can be leveraged and enhanced to help the targeted impact group reach market opportunities. In identifying strengths, we return to the 6 key elements of market systems and ask ourselves the following key questions:

<table>
<thead>
<tr>
<th>MS Level</th>
<th>Element</th>
<th>Key Questions</th>
</tr>
</thead>
</table>
| Enterprise     | Business Model        | 1. Are there models or business model elements that are working particularly effectively among value chain actors identified?  
2. Are there elements of these business models that could be adopted by other actors? |
| Enterprise     | Performance           | 3. What strategies are market actors currently using to upgrade efficiency that are working effectively? Is there potential to apply these strategies to other actors? For example:  
   a. Are there new technologies that are working particularly effectively or becoming more widely available in the market?  
   b. Are there improved practices being used by businesses to be more productive?  
4. What market engagement strategies are being used currently that are working effectively? Is there potential to apply these strategies to other actors? For example:  
   a. Are there new products showing strong market uptake?  
   b. What market linkage models are out there that are working well?  
   c. Are there certifications that are in growing demand? Are there market actors providing these currently? |
<table>
<thead>
<tr>
<th>Market System</th>
<th>Supporting Functions</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Value Chain</td>
<td>Value Chain Relationships</td>
<td>5.  Are there examples of strong relationships between value chain actors? What can be learned from these relationships and applied elsewhere? What is valued most in these relationships?</td>
</tr>
<tr>
<td>End Markets</td>
<td></td>
<td>6.  Are there examples of value chain actors effectively providing embedded products/services? What types of services are being provided and which are valued the most by value chain players? Is there potential to apply these successful models more widely or build upon them?</td>
</tr>
<tr>
<td>Market System Supporting Functions</td>
<td></td>
<td>7.  How are actors at the same level of the value chain interacting? Are there examples of successful cooperation between these players? Is there potential to apply these successful models more widely or build upon them?</td>
</tr>
<tr>
<td>Rules</td>
<td></td>
<td>8.  Drawing in particular on your financial overlay of margins, what end markets are most profitable, specifically for the value chain actor you are targeting?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>9.  What end markets show growing demand? What are the characteristics of those end markets?</td>
</tr>
</tbody>
</table>
2. **Identify market system constraints**

To identify market system constraints, once again review the 6 key elements of market systems outlined above and consider areas where the market system is not operating effectively using the guiding questions below:

<table>
<thead>
<tr>
<th>MS Level</th>
<th>Element</th>
<th>Key Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enterprise</td>
<td>Business Model</td>
<td>1. What elements of the business models of key enterprises within the market system are not functioning well? Why?</td>
</tr>
<tr>
<td></td>
<td>Enterprise Performance</td>
<td>2. Where are the inefficiencies in business performance among key market actors? For example:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>a. Are outdated technologies or practices being used?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3. What market engagement strategies being used currently are NOT working effectively? For example:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>a. Are there products/services that are not performing well?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>a. Are current target markets declining?</td>
</tr>
<tr>
<td>Value Chain</td>
<td>Value Chain Relationships</td>
<td>4. What relationships are not operating effectively? Consider both horizontal and vertical relationships.</td>
</tr>
<tr>
<td></td>
<td>End Markets</td>
<td>5. What is preventing target clients from selling to profitable end markets?</td>
</tr>
<tr>
<td>Market System</td>
<td>Supporting Functions</td>
<td>6. Which specific supporting functions are not operating effectively? In what way is it not operating effectively? Consider coordination, skills/capacity, technology, information, financial services and any other key supporting functions identified during your mapping process.</td>
</tr>
</tbody>
</table>
3. **Complete a constraint tree and system constraint map**

Through the process outlined above, you have identified constraint areas within the market system. In developing a market systems project, it is not possible to address every constraint within the system, so we want to ensure that we are prioritizing and focusing efforts on key constraints that can have a significant impact on the wider system. It is also important to ensure we are focusing on **causes** of constraints, rather than symptoms.

The next step is therefore to review each constraint area and consider 1) what causes this constraint to happen and 2) what are the consequences of this issue. To facilitate this process there are two visual tools that we can use:

1. **Constraints Tree**
2. **System Constraints Map**

4. **Identify key constraints**

Once the constraints have been identified, prioritize them to identify the most critical constraints that are within the capacity of the potential project to address, either by the implementing organization or by a partner institution. Prioritizing the project's constraints will allow the project designer to see what takes precedence, is solvable, or time sensitive. Draw on your Constraints Tree or Systems Constraints Map to identify these key constraints, considering that those lower down in the tree or further along in the mapping process are likely the key constraints.
MODULE 9: Solutions and Interventions
9.1 Introduction

Now that we have a better understanding of the current picture in our market system, including key strengths and constraints, we are ready to move into designing solutions and interventions.

Solutions are long-term, systemic changes to the market system that will address the prioritized constraints and capitalize on the strengths you have already identified. Interventions are specific short-term actions that a project takes to achieve the solutions you identified. This module will review the process of developing both solutions and interventions, building on your understanding of current gaps in market performance and the incentives/capacities of existing market players to overcome gaps and improve the functioning of market systems.
9.2 Learning Objectives
By the end of this module it is expected that you will be able to:

1. Articulate how the current market is operating and the roles being played by different market players
2. Frame solutions for identified constraints
3. Employ will/skill analysis to identify appropriate actors to play key market roles
4. Understand the role of business models in transitioning market actors to new roles
5. Identify appropriate short-term interventions aligned to facilitate desired market change

9.3 Understanding Gaps in Market Actor Performance
To identify the long-term systemic changes that are needed (i.e.: solutions), we first need to have a clear understanding of how the current market works. As market systems projects take a facilitation approach working with existing market actors to create change (rather than directly performing market functions), this starts with an analysis of who is currently providing services in constraint areas. An understanding of incentives (a factor that makes an actor want to do something, or will) and capacities (the ability of an actor to perform a specific function or task, or skill) are key to understanding why current constraints are in place and market needs are not currently being met.

Let’s return to our list of priority constraints identified in the previous module for the horticulture sector in Kasanga:

1. Limited access to working capital at the SME level for upgrading/supply chain finance
2. Limited awareness of domestic market opportunities by SMEs
3. Lack of appropriate business models for delivery of extension services to smallholder farmers
4. Limited coordination among smallholder farmers
5. Use of poor-quality inputs by smallholder farmers

For each key constraint identified, consider which actor is currently providing the service, which actor is paying for the service and the status of service provision, falling into one of the following three general categories:

• Inadequate: a function or rule has attracted the right player(s), but they do not have adequate capacities or incentives to improve their performance of it. For instance, an
agricultural extension worker may be the most appropriate player to provide extension services but does not have adequate training, management structures or financial incentives to provide these services effectively.

- **Mismatched**: a function or rule is ineffective because the player(s) performing it is wrong for the role, and unlikely to have the capacities or incentives to perform a function/rule more effectively in the future. For instance, poultry vaccination services may be restricted to qualified veterinarians too few in number and expensive to meet demand.

- **Absent**: a function or rule is missing because capacities and incentives are not in place, or do not exist, for any player(s) to perform it. For instance, commercial media services for rural communities are often constrained by a lack of understanding of the needs of rural audiences and their potential interest to advertisers. Audience research services are often absent and as a result, would-be advertisers lack information on the media usage of this target group and are unable to identify media channels and products relevant to rural and poor communities\(^\text{27}\).

Draw on your market research, mapping exercise and strengths/constraints analysis to complete the following chart, which has been populated with our Kasanga example:

<table>
<thead>
<tr>
<th>Constraint Area</th>
<th>Who Does?</th>
<th>Who Pays?</th>
<th>Status (Inadequate, Mismatch, Absent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Working Capital</td>
<td>Commercial banks</td>
<td>SME aggregators</td>
<td>Inadequate</td>
</tr>
<tr>
<td>2. Domestic Market</td>
<td>SME aggregators</td>
<td>Domestic consumers</td>
<td>Inadequate</td>
</tr>
<tr>
<td>3. Extension Services</td>
<td>SME aggregators/input suppliers</td>
<td>SME aggregators</td>
<td>Inadequate</td>
</tr>
<tr>
<td>4. Coordination</td>
<td>SME aggregators</td>
<td>SME aggregators</td>
<td>Inadequate</td>
</tr>
<tr>
<td>5. Input Suppliers</td>
<td>SME input/technology suppliers</td>
<td>SME aggregators</td>
<td>Inadequate</td>
</tr>
</tbody>
</table>

In this case, for all of the functions, service provision is “inadequate”, meaning there are some incentives in place and capacity to play these roles, but it is not adequate. This means we might still work with these current market players in the future but will need to carefully consider if they are the most appropriate players and ensure appropriate incentives and capacities are in place to perform these roles effectively going forward.

### 9.4 Current Picture to Future Picture

Building on our understanding of the current picture, we can start to think about our intended future picture, articulating our vision for how we want the market system to operate in the future.

\(^{27}\) Adapted from Springfield Center
(solution), who would be best placed to provide the solutions (based on an analysis of incentives/capacities or will/skill), who will pay (to ensure financial sustainability) and what short term activities (interventions) we can implement in a multi-year project to help create this change. Over the course of this module we will complete the following chart step by step to articulate our future picture for horticulture in Kasanga, aimed at addressing each of the key constraints identified above.

<table>
<thead>
<tr>
<th>FUTURE PICTURE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Solution</td>
</tr>
<tr>
<td>-----------</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

9.5 Framing your Solution

Solutions are long-term, systemic changes to the market system that will address the prioritized constraints and capitalize on the strengths you have already identified. A solution statement is essentially a constraint phrased as a positive. For example, if the constraint is that “farmers lack access to quality inputs” the solution would be that “Farmers have consistent access to high quality inputs.” See below for a completed example based on the constraints we identified in Kasanga:

<table>
<thead>
<tr>
<th>Constraint</th>
<th>Solution</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Limited access to working capital at the SME level for upgrading/supply chain finance</td>
<td>SMEs have access to sufficient working capital for upgrading/supply chain finance</td>
</tr>
<tr>
<td>2. Limited awareness of domestic market opportunities by SMEs</td>
<td>SMEs are aware of and actively targeting domestic market opportunities.</td>
</tr>
<tr>
<td>3. Lack of appropriate business models for delivery of extension services to smallholder farmers</td>
<td>Relevant market actors employ appropriate business models for delivery of extension services to smallholder farmers</td>
</tr>
<tr>
<td>4. Limited coordination among smallholder farmer</td>
<td>Strong coordination among smallholder farmers</td>
</tr>
<tr>
<td>5. Use of poor-quality inputs by smallholder farmers</td>
<td>Smallholder farmers consistently utilize high quality inputs</td>
</tr>
</tbody>
</table>

A constraint-solution tree is an additional tool that can be employed, typically within a participatory workshop setting with relevant stakeholders, to confirm key constraints and identify potential solutions. From a gender perspective, a constraint-solution tree is another tool in the ILO’s GEVCAL toolkit used to reveal how household-level gender inequalities lead to market system constraints.
The graphic below from ILO’s GEVCAL toolkit is an example of an application of this tool to the Ethiopian traditional weaving sector.
You can see that each market-based constraint is also linked to gender inequalities at the household level and specific solutions for both men and women are articulated. We can apply the same process for Kasanga. See the example below looking at constraints and potential solutions for gender-specific issues related to constraint #1 – limited access to working capital.

As part of our ongoing gender analysis we should ensure we consider how constraints may affect men and women differently and identify solutions that help address existing gender-based constraints. As outlined in the graphic above, women-led SMEs in Kasanga (as well as many other countries) face increased barriers to accessing financing compared to men due to unique constraints such as negative perceptions by financial institutions of the skills and potential for scale of women-led businesses. Given these barriers, we need to ensure that our project includes solutions which will address these unique gender-based constraints, for example, increased awareness among financial institutions regarding gender bias in the financing process.
After conducting additional gender analysis, you may decide to revise your constraint/solution statements to highlight areas where a focus should be placed on women-led businesses for example (see example below). Even if you do not place a specific focus on gender or WEE in your project, it is important to consider throughout the design process how men and women may face varying constraints and need different solutions (and corresponding interventions) based on existing gender-based constraints.

<table>
<thead>
<tr>
<th>Constraint</th>
<th>Solution</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Limited access to working capital at the SME level for upgrading/supply chain finance for women-led SMEs in particular</td>
<td>SMEs, in particular women-led SMEs, have access to sufficient working capital for upgrading/supply chain finance</td>
</tr>
</tbody>
</table>

Once a solution has been articulated, the more challenging part of this exercise is in considering which market actor would be best positioned to provide these services on a long-term sustainable basis and then what short-term actions (interventions) would help them to effectively play that role. To identify the most appropriate actor to provide long term solutions we need to carefully consider the Incentives and Capacities of potential providers of these services, including current actors. An understanding of incentives (will) and capacities (skill) will help you not only select the right partners, but also select the most appropriate interventions to ensure these partners can provide the needed solutions in the long term.

9.6 Identifying Appropriate Partners – Understanding Incentives (Will) and Capacities (Skill)

9.6.1 Incentives

As noted above, an incentive is a factor that makes an actor want to do something – it may be money, prestige, etc. As incentives are what drive behaviour, we need to ensure that the solutions and interventions we propose are guided by a clear understanding of what motivates market actors. Market systems often do not operate effectively because incentives are misunderstood or misaligned.

Incentives operate at various levels, within and between individuals, groups and organisations. They are shaped by attitudes towards risk and reward (losing or gaining money, status, reputation, opportunity, assets or resources). There are three main categories of incentives:

- **Material**: based on a desire to get something, or not lose it (i.e.: food, money, market share, property or freedom)

---

28 Adapted from the Springfield Center
- **Social**: based on the need to belong to, or not be rejected by, a wider group (i.e.: being accepted into a group of peers with shared values)

- **Purpose**: based on a quest to achieve a goal, which can be individual (i.e.: becoming a village head or company manager) or collective (i.e.: supporting a political cause)

When partnering with businesses, incentives are often material, namely money, as businesses are typically driven by profitability; however, this is not always the case. The clearest example is social enterprises where the mission of the business includes creating both social benefit and financial gains. However, individual entrepreneurs may also be driven by similar social motivations such as creating jobs or nutritious food for people in their communities. In addition, government and civil society actors, also key partners in market systems programming, are often social or purpose oriented.

An understanding of the business models of key market systems actors will help you to identify their incentives and ensure that you are selecting the right partners and right activities to address market system constraints.
9.6.2 Capacities

Capacity is the ability of an actor to perform a specific function or task. In the context of market systems, understanding the capacities of market players means assessing their skill level and thus ability to play a needed role in the market. Capacity can be viewed at the level of individuals, groups and organisations and divided into 5 key categories:

- **Technical**: the knowledge and ability to execute actions to a required standard
- **Financial**: the money to execute actions
- **Physical**: the structures, assets, human resources, scope or outreach (customer base, distribution system) to execute actions
- **Strategic**: the vision, governance and networks to perform appropriate roles in the system
- **Personal or cultural**: the ethos, attitude and leadership to shape effective performance

There is the tendency for project implementers to overestimate the capacity of market players. Be careful to assess capacity realistically through your market research by asking questions and looking at examples of current/previous relevant work.
9.7 Will/Skill Analysis

A useful tool to analyze the incentives and capacities of market actors being considered as future providers of services is Will/Skill analysis. Will = incentives and Skill = Capacities. The chart below from the Springfield Center summarizes the characteristics of actors with varying levels of will/skill and the impact of these characteristics on partnering decisions/intervention approaches.

Implementers typically work with actors that have either have a high level of skill, but lower level of will or a low level of skill and relatively high will. If actors have both low skill and low will they likely are not a good fit as a market actor as they have neither the incentives or capacity to play this market role. If actors have high skill and will then you should ask yourself why the actor is not providing these services currently – they may still be an appropriate provider of this solution, but your interventions may be focused increasingly on addressing external obstacles preventing them from performing well.
Returning to our Kasanga example, we’ve already gathered information on how the market is currently operating:

<table>
<thead>
<tr>
<th>Constraint Area</th>
<th>Who Does?</th>
<th>Who Pays?</th>
<th>Status (Inadequate, Mismatch, Absent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Working Capital</td>
<td>Commercial banks</td>
<td>SME aggregators</td>
<td>Inadequate</td>
</tr>
<tr>
<td>2. Domestic Market</td>
<td>SME aggregators</td>
<td>Domestic consumers</td>
<td>Inadequate</td>
</tr>
<tr>
<td>3. Extension Services</td>
<td>SME aggregators/input suppliers</td>
<td>SME aggregators</td>
<td>Inadequate</td>
</tr>
<tr>
<td>4. Coordination</td>
<td>SME aggregators</td>
<td>SME aggregators</td>
<td>Inadequate</td>
</tr>
<tr>
<td>5. Input Suppliers</td>
<td>SME input/technology suppliers</td>
<td>SME aggregators</td>
<td>Inadequate</td>
</tr>
</tbody>
</table>

This analysis of the current picture can help us think about the future. Let’s once again take constraint area #1, working capital, as an example. In the current market, commercial banks are providing some working capital to SME aggregators; however, the amount provided is insufficient.

Let’s consider what actors (including the current providers) would be appropriate to provide working capital to SMEs in the future using Will/Skill analysis. Below is a sample of this analysis for key players in the financial sector in Kasanga who could provide working capital to SMEs in the horticulture sector: commercial banks, private equity (PE) investors, factoring/trade finance companies. Note that once again additional market research may need to be conducted if you don’t feel you have a strong understanding of the incentives (will) and capacities (skill) of the major actors involved in each constraint/solution area.
Based on our market research and understanding of the financial services sector in Kasanga, we have found that commercial banks have a low level of skill and will. There is low will because the agriculture sector is viewed by commercial banks as high risk and they have high demand for lending among other types of SMEs. For this reason, they do not have high skill levels in agricultural lending – they have not invested in staff capacity in this area. PE investors are increasingly focused on working capital financing and have middling levels of skill and will. This rating again relates to the perceived risk of investing in agricultural companies. However, there is more will and skill compared to commercial banks as they have some experience in agricultural lending and staff trained in this area (skill) as well as investors interested in agricultural lending (creating will). Factoring companies (companies that specialize in providing finance based on invoices) are focused more narrowly on supply chain financing given their business model. They also have middling levels of will and skill for the same reasons as the PE investors – they see some potential and thus have some skilled staff but have some hesitation due to perceived risk.

Based on our Will/Skill analysis, it seems that PE funds could be a good partner for working capital access and factoring companies for supply chain finance. Given middling levels of Will and Skill, activities will be needed to both increase capacity and incentives. Given poor current performance and low will/skill levels, commercial banks in Kasanga are likely not the most appropriate partner for addressing this specific constraint.
Based on our analysis we can complete the next two columns of our chart, outlining “who will do” and summarizing our “will/skill analysis.” Include any notes related to gender considerations if applicable, as in the example below:

<table>
<thead>
<tr>
<th>Solution</th>
<th>Who Will Do?</th>
<th>Will/Skill Analysis</th>
</tr>
</thead>
</table>
| 1. SMEs, particularly women-led, have access to sufficient working capital for upgrading/ supply chain finance | Working Capital for Upgrading – PE investors  
Supply chain finance – Factoring companies | Both actors have mid level will and skill. There is risk aversion to agriculture and actors have not fully invested in skills and systems to appropriately manage.  
Perceived risk to financing women-led businesses specifically should be considered. |
Specific questions to help guide your analysis include:

1. **Key Partners**
   a. Does the actor have existing partnerships that could be leveraged to perform this function? Would taking on this role benefit its partners? What new partnerships would be needed?

2. **Key Activities**
   a. Does performing this function align with existing activities? What new activities would need to be introduced?

3. **Key Resources**
   a. Does the actor have access to the resources needed to perform the new function?

4. **Value Proposition**
   a. Is their alignment with the current value proposition? Would this function enhance their value proposition?

5. **Customer Relationships**
   a. How would this change relationships with customers? Would it help strengthen relationships?

6. **Channels**
   a. What market channels would be used to play this role/sell the product/service concerned? Could existing channels be used? What new channels might be needed?
7. Customer Segments
   a. Does this change help target new customer segments? Strengthen offer to existing clients?

8. Cost Structure
   a. How would this role affect the actor’s cost structure? What costs would increase/decrease? What new costs might emerge?

9. Revenue Streams
   a. Would this be a source of additional revenue? What would the payment mechanism be? Embedded, cost for service, etc.?

Continuing with our example for Solution #1 we have added to the chart below, noting relevant business model factors common to our two proposed market actors:

<table>
<thead>
<tr>
<th>FUTURE PICTURE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Solution</strong></td>
</tr>
<tr>
<td>1. SMEs, particularly women-led SMEs, have access to sufficient working capital for upgrading/supply chain finance</td>
</tr>
</tbody>
</table>
9.9 Interventions

As noted in the introduction, interventions are specific short-term actions that a project takes to achieve the solutions identified. Interventions should reflect a facilitation approach and focus on shaping incentives such that market actors improve market performance and create benefits for target clients.

9.9.1 Utilizing Will-Skill Analysis

Types of support/interventions should be guided by Will/Skill analysis. As summarized in the diagram below from the Springfield Center, if the market actor has high will but low skill, activities will likely focus increasingly on training and capacity building activities to fill the skill gap and enable the partner to operate outside their current comfort zone. If the actor has high skill but low will, activities should be focused on decreasing the risk involved in the change through demonstration or cost-sharing activities. For high skill and will, activities should focus on addressing external obstacles that may be preventing the actor from providing the solution. In the case of mid-level skill and will, a combination of intervention types will likely be needed.

9.9.2 Win-Wins for WEE and Gender

The win-win strategy tree is a helpful tool to assist practitioners in designing interventions that accomplish market systems development objectives as well as gender equality objectives drawn from ILO’s GEVCAL toolkit. With the win-win strategy tree, MSD activities/interventions can be evaluated based on both sets of objectives. The following graphic from ILO’s Making the Strongest Links (2008) shows how product upgrading activities can also have positive impacts on gender equity using the example of the honey sector in Ethiopia:
For our example of the horticulture sector in Kasanga, let’s again look to solution #1 related to supply chain finance. Given that women are strongly engaged in the horticulture sector as producers and women often have challenges getting access to financing, increased supply chain financing flows has the potential to benefit women specifically to address this constraint, creating a win-win. It is important to note that to maximize gender benefits, interventions around supply chain finance will need to be accompanied by other activities, such as training for women.
smallholder farmers around financial management, and activities around changing gender norms related to control of income.

9.9.3 Choosing a Leverage Point

To generate the change you want to see, you may not always be working directly with the provider of services. Your end goal may be to provide improved advice on agricultural practices to farmers, but you can achieve this through working with a variety of different actors with different incentives. As illustrated in the example below you could work directly with farmers to provide advice or go higher up in the system and work with retailers, or with input supply companies to train retailers or with consulting companies to train the input supply companies themselves. As illustrated in the graphic below from the Springfield Center, where you choose to intervene (your leverage point) has important implications for scale and sustainability. If you work with actors more removed from your end clients you may have greater reach, but it also may be more challenging to ensure that change is sustained.

Returning to our specific example around increasing access to working capital, the project may choose to work directly with a select number of PE funds and factoring companies or may work with an association or apex organization to provide resources and training throughout their membership base. In the case of this example, there are currently few apex bodies in Kasanga so project activities will focus on working directly with select PE funds and factoring companies. The project will carefully select partners that have sufficient scale and reach to maximize impact but
include interventions/activities that bring together additional funds and companies to help increase scale and ensure sustainability.

9.9.4 Creating Systemic Change

The goal of MSD programming is creating change within the wider market system, meaning that interventions should be crafted to support the expansion of change throughout the system and
adoption by other actors. Your project may be structured using the Adopt, Adapt, Respond, Expand Framework summarized below in a graphic from the Springfield Center:

Activities in the early stages of the project will likely be focused in Adopt – this is where you are working directly with partners and helping them to Adopt a new practice. Once these practices have been securely adopted you can move into the Adapt phase, in which activities focus on supporting or encouraging the initial partner to continue to incorporate the change independently of direct project support. Once actors are beginning to implement a change on their own, you can shift into the crowding in phase, focused on encouraging additional actors to adopt the change. This begins with the Respond stage, where noncompeting actors adjust their practices and then finally the Expand stage where competing actors copy and then adjust their own practices.

There is a temptation for projects to focus exclusively on the Piloting phases of a project (Adopt/Adapt) with the thought that Crowding In (Respond/Expand) will take place naturally without any project interventions; however, this is typically not the case. To create true systemic change, it is important to include interventions that disseminate project learnings and work with other actors to respond to successful changes. As will be discussed in the Module 11 – Monitoring and Impact Measurement (MIM), measuring systemic change is equally important to ensure you are having the impact you intended on the wider system and can adjust activities as needed if you are not seeing the wider change anticipated (often referred to as adaptive management). It can be helpful to break-down your interventions into sections aligned with the AARE framework to ensure that you have considered each stage in the process. Note, that the first few years of project implementation will likely be focused on the Piloting phase before moving into interventions related to Crowding-in once successful practices have been identified and tested.
9.9.5 Drafting Interventions

Taking into consideration the information presented in this section around will-skill analysis, gender/WEE win-wins, leverage points and AARE, we can now develop a list of potential interventions as we have done below for access to finance:

<table>
<thead>
<tr>
<th>Phase</th>
<th>Interventions</th>
</tr>
</thead>
</table>
| **Adopt** | • Provide technical support to select PE fund and factoring company staff to adopt business model to lend to more effectively to the agricultural sector  
• Provide first loss guarantee fund for initial agriculture financing up to 1M USD (i.e.: first 1M in losses from financing would be covered by the project to decrease risk)  
• Link horticulture SMEs to financial institutions  
• Provide technical assistance (TA) to targeted SMEs to implement supply chain financing initiatives and identify appropriate capital investments in upgrades aligned with market opportunities  
• Use train the trainer model to provide financial management training to women SHFs via farmer groups |
| **Adapt** | • Support financing partners to continue making investments beyond coverage of first loss facility (monthly check-ins, lower level support)  
• Monitoring of # of investments in agriculture businesses post intensive TA provision and provide additional TA as needed  
• Monitoring ongoing implementation of supply chain finance approaches by SMEs and provide additional TA as needed |
| **Respond** | • Capture data on use of financing by partner SMEs (typical capital investments, supply chain financing models/software being used)  
• Partner with providers of technology, supply chain management software to offer their products to SMEs receiving financing and SHFs in their supply chains, leveraging increased available capital |
| **Expand** | • Co-host forum with partners to share lessons learned and best practices with other financial institutions and SMEs  
• Disseminate knowledge documents to other interested financial institutions and SMEs  
• Monitor and measure uptake by other financing institutions/SMEs  
• Capture changes in model and share with other market actors |
9.10 Future Picture

Based on the analysis completed throughout this module, we have now completed our Future Picture chart, articulating potential solutions and interventions, as well as providing additional background and analysis on why specific market actors were selected to assist both in developing your causal model (Module 10) and moving into implementation (Module 12).

<table>
<thead>
<tr>
<th>FUTURE PICTURE</th>
<th>Solution</th>
<th>Who Will Do?</th>
<th>Will/Skill Analysis</th>
<th>Business Model Interventions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. SMEs, particularly women-led SMEs, have access to sufficient working capital for upgrading their supply chain.</td>
<td>Working on the existing relationships with investors who have mid-level will and skill. There is risk aversion to agriculture and have not fully invested in skills and systems to appropriately manage. Perceived risk to financing women-led businesses specifically should be considered.</td>
<td>Both actors have mid-level will and skill.</td>
<td>Could leverage existing relationships with investors (customer relationships); will need to develop more relationships with Ag business partners, in particular women-led businesses (customer segments); will need to develop systems for managing risk and screening companies in agricultural finance activities; training staff with an understanding of agricultural finance markets, barriers to financing for women-led SMEs (resources).</td>
<td></td>
</tr>
<tr>
<td>- Provide technical assistance (TA) to targeted SMEs to implement supply chain financing initiatives and identify opportunities. - Provide initial agriculture financing up to 1M USD (i.e., first 1M in losses from financing would be covered by the project to decrease risk). - Link horticulture SMEs to financial institutions.</td>
<td>Provide technical support to select PE fund and factoring company staff to adopt business model to lend more effectively to the agricultural sector.</td>
<td>- Provide first loss guarantee fund for initial agriculture financing up to 1M USD (i.e., first 1M in losses from financing would be covered by the project to decrease risk). - Link horticulture SMEs to financial institutions.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Use train the trainer model to provide financial management training to women SHFs via farmer groups.
<table>
<thead>
<tr>
<th><strong>Solution</strong></th>
<th><strong>Who</strong></th>
<th><strong>What</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ADAPT</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Support financing partners to continue making investments beyond coverage of first loss facility (monthly check-ins, lower level support)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Monitoring # of investments in agriculture businesses post intensive TA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Monitoring of # of investments in agriculture businesses post intensive TA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- First loss facility (monthly check-ins, lower level support)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Support financing partners to continue making investments beyond coverage of first loss facility (monthly check-ins, lower level support)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>RESPOND</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Capture data on use of financing by partner SMEs (typical capital investments, leveraged increased available capital)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Partner with providers of technology, supply chain management software to supply chain financing models/software being used</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Support financing partners to continue making investments beyond coverage of first loss facility (monthly check-ins, lower level support)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Monitoring and measure uptake by other financial institutions and SMEs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Disseminate knowledge documents to other interested financial institutions and SMEs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Co-host forum with partners to share lessons learned and best practices with other financial institutions and SMEs</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>EXPAND</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Support financing partners to continue making investments beyond coverage of first loss facility (monthly check-ins, lower level support)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Monitoring # of investments in agriculture businesses post intensive TA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Monitoring of # of investments in agriculture businesses post intensive TA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- First loss facility (monthly check-ins, lower level support)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Support financing partners to continue making investments beyond coverage of first loss facility (monthly check-ins, lower level support)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Interventions**

- Business Model Interventions
- Will/Skill Interventions
- Will/Do Interventions

**Future Picture**
It is important to note that your future picture and the solutions/interventions identified are only an initial guide for project implementation. They should be tested with project stakeholders and interventions should be revisited and adjusted during project implementation as you gain further understanding of the market system. Adjustments should also be made in response to the monitoring and impact data you are collecting (see Module 11 – Monitoring and Impact Measurement for further details). As will be explored in further detail in Module 12 - Implementation, it is also advisable to take an iterative, piloting approach, testing interventions with a small group first, before expanding successful approaches to a larger number of partners at scale.

9.11 Summary

This module focused on the following learning objectives:

1. Articulate how the current market is operating and the roles being played by different market players

To identify the long-term systemic changes that are needed (i.e.: solutions), we first need to have a clear understanding of how the current market works. As market systems projects take a facilitation approach working with existing market actors to create change (rather than directly performing market functions), this starts with an analysis of who is currently providing services in constraint areas. An understanding of incentives (a factor that makes an actor want to do something, or will) and capacities (the ability of an actor to perform a specific function or task, or skill) are key to understanding why current constraints are in place and market needs are not currently being met.

For each key constraint identified, consider which actor is currently providing the service, which actor is paying for the service and the status of service provision, falling into one of the following three general categories: Inadequate, Mismatched, or Absent. Draw on your market research, mapping exercise and strengths/constraints analysis to complete the following chart, which has been populated with our Kasanga example:

<table>
<thead>
<tr>
<th>Constraint Area</th>
<th>Who Does?</th>
<th>Who Pays?</th>
<th>Status (Inadequate, Mismatch, Absent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Working Capital</td>
<td>Commercial banks</td>
<td>SME aggregators</td>
<td>Inadequate</td>
</tr>
<tr>
<td>2. Domestic Market</td>
<td>SME aggregators</td>
<td>Domestic consumers</td>
<td>Inadequate</td>
</tr>
<tr>
<td>3. Extension Services</td>
<td>SME aggregators/input suppliers</td>
<td>SME aggregators</td>
<td>Inadequate</td>
</tr>
<tr>
<td>4. Coordination</td>
<td>SME aggregators</td>
<td>SME aggregators</td>
<td>Inadequate</td>
</tr>
<tr>
<td>5. Input Suppliers</td>
<td>SME input/technology suppliers</td>
<td>SME aggregators</td>
<td>Inadequate</td>
</tr>
</tbody>
</table>
2. Frame solutions for identified constraints

Solutions are long-term, systemic changes to the market system that will address the prioritized constraints and capitalize on the strengths you have already identified. A solution statement is essentially a constraint phrased as a positive. For example, if the constraint is that “farmers lack access to quality inputs” the solution would be that “Farmers have consistent access to high quality inputs.” See below for a completed example based on the constraints we identified in Kasanga:

<table>
<thead>
<tr>
<th>Constraint</th>
<th>Solution</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Limited access to working capital at the SME level for upgrading/supply chain finance</td>
<td>SMEs have access to sufficient working capital for upgrading/supply chain finance</td>
</tr>
<tr>
<td>2. Limited awareness of domestic market opportunities by SMEs</td>
<td>SMEs are aware of and actively targeting domestic market opportunities.</td>
</tr>
<tr>
<td>3. Lack of appropriate business models for delivery of extension services to smallholder farmers</td>
<td>Relevant market actors employ appropriate business models for delivery of extension services to smallholder farmers</td>
</tr>
<tr>
<td>4. Limited coordination among smallholder farmer</td>
<td>Strong coordination among smallholder farmers</td>
</tr>
<tr>
<td>5. Use of poor-quality inputs by smallholder farmers</td>
<td>Smallholder farmers consistently utilize high quality inputs</td>
</tr>
</tbody>
</table>

As part of our ongoing gender analysis we should ensure we consider how constraints may affect men and women differently and identify solutions that help address existing gender-based constraints. For example, women-led SMEs in Kasanga (as well as many other countries) face increased barriers to accessing financing compared to men due to unique constraints such as negative perceptions by financial institutions of the skills and potential for scale of women-led businesses. Given these barriers, we need to ensure that our project includes solutions which will address these unique gender-based constraints, for example, increased awareness among financial institutions regarding gender bias in the financing process. Even if you do not place a specific focus on gender or WEE in your project, it is important to consider throughout the design process how men and women may face varying constraints and need different solutions (and corresponding interventions) based on existing gender-based constraints.
1. Limited access to working capital at the SME level for upgrading/supply chain finance for women-led SMEs in particular

<table>
<thead>
<tr>
<th>Constraint</th>
<th>Solution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limited access to working capital at the SME level for upgrading/supply chain finance for women-led SMEs in particular</td>
<td>SMEs, in particular women-led SMEs, have access to sufficient working capital for upgrading/supply chain finance</td>
</tr>
</tbody>
</table>

3. Employ will/skill analysis to identify appropriate actors to play key market roles

A useful tool to analyze the incentives and capacities of market actors being considered as future providers of services is Will/Skill analysis. Will = incentives and Skill = Capacities. The chart below from the Springfield Center summarizes the characteristics of actors with varying levels of will/skill and the impact of these characteristics on partnering decisions/intervention approaches.

Implementers typically work with actors that have either have a high level of skill, but lower level of will or a low level of skill and relatively high will. If actors have both low skill and low will they likely are not a good fit as a market actor as they have neither the incentives or capacity to play this market role. If actors have high skill and will then you should ask yourself why the actor is not providing these services currently – they may still be an appropriate provider of this solution, but
your interventions may be focused increasingly on addressing external obstacles preventing them from performing well.

Based on our analysis we can identify the actor which is most appropriate to implement each solution based on our will/skill analysis. Include any notes related to gender considerations if applicable, as in the example below:

<table>
<thead>
<tr>
<th>FUTURE PICTURE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Solution</strong></td>
</tr>
</tbody>
</table>
| 1. SMEs, particularly women-led SMEs, have access to sufficient working capital for upgrading/supply chain finance | Working Capital for Upgrading – PE investors  
Supply chain finance – Factoring companies | Both actors have mid level will and skill. There is risk aversion to agriculture and have not fully invested in skills and systems to appropriately manage.  
Perceived risk to financing women-led businesses specifically should be considered. |

4. **Understand the role of business models in transitioning market actors to new roles**

As noted above in our discussion of financial incentives, it is important to consider in your analysis of Will, the business model for providing the discussed solutions and ensure that there is a sustainable payment mechanism for the solution. For example, an input supplier may be well placed to provide information on good agricultural practices (GAP), but the provision of this service must fit into their business model and be profitable for the business to ensure sustainability. In this case, the provision of information on GAP could be built into the cost of the product as a value-added service or the cost could be covered by the business as they anticipate an increased volume of sales from repeat customers will cover the cost over time without adjusting the price.

The key questions to ask yourself when examining the business models of market actors are:

- Does the proposed market system role align with the business model for the proposed actor?
- How does the business model need to change to effectively play this role?

The question of business model alignment relates to will and skill; however, a more in-depth look at the business plan is helpful for confirming the player is appropriate. A review of the business model also helps us consider how taking on this role may benefit the overall business and any changes that will be needed.
Consider these questions with regards to each of the areas of the business model canvas presented previously:

<table>
<thead>
<tr>
<th>Key Partners</th>
<th>Key Activities</th>
<th>Value Propositions</th>
<th>Customer Relationships</th>
<th>Customer Segments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Key Resources</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cost Structure</th>
<th>Revenue Streams</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

5. **Identify appropriate short-term interventions aligned to facilitate desired market change**

Types of support/interventions should be guided by Will/Skill analysis. As summarized in the following diagram from the Springfield Center, if the market actor has high will but low skill, activities will likely focus increasingly on training and capacity building activities to fill the skill gap and enable the partner to operate outside their current comfort zone. If the actor has high skill but low will, activities should be focused on decreasing the risk involved in the change through demonstration or cost-sharing activities. For high skill and will, activities should focus on addressing external obstacles that may be preventing the actor from providing the solution. In the case of mid-level skill and will, a combination of intervention types will likely be needed.
The win-win strategy tree is a helpful tool to assist practitioners in designing interventions that accomplish market systems development objectives as well as gender equality objectives. As you develop interventions, you also want to keep leverage points in mind. To generate the change you want to see, you may not always be working directly with the provider of services. Your end goal may be to provide improved advice on agricultural practices to farmers, but you can achieve this through working with a variety of different actors with different incentives.
The goal of MSD programming is creating change within the wider market system, meaning that interventions should be crafted to support the expansion of change throughout the system and adoption by other actors. You project may be structured using the Adopt, Adapt, Respond, Expand Framework summarized once again in the graphic below from the Springfield Center:

Activities in the early stages of the project will likely be focused in Adopt – this is where you are working directly with partners and helping them to Adopt a new practice. Once these practices have been securely adopted you can move into the Adapt phase, in which activities focus on supporting or encouraging the initial partner to continue to incorporate the change independently of direct project support. Once actors are beginning to implement a change on their own, you can shift into the crowding in phase, focused on encouraging additional actors to adopt the change. This begins with the Respond stage, where noncompeting actors adjust their practices and then finally the Expand stage where competing actors copy and then adjust their own practices.

Taking into consideration the information presented in this section around will-skill analysis, gender/WEE win-wins, leverage points and AARE, we can now develop a list of potential interventions as we have done below for access to finance:
<table>
<thead>
<tr>
<th>Phase</th>
<th>Interventions</th>
</tr>
</thead>
</table>
| **Adopt** | • Provide technical support to select PE fund and factoring company staff to adopt business model to lend to more effectively to the agricultural sector  
• Provide first loss guarantee fund for initial agriculture financing up to 1M USD (i.e.: first 1M in losses from financing would be covered by the project to decrease risk)  
• Link horticulture SMEs to financial institutions  
• Provide technical assistance (TA) to targeted SMEs to implement supply chain financing initiatives and identify appropriate capital investments in upgrades aligned with market opportunities  
• Use train the trainer model to provide financial management training to women SHFs via farmer groups |
| **Adapt** | • Support financing partners to continue making investments beyond coverage of first loss facility (monthly check-ins, lower level support)  
• Monitoring of # of investments in agriculture businesses post intensive TA provision and provide additional TA as needed  
• Monitoring ongoing implementation of supply chain finance approaches by SMEs and provide additional TA as needed |
| **Respond** | • Capture data on use of financing by partner SMEs (typical capital investments, supply chain financing models/software being used)  
• Partner with providers of technology, supply chain management software to offer their products to SMEs receiving financing and SHFs in their supply chains, leveraging increased available capital |
| **Expand** | • Co-host forum with partners to share lessons learned and best practices with other financial institutions and SMEs  
• Disseminate knowledge documents to other interested financial institutions and SMEs  
• Monitor and measure uptake by other financing institutions/SMEs  
• Capture changes in model and share with other market actors |
MODULE 10: Theory of Change and Causal Model Development
10.1 Introduction

A theory of change describes how interventions are supposed to work on a strategic level. This tool can be illustrated with a diagram and/or through a narrative description. It will often include a hypothesis statement, based on the market assessment work completed before the design phase. This encapsulates the research done and decisions taken in the previous stages of the project design cycle reviewed below:

A causal model illustrates the logical pathways showing the linkages between the sequence of steps in getting from activities (or interventions, such as those identified in the previous module) to results to impact. It defines the how, what, and why of the project in a sequential way.

Both tools synthesize market assessment information into helpful formats to guide and communicate project design, monitoring, and evaluation.
10.2 Learning Objectives
By the end of this module it is expected that you will be able to:

1. Define causal models and theories of change
2. Highlight the key elements of a causal model and theory of change
3. Verify and use a causal model in project implementation

10.3 What’s the Difference?
Below is an illustration that compares the two tools. On the left, a theory of change shows the big picture with all the possible pathways—messy and complex. On the right, a causal model shows only the pathways that the program deals with—neat and tidy. Both are useful!

Theory of Change vs. Causal Model

The theory of change provides insight into the complex social, economic, political, and institutional processes that underlie societal change. It also shows all the different pathways that might lead to change, even if those pathways are not related to your project. This is why many theories of change end up looking like pieces of artwork that take on a variety of shapes and forms.

Causal models, in comparison, present the intervention in a sequential way. Only components directly connected to the project are outlined, and the causal model shows clean connections between steps. The causal model is usually linear, meaning that all activities lead to outputs which lead to outcomes and, ultimately, the goal. There are no cyclical processes or feedback loops.
10.4 More on Theory of Change

A theory of change is inherent to the project design and is often based on the knowledge and experience of the project and other initiatives, research, evaluations, best practices and lessons learned. It is a chance to succinctly articulate fully the causal model, plus any assumptions and risks. It is also a chance to give life to your causal model - which is usually limited to a linear or table format – by showing how it fits within broader theories of how societal change might happen. The theory of change can be a narrative or even an illustration. It includes envisioning the end state of the project – what does the journey look like as you achieve desired change?

The theory of change is an explanation of the cause-and-effect relationships, or mechanisms of change, between the different results levels, and the assumptions on which these relationships depend. It links these assumptions on a path. The contributions of others can be detailed, and evidence justifying how the program has arrived at conclusions should be cited. Key external risks and contextual factors that could influence the achievement of results should be included as well.

Where applicable, one can explain the environmental sustainability and gender equality outcomes integrated throughout the theory of change, as well as the causal model.

A project’s theory of change will be revisited regularly during implementation, as the project and the context in which it is being delivered evolves. This is in keeping with the management for results principle of continuous adjustment: monitoring progress, comparing expected outcomes to actual outcomes, learning and adjusting as required.

Narrative example: A hypothesis statement is a part of a theory of change.

Often theories of change are accompanied by, or in the form of a hypothesis statement. This statement summarizes how we think change will happen, focusing on the target population, the anticipated change, and the conditions that need to be fulfilled in order for the change to take place. The hypothesis statement can also describe what risks are present and what assumptions are being made about how change happens and under what conditions. For our project in the horticultural sector in Kasanga, an example of a theory of change hypothesis statement could be:

Smallholder farmers, particularly women, can contribute in greater measure to Kasanga’s economy if farmers (women) have increased security of land use, including access to community land, and if women farmers consolidate supply and have greater access to markets, and if farmers produce quality horticulture products.

This outcome can be achieved if target groups are open to learning about practices enhancing current production capacities and community leaders and male family members allow female farmers to participate. Business entities have trouble bringing product to
market as weak infrastructure is common within the Kasanga context. While the project seeks to facilitate market access, roads are outside the bounds of the project and remain a risk. Another underlying assumption is that farmers have access to land: land tenure and a weak asset base should not inhibit farmers from investing in production. Finally, climatic conditions may disrupt production yields.

Diagram example: An illustrated diagram is a part of a theory of change

Theories of change can also be illustrated diagrammatically, including the same elements as the hypothesis:

- **Activities**
  - Host extension agent forum
  - Train women (GAP, climate-smart practices and processing, leadership, gender action learning)
  - Design mass media campaign
  - Farmers linked to technology suppliers
  - Promote savings and loan groups (SLGs) within cooperatives
  - Establish Innovation Fund for farmers
  - Connect SLGs to financial institutions

- **Capacity Change**
  - Improved skills of farmers applying GAP
  - Increased knowledge of on-farm processing activities
  - Increased access to processing equipment
  - Increased women’s capacity to participate in the household, community, and private sector

- **Behaviour Change**
  - Improved engagement in processing activities by smallholder agricultural farmers
  - Improved farm performance of agricultural enterprises
  - Increased adoption of time-saving technologies
  - Increased agency of smallholder farmers, particularly women and youth

- **Direct Benefits**
  - Increase in prosperity
  - More sales channel options
  - Increase in access to time-saving technologies
  - Increase in social capital
  - Increased recognition from household members, community, and private sector
  - Increase access to resources ($ and assets/tech)

- **Impact Goal**
  - Increased prosperity for male and female smallholder farmers living on under $1 a day operating in Kasanga in the agricultural sector

**Assumptions**

- **Reach Assumptions:** Women have access to quality land; Men are included and provide the needed support in the family and community;
- **Capacity change assumptions:** Trainings are understood; Women recognize the value of time-saving technologies; Horticulture sector has room for women to grow it
- **Behaviour change assumptions:** Aggregation leads to increased income for women; Horticulture prices are high enough for export; Social norms acceptance of increased mobility for women with increased income.

**Risks & External Factors**

- Changing climate and Deforestation
- Government policy
- Men buy into the project
- Border / trade / port policies and insecurities
- Women friendly financial services are accessible
- Product price fluctuations
10.5 Theory of Change: Step by Step Instructions

Theories of change can be created using the following steps:

1. **Define your impact goal.** As outlined in module 3, the goal of the project describes the impact on the target population that the project intends to achieve. While this will typically be poor sections of society, it is important for objectives to focus in some detail on a target group, as defined for instance by geography and economic activity. It should also set out exactly how the project will reduce poverty, for instance increasing incomes or extending access to a service. Best practice is to identify a single, clearly defined goal, rather than have multiple goals, which run the risk of making it less clear where priorities lie. This can also align with the impact statement in the causal model (see below).

2. **Identify opportunities to benefit the reach group.** This step identifies the areas with the greatest potential for the target population to benefit from changes in the market. Many market systems projects have traditional economic development goals such as boosting income or employment. However, market systems approaches have also been developed to improve provision of key services. For example, Farmers Economic Advancement Through Seedlings (FEATS) Project in Ghana focused on improving the commercial supply of high-quality tree seedlings. Information to inform the specific goals or strategies to benefit the target population is generated during the “middle” stage of market research, covered in Module 4 - Market Research. In this research phase, program designers collect data to expand their understanding of promising market systems, key constraints, and potential leverage points. After selecting (Module 6), mapping (Module 7) and analyzing the strengths and constraints of the market system (Module 8), possible solutions and interventions can be developed and organized into the following “Future Picture” table, found in Module 9 – Solutions and Interventions:
<table>
<thead>
<tr>
<th>Solution</th>
<th>Who Will Do?</th>
<th>Will/Skill Analysis</th>
<th>Business Model</th>
<th>Intervention</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. SMEs, particularly women-led SMEs, have access to sufficient working capital for upgrading/ supply chain finance</td>
<td>Working Capital for Upgrading – Private Equity (PE) investors</td>
<td>Both actors have mid level will and skill. There is risk aversion to agriculture and have not fully invested in skills and systems to appropriately manage. Perceived risk to financing women-led businesses specifically should be considered.</td>
<td>Could leverage existing relationships with investors/ financiers interested in the agriculture sector (customer relationships); will need to develop more relationships with Ag business partners, in particular women-led businesses (customer segments); will need to develop systems for managing risk/screening companies in ag (activities); training/hiring staff with an understanding of agricultural finance markets, barriers to financing for women-led SMEs (resources)</td>
<td>ADOPT - Provide technical support to select PE fund and factoring company staff to adopt business model to lend to more effectively to the agricultural sector - Provide first loss guarantee fund for initial agriculture financing up to 1M USD (i.e.: first 1M in losses from financing would be covered by the project to decrease risk) - Link horticulture SMEs to financial institutions - Provide technical assistance (TA) to targeted SMEs to implement supply chain financing initiatives and identify appropriate capital investments in upgrades aligned with market opportunities - Use train the trainer model to provide financial management training to women SHFs via farmer groups</td>
</tr>
</tbody>
</table>
3. **Document how changing the market system will create these opportunities.**
This step sets out what changes are needed in the system for the target population to access opportunities, such as the diffusion of new technologies or a new business model. An essential element of this is researching and analysing existing market structures and patterns of change to understand what is not working and how it can be addressed. It is also important that this analysis include talking directly to market actors and smallholder farmers, who have first-hand knowledge of or experience with market constraints, and who can offer local insight to possible solutions. Similar to the previous step, this information is generated in the “middle,” as well as the “late” phase of market research (Module 4) which focuses on testing potential intervention models (solutions) with target populations. It is further refined through the strengths/constraints analysis, which identifies entry points or possible solutions to address market challenges/constraints. Using this information, the theory of change should clearly articulate how the chosen solutions will actually allow the target population to access opportunities.

4. **Set out assumptions and contextual factors.** Setting assumptions out explicitly in the theory of change is important for monitoring purposes and provides an initial credibility check for the project. Assumptions include how different interventions will lead to systemic change and how external factors and the wider context may facilitate or constrain this.

Some types of assumptions in a theory of change:

- **Reach assumptions** are events and conditions needed to occur if the outputs delivered are to reach and be positively received by the reach groups. These could include such things as that the delivery of outputs reaches the intended audience and the outputs are acceptable and worth considering. Is the reach group the “right group”? For example, if a business development project is targeting small business owners with no extra cash to access business development services (BDS) the business owner may not in fact be able to access these services.

- **Capacity change assumptions** are those events that need to occur and the conditions that need to change if the outputs that reach the target populations are to result in changes in their knowledge, attitudes, skills, aspirations, and opportunities. These could include such things as the outputs being understood, realistic, culturally acceptable, seen as useful for the reach group, and so on.

- **Behaviour change assumptions** are the events and conditions needed to occur if the changes in the capacities of the target groups are to result in actual changes in their practices. These could include such things as financial capacity to make the practice changes, acceptance by others (such as peers, social, cultural and religious leaders, family) to make the changes, the practice changes shown to be useful, the policy or natural environment allowing the practices to be adopted, access to needed assets and supplies, and so on.
5. **Define areas of intervention.** Here you can describe the intervention in more detail, based on the hypotheses already developed. This does not mean specifying a detailed activity plan, but rather setting out the modalities of the intervention that will lead to changes in the system. This could include the kinds of partnerships, women sales agents, matching grants, financing models, collaborations that will be undertaken, forms of technical assistance, or other tools and processes that the team will use to work with market actors.

### 10.6 More on Causal Model

A causal model is a common tool used in development projects to illustrate how project activities or interventions are expected to lead to outcomes and long-term impacts. Results chain, logical framework, log frame, and logic model are all synonyms of the causal model. Each donor may have different lingo, but essentially, they mean the same thing: the logical chain of results with a cause-and-effect relationship between the different levels of those results. This is underpinned by an approach to manage development for results (as opposed to activities).

A causal model is a tool used to summarize the full project design in one consolidated table, usually on one page. It uses cause-and-effect logic to describe its behaviour. Once developed, a causal model will serve four main purposes:

1. **Establish a clear vision of how objectives are to be achieved by summarizing the causal flow or cause-and-effect relationships between interventions and the results of those interventions.**

2. **Offer the design team a simple way of reassessing project feasibility and logic and finalizing the design.**

3. **Provide the implementation team with a tool they can use to regularly assess performance and adjust as the project is implemented.**

4. **Serve as the basis for the project monitoring and evaluation system.**

---

**Tip!** Developing a causal model for a market systems project can be a fun but sometimes messy process. When you do this with a full design team, there is sometimes a need to map out the project using flip charts and sticky notes first so that people can agree on how all of the aspects of the project fit together. Moving the pieces around and rethinking the connections is a natural step in the process. So, plan to have a series of meetings where you do this together. Or, if you are not all in the same location, have one team member develop a first draft and then share it with the others to discuss.
The causal model can **communicate the intentions of the project** to a wide range of stakeholders, including donors, internal audiences, partners, and project participants. As a project management tool, the causal model allows managers and staff to be more explicit about how they see their actions contributing to changes in the knowledge, attitudes, behaviors, and performance of market actors and to the overall performance of the market system.

<table>
<thead>
<tr>
<th>Change in state, conditions, or wellbeing of direct clients</th>
<th>Timeframe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safety</td>
<td>WHY are we doing this?</td>
</tr>
<tr>
<td>Prosperity</td>
<td>- What changes in state, conditions, or wellbeing will the clients or system receive?</td>
</tr>
<tr>
<td>Empowerment</td>
<td>- Usually occurs after the end of the project</td>
</tr>
<tr>
<td>Health</td>
<td>- Should still be measured during the project, as changes may occur earlier</td>
</tr>
<tr>
<td>Economic Contribution</td>
<td></td>
</tr>
<tr>
<td>Security</td>
<td></td>
</tr>
<tr>
<td>Living Conditions</td>
<td></td>
</tr>
<tr>
<td>Enjoyment of Human Rights</td>
<td></td>
</tr>
<tr>
<td>Human Dignity</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Change in behavior, practice, or performance of intermediaries or clients</th>
<th>Timeframe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Performance</td>
<td>WHAT changes in behaviour, practice, or performance with the clients experience?</td>
</tr>
<tr>
<td>Effectiveness</td>
<td>- Usually expected to occur by the end of the project</td>
</tr>
<tr>
<td>Practice</td>
<td></td>
</tr>
<tr>
<td>Social action</td>
<td></td>
</tr>
<tr>
<td>Viability</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Change in capacities of intermediaries or direct clients</th>
<th>Timeframe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge</td>
<td>WHAT changes in capacity will clients experience?</td>
</tr>
<tr>
<td>Willingness</td>
<td>- Achieved during implementation</td>
</tr>
<tr>
<td>Aspirations</td>
<td></td>
</tr>
<tr>
<td>Skills</td>
<td></td>
</tr>
<tr>
<td>Processes</td>
<td></td>
</tr>
<tr>
<td>Attitudes</td>
<td></td>
</tr>
<tr>
<td>Opinions</td>
<td></td>
</tr>
<tr>
<td>Motivations</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Products and services delivered by the Project</th>
<th>Timeframe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workshop facilitated</td>
<td>How will implementers work to achieve the above outcomes?</td>
</tr>
<tr>
<td>Business advice provided</td>
<td>- Completed during implementation according to work plans</td>
</tr>
<tr>
<td>Assessments conducted</td>
<td></td>
</tr>
<tr>
<td>Mentors provided</td>
<td></td>
</tr>
<tr>
<td>Research undertaken</td>
<td></td>
</tr>
<tr>
<td>Reports submitted</td>
<td></td>
</tr>
</tbody>
</table>

| Planned activities undertaken by the Project | |
|-----------------------------------------------| |
| Facilitate workshop | |
| Conduct assessments | |
| Develop report | |
| Provide business advice | |
| Provide training | |
| Undertake research | |
| Develop mentorship curriculum | |
10.7 Before the Causal Model

To begin the causal model development process, a project design team should have completed the preceding steps of the project design process, including market research (Module 4), gender analysis (Module 5), selection of the target market system (Module 6), mapping of the target market system (Module 7), identification of strength and constraints (Module 8) and development of viable solutions and interventions (Module 9). The project design team should also have identified risks to the success of market system interventions and begun to develop a plan to manage those risks (see Module 11 – Monitoring Impact Measurement for further details regarding risk management). Throughout these preceding steps of market systems design process, the project design team will have already developed most of the inputs and made most of the decisions required to construct the causal model. Specifically, much of the needed information can be drawn from the:

- Goal Statement (Module 3)
- Strengths Analysis Table (Module 8)
- Constraints Analysis Table and Constraints Tree/Systems Constraints Map (Module 8)
- Will/Skill Analysis (Module 9)
- Future Picture Table (Module 9)
- Risk Register (Module 11)

Some elements you will want to consider as you build your causal model includes:

- The overall project goal and purpose
- The nascent theory of change
- Stakeholder and client participation to encourage ownership
- Donor priorities and participation, as this usually guides the higher levels of your causal model.
- The linkages between project interventions and the changes these are expected to yield in support of the goal and purpose

10.8 Causal Model: Step by Step Instructions

1. **Organize your project design information**

   In developing causal models, project designers should focus on ensuring that the model is detailed, logical, and realistic and that the final product provides a clear summary of the
project. The components of your project can be divided in many ways, but in general, in market systems project design we include the following categories in the causal model:

- **Impact:** This is the “Why?” of your project. Impacts are the changes that emerge if the project has achieved its ultimate goal. Impact cannot be achieved by a project alone, many actors, including government, private sector, and others also work in concert to achieve the impact. It should describe a sustainable positive change in state, conditions, or well-being of target group.

- **Outcomes:** These are the effects at the target group level; describe how you want to improve the situation of the target group. Outcomes can sometimes be broken into two levels: intermediate and immediate outcomes.
  - **Intermediate outcomes** are changes in behavior, practice, or performance (increased income or productivity) that are required to lead to the impact. They are usually achieved by the end of the project, after the immediate outcomes (below) have been reached.
  - **Immediate outcomes** are the short-term changes you expect to see as a result of our interventions and outputs. These results are often preliminary changes in target group knowledge, attitudes, and practices—or “KAPs” – that indicate that the project is making progress.

- **Outputs:** Work performed, completed activities, and services delivered that describe what you do and who you reach. These are the things needed to achieve the immediate outcomes.

- **Activities or interventions.** These are actions taken or work performed through which inputs are mobilized to produce outputs.

2. **Draw your causal model**

With the definitions outlined in Step 1, project designers will use the following process to draw their causal models. It is recommended that this is a participatory activity using note cards.

- **Identify your project impact** (see Module 3 – Goal Statements). In this case, it is the improved prosperity of smallholder horticultural farmers in Kasanga.

  **Increased prosperity for male and female smallholder farmers living on under $1 a day operating in Kasanga in the horticultural sector.**
**Enter what you know.** Start by drawing boxes for the pieces of the model you have already clearly articulated:

**Define intermediate outcomes.** Once you have identified your impact and have sketched out your activities, **consider your intermediate outcomes.**

Ask yourself who (clients, intermediaries, or beneficiaries) needs to change their behaviour, practice or performance, and in what way, in order for the impact to take place. When determining your intermediate outcomes, consider:

- Supporting functions, rules and norms within the market system may need to be addressed in addition to client behaviour (e.g. enhanced trust of legal institutions, or improved agency of women to conduct business).
- Make sure you identify the assumptions you make about why these changes would lead to the ultimate outcome, as well as the risks that may prevent this from happening. Write them on sticky notes/note cards.
- Projects that fully integrate gender equality should include these results at the intermediate outcome level and below.

---

**Avoid tautologies in your causal model**

**Tautology** means saying the same thing with different words. In a causal model this often manifests as an outcome which summarizes the level below and does not describe a substantively different change.

The example below illustrates an ultimate outcome that summarizes the changes described in the intermediate outcomes but does not describe a substantively different change stemming from the intermediate outcomes.

**Impact:** Improved business performance of and access for women and youth in targeted sectors

**Intermediate outcomes:**
- Improved entrepreneurial and business acumen of women and youth in targeted sectors
- Reduced barriers to entry for enterprise development for women and youth

In this example, the impact is not at the right level—it is another intermediate outcome which summarized the two intermediate outcomes. This is incorrect and should be avoided.

A correct impact statement could be:
- Improved prosperity of women and youth in targeted sectors contributing to Kasanga’s economic growth
When prepared to do so, post your intermediate outcome sticky notes/note cards on a working surface (e.g. a wall) below the impact statement, and then place the assumptions and key risks near the outcomes to which they apply.

Examples of intermediate outcomes might include:

- Improved business performance of smallholder farmers as horticultural enterprises
- Improved engagement in processing activities by smallholder farmers (rather than selling only fresh horticultural produce)
- Increased agency of smallholder farmers, particularly women and youth

**Define immediate outcomes:** After you have identified your intermediate outcomes, consider the immediate outcomes and everything required to allow these immediate outcomes to occur. Ask yourself, what changes in capacity (such as skills, awareness, and knowledge, and sometimes access), on the part of whom (intermediaries, beneficiaries), are required to allow the changes in behaviour, practice or performance described at the intermediate outcome level to occur.

- Draft proposed outcomes statements for your immediate outcomes and write these on note cards/sticky notes.
- Identify any assumptions you make about why these changes would lead to the intermediate outcomes, as well as the risks that may prevent this from happening. Write these on note cards/sticky notes.
- Post each immediate outcome note on the working surface (e.g. a wall) below

**Tip!** In defining your anticipated outcomes, you will likely make numerous changes and adjustments. This is to be expected, and it is a crucial part of the process. It is helpful at this stage to keep the Future Picture Table, Constraint Tree, and Risk Register handy. You have already agreed on your outcomes through these documents. Now you just need to organize them.
the intermediate outcome statement to which it most logically contributes, and then place the assumptions or key risks near the outcomes to which they apply.

Examples of immediate outcomes might include:

- Improved access to extension agents for horticultural farmers
- Improved skills of farmers in applying Good Agricultural Practices for horticulture.
- Increased knowledge of on farm processing activities
- Increased motivation of farmers to engage in processing activities

Remember to draw on your gender analysis and integrate gender-based constraints within these outcomes.

- Define outputs. Now that you have competed the higher levels of the causal model, consider your activities that you have drawn out in step one from your intervention (Future Picture) table.
  - Select each activity, one at a time, and define the outputs expected to emerge as a direct result of your activities. Outputs tend to be quite tangible and numerous. For instance, if you plan to train smallholders, your output would be that smallholders have been trained. If you plan to facilitate market linkages by conducting seed fairs with multiple market actors, your output may be that the fairs have been held.
• Make sure you identify everything required to allow each immediate outcome to take place. Write each output and its associated activities on sticky notes/note cards.

• Write down any assumptions you make about why these outputs would lead to the immediate outcomes, as well as the risks that may prevent this from happening. Write them on sticky notes. This step is especially important as the activity is the direct intervention of the project and the output is the first assumed achievement of the activity. This is the first line of testing that projects will use in when monitoring and evaluating the impact of the project’s intervention (see Module 11 – Monitoring and Impact Measurement).

• Post each output and its associated activities on the working surface below the immediate outcome statement to which it most logically contributes, and then place the assumptions or key risks near the outputs to which they apply.

• Use your interventions table to fill out the activity level. You will need to draw a separate box for each activity and use arrows to show the relationship between them. Remember, these activities are testable hypotheses (see Module 9 – Solutions and Interventions).
3. Verify causal links and finalize causal model

Once you have developed causal pathways for each of your interventions, project designers should now take a step back and review the causal model overall. This process will help to ensure that the final model truly reflects the project the group has undertaken, and whether it is realistic and appropriate. Some important questions to ask at this stage include the following:

- Do different levels of outputs and outcomes lead to one another? Or will they be undertaken at the same time?
- Do all outputs and outcomes target the same actors? Or do they target different actors?
• Do the outputs and outcomes all aim to produce one specific change in the market system? Or are they aimed at different changes?

• Are the project goal and the purpose still aligned with your initial intention?

• Is the causal model thorough, logical, and realistic, showing as far as possible where, in what manner, and how much the selected interventions will create significant impact?

• Are the solutions tailored to the constraints?

• Do we have evidence from our design process to support the linkages all along the causal model?

• Are there certain external conditions that have not been considered and need to be added as an assumption or a risk?

• Can we effectively manage the project we are proposing?

Once the team feels it has sufficiently addressed these issues and made any necessary changes, you can move to the final step in project design.

4. Document your work. Having fully outlined the causal model, the last step in the design process is to formalize this in a way that it is understandable both to internal and to external stakeholders. To achieve this, project designers should develop a technical proposal for their project, along with a formal version of the causal model.

As previously noted, a causal model can take many forms and you may want to have slightly different—more and less detailed versions—for different audiences. Regardless of the level of detail, we recommend that projects use the template outlined above to organize their information and augment this with a clear, brief project narrative. It is also recommended that each of your versions are well labeled within your project’s knowledge system to retain your progress in creating different models for different audiences, or to update your iterations.

5. Adapting your causal model. Your causal model represents your current assumptions of how your activities lead to certain outputs, how these outputs lead to outcomes and how all of this can create impact. You have outlined assumptions at each level of what you understand needs to be true for each result to occur. As you implement your project, you will check these critical assumptions and evaluate if they hold true to give the intended result. For example, you may find that while female champions were identified and were able to train other female farmers on processing horticultural products like drying chillies, this did not lead to increased farmer activities in processing. You also conducted trainings on processing, yet still female farmers were unlikely to take up the activity.
Rather than continuing to offer the same training in new geographies, it is important to assess why this training did not lead to the intended outcome. You may learn from participants that while the training was helpful, and the champions were motivating, access to processing tools was limited, and as a result the farmers could not engage in processing activities. In this case, the causal model might be updated to include a new output of “female horticulture farmers linked to technology suppliers.” These activities lead to the same intermediate outcome. You can now test the combination of these outputs and whether they lead to the desired outcome.

Impact

Increased prosperity for male and female smallholder farmers living on under $1 a day operating in Kasanga in the agricultural sector

1100 Improved farm performance of agricultural enterprises

1200 Improved engagement in processing activities by smallholder agricultural farmers

1300 Increased agency of smallholder farmers, particularly women and youth

Immediate Outcomes

1110 Improved access to extension agents for agricultural farmers

1210 Increased knowledge of on-farm processing activities

1310 Increased community support on socio-economic empowerment for women and youth

1120 Improved skills of farmers in applying Good Agricultural Practices (GAP)

1220 Increased access to processing equipment

1320 Increased women’s capacity to participate in the household, community, and private sector

1130 Improved access to appropriate, inclusive financing products and services for farmers

1230 Increased motivation of farmers to engage in processing activities

1330 Increased women’s participation in family groups championed in the community

Outputs

1111 Extension agent forum held

1211 Demonstration visits conducted at farmers

1311 Gender action learning system provided to women, youth and community groups

1112 Mass media messages sent to farmers

1121 GAP training held for farmers

1221 Female farmers linked to processing technology suppliers

1122 Extension agents GAP visits conducted on farms

1222 Established Innovation Fund to farmers with climate smart technology

1131 Women and youth organized and trained in savings and loan groups (SLGs)

1223 New processors are visited by processing champions

1132 SLGs connected to formal financial institutions

1321 Model family groups championed in the community

1322 Host dialogues with partners on women’s rights and land tenure
10.9 Summary

Developing a causal model for a market systems project can be difficult and sometimes messy process. Moving the pieces around and rethinking the connections is a natural step in the process and aids in project design. With assumptions, interventions, outputs and goals articulated, design teams need to think critically about their expected results. Causal models need to express the logical pathways connecting the outcomes and other things, by describing the main changes you expect to result from the interventions over the course of the project. Connecting arrows show the relationship between each element on the model. Remember that this is a first attempt at understanding how your project intends to create impact. It is expected that you update this over time and shift things accordingly.

This module introduced Theories of Change and Causal Models as essential tools to guide and communicate project design, monitoring, and evaluation. These tools take the information gathered in the market research, gender analysis, and market mapping phases of project design, as well as the key decisions made during the selection, strengths and constraints, and solutions and interventions phases, and synthesize them into formats which enable the project team to clearly see how and which project activities will contribute to achieving the agreed-upon goal. Specifically, in this module we learned how to:

1. **Define theories of change and causal models**

The theory of change provides insight into the complex social, economic, political, and institutional processes that underlie societal change. It also shows all the different pathways that might lead to change, even if those pathways are not related to your project. This is why many theories of change end up looking like pieces of artwork that take on a variety of shapes and forms.

Causal models, in comparison, present the intervention in a sequential way. Only components directly connected to the project are outlined, and the causal model shows clean connections between steps. The causal model is usually linear, meaning that all activities lead to outputs which lead to outcomes and, ultimately, the goal. There are no cyclical processes or feedback loops.

2. **Highlight the key elements of a causal model**

In developing causal models, project designers should focus on ensuring that the model is detailed, logical, and realistic and that the final product provides a clear summary of the project. The components of your project can be divided in many ways, but in general, in market systems project design we include the following categories in the causal model:

- **Impact:** This is the “Why?” of your project. Impacts are the changes that emerge if the project has achieved its ultimate goal. Impact cannot be achieved by a project alone, many actors, including government, private sector, and others also work in concert to achieve the impact. It should describe a sustainable positive change in state, conditions, or well-being of target group.
- **Outcomes:** These are the effects at the target group level; describe how you want to improve the situation of the target group. Outcomes can sometimes be broken into two levels: intermediate and immediate outcomes.

  - **Intermediate outcomes** are changes in behavior, practice, or performance (increased income or productivity) that are required to lead to the impact. They are usually achieved by the end of the project, after the immediate outcomes (below) have been reached.

  - **Immediate outcomes** are the short-term changes you expect to see as a result of our interventions and outputs. These results are often preliminary changes in target group knowledge, attitudes, and practices—“KAPs”—that indicate that the project is making progress.

- **Outputs:** Work performed, completed activities, and services delivered that describe what you do and who you reach. These are the things needed to achieve the immediate outcomes.

- **Activities or interventions.** These are actions taken or work performed through which inputs are mobilized to produce outputs.
3. **Verify and use a causal model in project implementation**

Once you have developed causal pathways for each of your interventions (such as the example below for the horticulture sector in Kasanga), project designers should now take a step back and review the causal model overall. This process will help to ensure that the final model truly reflects the project the group has undertaken, and whether it is realistic and appropriate.
MODULE 11: Monitoring and Impact Measurement
11.1 Introduction

How does a business or market system development project stay on track? How do we know if they achieve success? For many businesses, sales volumes and staying liquid are a key signal that things are going well. However, there may be other ways to understand whether we are successful or not. Monitoring and impact measurement (MIM) allow business leaders and project managers to interpret how and why their work is affecting their profits, the planet, and people. Monitoring and impact measurement are integral parts of both business administration and market systems development.

Learning is another reason to focus on monitoring and impact measurement. We start off with assumptions at the beginning of a market systems development project, test them and learn more details about the project and the environment it is being implemented in. These learnings can then be incorporated into changes or improvements in project design, implementation or even direction. By engaging in this type of intentional and continuous learning, reflection and adaptation, you can ensure coordination with partners, remain grounded in a strong evidence base, and iteratively adapt your business or project to ensure it is actually working to achieve its goal. Thus, following the development of your causal model, the next step in the project lifecycle is to develop your MIM plan to ensure you are able to effectively monitor, measure and learn from your MSD project:
11.2 Learning Objectives

By the end of this module it is expected that you will:

1. Understand how to monitor and measure market systems development
2. Identify indicators and how they track progress
3. Build awareness of both quantitative and qualitative methods
4. Understand how to evaluate market systems development

11.3 What is Monitoring?

Monitoring generally refers to the continuous process of collecting and analyzing information on key indicators – or agreed upon indications or markers that the project is achieving what it was designed to achieve. This allows project teams to compare actual results with expected results, in order to measure how well a project, program or policy is being implemented. Often this also allows for more rapid identification and resolution of challenges, and the discovery and tracking of promising practices that could be replicated.

Results-based monitoring (RBM) provides feedback on what works and what does not. It allows project staff and other decision makers to track progress (or the lack thereof), and use the information in various ways to improve performance.29 It is called “results-based” because it goes beyond measuring what type and how many activities happened or not, to focus on the actual changes that took place as a result of the activities.

Performance indicators are the specific indicators or markers used to measure whether changes have taken place because of the project. They are normally attached to program outcomes, which

---

describe the immediate and intermediate changes that the project hopes to produce in order to move the market system towards a broader goal.

11.4 What is Impact Measurement?

Impact measurement is the process of trying to measure the short- and long-term changes that an intervention or project has had on people, organizations, or their physical, economic, political or social environments. Impact measurement allows project teams to understand whether the project produced the positive changes that it intended to produce. It can also be used to capture unforeseen or unhelpful outcomes of a project. Impact measurement strives to:

- identify program outcomes (whether positive or negative)
- determine the extent to which outcomes can be attributed to (or were caused by) the program
- provide an in-depth understanding of the various causal relationships and the mechanisms through which they operate

Impact measurement can include research, case studies, and internal and external evaluations.

In a market system, monitoring and impact measurement allows businesses to understand their customer segments, marketing, product differentiation, and sales that all support their triple bottom line for greater business value: profit, planet, and people.

**Monitoring:** when riding a bike, you are looking ahead, steering the handlebars and responding to current bumps and obstacles along the way, navigating around them and responding to potholes or slippery parts by slowing down or avoiding them. Smooth roads can be handled faster.

**Impact Measurement** is done when you’ve stepped down from the bike. You can look behind you and see how far you’ve come and what the twists and turns of the journey were.
11.5 Defining Indicators of Change

Indicators are a way to see how a project is performing – they show the state or level of progress of an intervention. They are often referred to as performance indicators and are composed of a unit of measure, a unit of analysis, and a context.

Indicators of change are used to track the extent to which a project is producing the changes anticipated in the causal model. At least two relevant indicators need to be defined for each level of the model, i.e. for outputs, intermediate outcomes, outcomes and impacts. A best practice is to use one quantitative and one qualitative indicator of change for each outcome statement, and one for each output. For example, if a project outcome is improved performance of horticultural enterprises, one of the indicators for that outcome might be the percentage by which yields have increased after activities such as trainings on good agricultural practices (GAP).

Systems-level indicators are indicators which signal change within the broader system within which the project operates. Systems-level indicators, for example, could include changes in monthly consumer prices for key commodities, which would be a sign that changes are occurring within the market system as a whole.

Indicators of change should be **SMART**. That is, they should be:

- **Specific.** The indicator measures only the design element (output, outcome) that it is intended to measure; is precisely formulated.

- **Measurable.** The indicator clearly states an idea that is measurable. It defines the measurement, such that two people would measure it in the same way.

- **Achievable.** The indicator is achievable if the target accurately specifies the amount or level of what is to be measured in order to meet the outcome. The indicator should be achievable both as a result of the project and as a measure of realism. The target attached to the indicator should be achievable.

- **Realistic and Relevant.** The indicator selected must be realistic in terms of the project ability to collect the data with the available resources. It should also be relevant to the type and level of change that is trying to measure.

- **Time-bound.** The indicator is attached to a time frame. The indicator should state when it will be measured.

Remember, indicators are like a piece of cake. To test if the cake is a good cake, you don’t need to eat the whole thing. Instead, you cut yourself a SMART piece and taste it. If it is good, you can infer that the rest of the cake is also pretty good. Similarly, we should not measure every facet of an outcome, but judiciously measure with select indicators.
<table>
<thead>
<tr>
<th><strong>Indicator</strong></th>
<th><strong>Unit of measure</strong></th>
<th><strong>Indicator definition</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Example:</strong></td>
<td>Percentage of women and youth enterprises</td>
<td>Of those women and youth entrepreneur clients, the percentage of those who have reported an increase in the sectoral profit that they received on an annual basis, in exchange for providing a good or service in food processing, tourism and or clean technology in the Jordan Valley.</td>
</tr>
<tr>
<td><strong>(disaggregated by sex, age range, sector, and location)</strong></td>
<td></td>
<td>Income = annual profit</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Profit: net income (revenue minus expenses)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Profits are those that are derived from the economic activities within the project sub-sectors</td>
</tr>
</tbody>
</table>

**The debate is over: we need both qualitative and quantitative indicators**

Qualitative and quantitative indicators are both necessary for successful monitoring and impact measurement of market systems. Quantitative data tells you what happened, when, and to whom. Qualitative data supplements this with insights from partners, clients, and staff, explaining how and why changes occur.\(^\text{30}\) Both types of indicators are needed to tell the full story.

- **Qualitative** indicators reflect perceptions, experiences, judgements or attitudes. These can include changes in sensitivity, satisfaction, influence, relevance, awareness, understanding, attitudes, quality, the perception of usefulness. Qualitative indicators can be quantified. For example:
  - % of business managers (f/m) who felt that they were completely or mostly able to participate in enterprise decision making

- **Quantitative** indicators are countable and are often represented as numbers or percentages. For example:
  - % of women-owned businesses represented in trade fairs

**Linking the causal model to indicators**

An indicator should measure specific dimensions of an outcome, such as access, quality, income, recognition, participation, etc. The indicator should also measure the same idea as that captured in the outcome, and nothing at a higher or lower level of the causal model.

Outcome indicators measure each element of the outcome statement. This may mean that two or three indicators may be required for each outcome statement. Where qualifiers are added to an indicator (such as appropriate, sustainable, equitable, or environmentally friendly), these need to be defined and measured.

Output indicators can measure different aspects of a product or service, stemming from project activities and delivered by the implementer to clients. For example, # of training sessions delivered, or the level of satisfaction (1-5 scale) of female and male training participants with the relevance of the training to their tasks.

Examples of Indicators
Some examples of other SMART indicators and what they measure include:

<table>
<thead>
<tr>
<th>Indicator example</th>
<th>What it measures</th>
<th>Other considerations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income of SME employees</td>
<td>Poverty reduction</td>
<td>This could be measured as an hourly rate or percent change from one year to another. The indicator definition would specify the type of income measured and cohort of SME employee being sampled.</td>
</tr>
<tr>
<td>Disaggregated by sex</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percent change in enterprise productivity</td>
<td>Enterprise competitiveness</td>
<td>The indicator definition should specify what type of production measures are used, such as MT/year of processed soybeans, for example. Then, the percent change would be calculated from year 1 and in subsequent years.</td>
</tr>
<tr>
<td>Disaggregated by sector</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Level of customer satisfaction with service</td>
<td>Supply services</td>
<td>The indicator definition should specify the scale, the specific customer segments and type(s) of service being considered, etc.</td>
</tr>
<tr>
<td>Disaggregated by sex</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The extent to which small entrepreneurs have adopted good agricultural processes</td>
<td>Behaviour change</td>
<td>The indicator definition would detail what specific behaviours might be included, perhaps use of improved seed, applying recommended fertilizer doses, practicing minimum tillage, intercropping, row planting and spacing.</td>
</tr>
<tr>
<td>Disaggregated by sex</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Indicator Tips and Tricks
- **Proper Disaggregation** of data is vitally important to the usefulness of the data collected. At a minimum, your project should collect sex disaggregated (female and male) data. Strive
to include gender sensitive indicators and methods within your MIM strategy. The MIM and gender equality teams should work together closely.

- **Neutrality Indicators** are neutral; they neither indicate a direction of change, nor embed a target. This comes next in the target setting, detailed in the next section.

- **Sentinel Indicators** are a type of proxy indicator used to measure aspects of a project or context that are particularly complex, and where direct measures might be difficult to develop. For example, income is difficult to measure directly, and a proxy indicator, such as production output or expenditure, can be used as a proxy.

- **Participatory Processes** should be used to develop performance indicators for your projects. Participants in this process could include members of the project team, partners, stakeholders, and the donor. Participatory processes help everyone involved in design, implementation, and MIM understand and contribute to how success is defined and measured.

- **Living Indicators** refers to the idea that once indicators have been set in the evaluation plan or framework, they should still be revisited, validated, and re-evaluated periodically to ensure that they are capturing the information that the project needs to capture. This can be done through a process facilitated by the project’s MIM team.
11.6 Monitor the Pace and Nature of Change

Data collection involves using tools to track performance related to an indicator on a regular basis. This is how projects monitor the pace and nature of change. Data is collected from individuals, households, or enterprises. Options for data collection depend on the specific research questions, the size and characteristics of the population, and the resources available.

Data Collection Methods

Choosing a data collection method depends on the type of indicator and the purpose of the information being gathered. Data collection methods can be informal and less structured, or more formal and more structured. Consider trade-offs of cost, time, and precision along with ways to triangulate the findings. Data triangulation is the use of a variety of data sources. Findings can be corroborated and any weaknesses in the data can be compensated for by the strengths of other data, thereby increasing the validity and reliability of the results. Data sources and methods should be identified and developed by the project with consensus amongst stakeholders and the MIM team.

Data Collection Methods

The following are methods to use to monitor the pace and nature of your market systems change. You may recall that a number of these methods are also used for conducting Market Research (see Module 4):

- **Surveys** – Surveys, or questionnaires, are a comprehensive way to learn about progress towards outcomes. A proportionate sample (using either quota or stratified sampling technique) is drawn to establish a baseline for each cohort as they register within the
project. Indicators are used to develop baseline survey questions. Follow-up surveys, usually on an annual frequency, are administered to a sample of participants from each cohort to measure change over time.

- **Spot surveys** – Spot surveys allow rapid responses on a business question, while still achieving a sufficient degree of rigor. In addition, spot surveys allow a project to verify program delivery activities and results. Drawing from the lean data approach, this method can allow a shift in mindset away from reporting and compliance and toward creating value for a company and its customers.31

- **Key Informant Interviews** – To produce qualitative evidence for all project outcomes, in-depth individual interviews are conducted with select stakeholders to substantiate survey findings. Interviewees have first-hand knowledge of the topic of interest. Interviews are loosely structured and rely on a list of issues to be discussed, in general stemming from the PMF. These interviews yield rich information about the project’s contribution in creating positive outcomes for its clients. Key informant interview (KII) guides are developed in advance of any research.

- **Focus Group Discussions** – Focus group discussions (FGDs) are group interviews, typically conducted with 8-10 people, and are designed to elicit both quantitative and qualitative data. FGDs consist of people whose reactions are studied to determine the reactions that can be expected from a larger population, especially for program intel and decision making and for performance indicator measurement. FGD data is used to validate survey findings, explore the ‘why’ and ‘how’ behind quantitative findings, and uncover additional, unexpected findings.

- **Stories of Change** – A tool for monitoring and evaluating project results, stories of change are particularly useful in capturing unanticipated results and provide information about positive and/or negative externalities. Stories of change systematically develops and categorizes the stories that clients experience and share as they work within a market system. Inspiring client stories of change will not only showcase project’s impact in terms of improving socio-economic conditions and position of clients but can also help in recruiting more clients for the project as a demonstration effect. Best practice includes closing the feedback loop and sharing the stories back with the clients, businesses, and communities from which the information was collected. Not only does this recognize their work, but it allows for reflection and learning.

- **Case studies** – Client case studies are longitudinal stories of change. They are collected on an ongoing basis (every 6 months ideally) for all levels of outcomes and can be collected from any client type, from the entrepreneur to the SME to enabling environment partners.

---

Because they serve to collect panel data on a subset of clients, client case studies help to collect lessons learned and stories of both positive and negative change. These cases include the details surrounding the contributing factors, and other unanticipated results, such as crowding in or copying by other market actors.

- **Gender Progress Markers** – Much of market systems work is focused on empowering women and men in more equitable ways in their lives and businesses. A participatory and actor-centred method for project management and evaluation of projects that aim for social change on gender aspects is outcome mapping. One way to outcome map with micro-indicators is through progress markers. Results are identified and measured by clients on the changes they see in behaviour, actions and relationships of those individuals, groups or organisations with whom the initiative is working directly and seeking to influence.

**Target Setting**

Defining targets means setting expectations for project performance by a fixed period of time. Targets will help determine realistic budgeting, allocation of resources, scope, and reach. Annual and life-of-project targets are both recommended. Sometimes, a project will include disaggregated targets if a customer segment, for example, women sales agents, need more representation within a sector.

Ideally, a baseline study will be conducted. This will allow you to establish realistic targets for each of the project’s indicators.

**Monitoring:** when riding a bike, you are looking ahead, steering the handlebars and responding to current bumps and obstacles along the way, navigating around them and responding to potholes or slippery parts by slowing down or avoiding them. Smooth roads can be handled faster.

**Tip!** Ensure the target specifies the same unit as the indicator.
Data Collection Principles

No amount of data or monitoring will lead to impact if it is not used to inform decision making and learning. There are several important considerations for data collection, which will be discussed in more detail in this section:

a. **Data collection capacity:** Is there a common understanding around the data being collected? Are these questions understood across cultures?

b. **Considering partners:** Although a market actor is willing to sign up for an intervention, sharing their business data can be a tall ask. Consider what you are asking of them and what information is directly relevant to the project.

c. **Cost of data collection:** Collecting data takes considerable human, financial and logistic resources. Ensuring that only essential data is collected will keep these costs down.

d. **Appropriate use of technology:** Principles for digital development can guide your data collection to ensure it is responsible, follows international privacy standards, helps decision making, is easy to understand, and is rigorous.

e. **Using different methods to triangulate findings:** For any result that you see, it is unwise to trust just one source of data to inform whether an outcome is being reached or not. Ensuring that your data is validated through multiple methods will make your data collection more robust.

Timing and Frequency of Data Collection

If information is to be used to its full potential, it must be collected at the right time. Business cycles move quickly and likewise, entrepreneurs need to leverage their market intelligence. Different indicators will have different timings for their collection. It is therefore important for data collection to be driven by the cycles that markets actors work within, rather than by donor needs. For instance:

1. For agricultural projects, data gathering should take place in accordance with the seasonal cycles.

2. Projects with businesses or other organisations that produce formal accounts should also take annual business and accounting cycles into consideration to reduce the burden of data gathering on partners.

3. It is also important to start data collection when sufficient time has passed for change to be recognisable in data provided by partners. This will avoid over-burdening partners with requests that do not provide usable information.
Data Collection Capacity

Data collectors, usually project or partner staff, need to be trained on data needs, methods, interviewing styles if applicable and have a common understanding of all questions and key ideas.

Best practice is to train one or more enumerators or facilitators than will be required to protect against attrition (losing research participants or project clients over time). The duration and

---

**Garbage in, garbage out: why consistency and specificity are important in data collection**

A monthly survey asked mango farmers, “Record the number of mangoes produced.” The intent of the question was to understand how many mangoes were produced and a subsequent question asked how many were sold. This would allow the project team to understand if there were any post harvest losses between the amount produced and sold. The questions were asked monthly to capture the fact that farmers could harvest their mangoes across 4 months in the harvest season.

**What happened?**

Some project staff estimated the number of mangoes produced by considering how many mangoes were on the trees on average, and by multiplying the number of trees. Other project staff estimated at one point in the season only, but it was unclear whether this was the number of mangos right before harvest, or a random data point. Because the farmers all harvested at different times, the data showed many months of the same/increasing production, without any way of disaggregating what the final production was.

<table>
<thead>
<tr>
<th># of Mangos produced</th>
<th>January</th>
<th>February</th>
<th>March</th>
<th>April</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farmer 1</td>
<td>10,000</td>
<td>100,000</td>
<td>10,000</td>
<td>0</td>
</tr>
<tr>
<td>Farmer 2</td>
<td>5,000</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Farmer 3</td>
<td>0</td>
<td>9,000</td>
<td>4,000</td>
<td>0</td>
</tr>
<tr>
<td>Farmer 4</td>
<td>6,000</td>
<td>7,500</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Farmer 5</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>6,000</td>
</tr>
</tbody>
</table>

**Solution**

The project team retrained staff to have a common understanding of the goal of the question. Rather than asking “the number of mangos produced” the team settled for “the number of mangos harvested” as local insight revealed that all harvesting on a farm usually occurred in the same month. They would compare this “harvest” number with the amount sold to understand any post-harvest losses.

**Pro Tip!** These considerations should be documented in the Indicator Definitions.
structure of the training will depend on the complexity and length of the data collection method. For example, web surveys may be very easy to orient staff towards, while biometric data collection may require more training. Each MIM strategy and project will have slightly different training needs depending on the MIM strategy; key topics include: project overview, core modules, interviewing skills, use of technology (i.e. tablets, cellphones, etc), and translation of key terms. Training sessions should include both role playing and piloting.

**Market Actor Data Collection**

Collecting data from market actors is important to both monitor the performance of an intervention and understand its impacts in the wider market system. Market systems projects will often consider sales data, profits, market share, expansion to new clients or product development cycles as indicators of how a market system intervention is performing.

This is equally important at the pilot stage of a project, when activities are scaling up and at the end of the project lifecycle. Data from initial findings can serve as a proof-of-concept to other businesses to encourage crowding in. However, information from market actors may be sensitive for them to disclose as it reflects heavily on their businesses, their target markets, operations, and competitive advantage. Market systems professionals will need to consider carefully:

1. The willingness of competing market actors to collaborate with the same project
2. The willingness of market actors to share information with others
3. The likelihood that market actors trust where the data is being stored and how it is being used
4. Whether the data being collected is essential to understanding the performance of the intervention
5. The frequency of data collection that is reasonable for both the partner and the intervention

Project staff will therefore need to explore partners’ willingness and ability to report on progress *before the intervention starts*. It will help when each party is clear and open about their expectations, what information they need, and if there are types of commercially sensitive information that will not be asked for or shared. While it is important that partners are confident that specified data will not be passed on, it is also essential that they know in advance if there is a plan to share other information (such as the results of a pilot) with their actual or potential competitors.

**Cost of Data Collection**

The cost of data collection for the project and its partners is another issue to be aware of. Different ways of keeping the cost down include:

1. Making sure the project monitoring team keeps track of all data being collected, and actively review how the same data might be used for different purposes
2. Making use, where possible, of secondary data that has been collected for other purposes (e.g. use of government statistics, or businesses’ sales data)

3. Considering the use of phone interviews in place of field visits

Including the results of these discussions in partnership agreements will provide a formal framework for information sharing and will be helpful to ensure a common understanding from the outset.

**Gender-transformative Measurement**

Applying feminist principles to measurement of market systems is important to consider. A project’s commitment to women’s rights, and to transforming unequal gender and power transformation, requires that we consider seriously how to track our contributions to these changes. This can be difficult for a couple reasons:

- Methodologically and politically, capturing changes in gender and power is never linear or straightforward. Balancing desire from the donor to report on social and gender norm change can be challenged within the short- or medium-term.

- Practice what you preach. Project proposal writers, implementers, and partners all need to be involved in the design of the MIM strategies, to understand the capacity requirements and challenge social norms that may exist.
Triangulating Your Results
If you are seeing results in one area, ask yourself “does this data make sense?” The best practice in data collection is to use three or more sources or types of information, or types of analysis to verify and substantiate an assessment. By combining multiple data sources, methods, analyses or theories, evaluators seek to overcome the bias that comes from single informants, single methods, or single theory studies.

For example, as part of your data collection for a project aiming to introduce nutritious foods in the marketplace, you notice that many of the businesses you are working with are recording higher profits in the sales data they are sending you. It is tempting to believe that this means that more product may be in the market because of increased sales.

However, before making this assumption, you need to see what’s in the market.

Upon visiting retail shops in the key geographies, you do not see the target businesses’ products on the shelves. When asking customers about it, they mention that they have never heard about the newly launched brands. There could be a couple of reasons for this:

- Maybe the foods were being bought up extremely quickly because demand was high
- Maybe the business had sold their product, but rather than a retailer, they had sold to an intermediary (distributor)
- Maybe the businesses did not fill in or send along correct data.

One way or another, you need to pull another data source to help triangulate your findings and understand what is happening in the market.

Hypothesis Thinking
Another way of thinking about this is through hypothesis thinking. When thinking about an intervention, the hypothesis in brief means: “does it work?” Does the intervention achieve the desired social impact? But, in addition to this, does it do this in the most efficient and effective way possible?

11.7 Market Metrics: What is the Wider Change?
As we consider the wider change beyond the intervention, we delve into how market metrics can help us measure changes in the system. Recall four of the elements of systemic change mentioned in Module 3 – Introduction to Market Systems. These should be considered as we measure the wider changes of the system.
1. **Scale.** Systemic changes influence and benefit many people who were not directly involved in the original intervention. These can be tracked with different indicators and through case studies.

- **An example from Kasanga:** If horticulture farmers beyond the project intervention are able to benefit from better access and availability of quality produce storage technology for better post-harvest processing and storage, this would demonstrate the wider effects of the project and how it was able to scale.
2. **Impact.** How does the project alleviate poverty and empower economically marginalized people? What wider impact, beyond income change, have project clients experienced in their businesses and lives, is an important question to consider.

- **An example from Kasanga:** Demonstrating impact would mean that the project contributed to an increase in income for the women smallholder farmers. Previous to the project (at baseline) women made on average USD $1 per day, and at the project close, they had doubled this, as well as increased the number of income sources from one to three.

3. **Sustainability.** Systemic changes continue to have impacts beyond the end of the project and are sustained without the need for further intervention. Measuring this in an ex-post evaluation after the project wraps up allows wider questions on sustainability to be posed. Market players can adapt so that benefits continue to accrue to poor people even as the market and the external environment changes.

- **An example from Kasanga:** Sustainability could be measured by revisiting the project clients after three years to see if they still benefit from access to financial services and multiple commercial market linkages.

4. **Business Case.** Market systems development is used to de-risk the testing of new and innovative ideas which the actors might see a business case for but are hesitant to introduce on their own. Measuring this can allow other actors to understand if successful innovations and new models can work for them, thus providing a demonstration effect.

- **An example from Kasanga:** Measuring the business case means exploring a cost benefit analysis of a particular business model. This could mean demonstrating the financial returns for an indigenous financial institution if they were to offer a green financial product to enterprises, for example a loan for a drip irrigation system.

The dynamic and unpredictable nature of market systems means that there is no roadmap for how to successfully facilitate improvements in the way they function. Collaborating, learning, and adapting are all approaches for a successful project.

The importance of depth of impact manifests in the numerous and varied ways that likewise can be measured with a diversity of methods and approaches. Examining change occurring at deeper, more structural levels of the system is important to understand the market system. However, there is still pressure from donors to focus on reporting impacts in the form of superficial changes, such as increased income or numbers of jobs.

Recall the AARE framework covered in Module 9 – Solutions and Interventions. When we consider these actions: adopt, adapt, respond, and expand, the following market metrics are useful to measure:
<table>
<thead>
<tr>
<th>Indicator example</th>
<th>What it measures</th>
<th>Other considerations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of enterprises copying behaviours of those in the program</td>
<td>Wider changes in the market system</td>
<td>This could be measured by looking at the wider circle of market players and beneficiaries and how they might replicate the behaviour of project clients, a result of improved incentives and environment created (at least partly) by the program. This is a type of imitation indicator.</td>
</tr>
<tr>
<td>Disaggregated by sex-of-leadership</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of repeat customers or repeat sales</td>
<td>Churn rate</td>
<td>This could be measured by the enterprise to understand their customer loyalty and satisfaction; or at the customer level to examine willingness to invest in products or services.</td>
</tr>
<tr>
<td></td>
<td>Access to the market and support services</td>
<td></td>
</tr>
<tr>
<td>Number of new customer segments, market segments, or products differentiated</td>
<td>Ability of enterprises to respond to the changing market; adaptability as a proxy for sustainability</td>
<td>This could be measured by talking to the enterprises themselves and reviewing their business model canvas, over a period</td>
</tr>
<tr>
<td>Level of customer awareness (or appreciation) of value addition by the businesses from which they buy</td>
<td>Customer awareness or appreciation</td>
<td>Before customers will pay for a product or service, they need to be aware of it. Understanding customer behaviours may first require tracking what their awareness or appreciation is for a product or service.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Consider using a Lickert Scale or a Net Promotor Score to quantify the level.</td>
</tr>
<tr>
<td>Number and type of actors participating in policy dialogue</td>
<td>Participation in policy change and advocacy</td>
<td>How is civil society engaging and contributing, who is being held accountable for policy objectives, how they enforce policies, and how they turn policies into regulation.</td>
</tr>
</tbody>
</table>
11.8 Adaptive Management

Being able to learn quickly and adapt to changing circumstances is integral to successful market systems approaches. Market systems consist of multiple actors with their own goals and points of view and your project will operate in complex, dynamic and unpredictable situations. In the early phases of a project, it is especially important to experiment and embrace trial and error. Given that market systems are composed of multiple actors, each with their own goals and points of view, it is that much more important to be attentive to market responses and nimble to change.

Your project’s early market research and detailed plans of implementation are vital to construct your project’s strategy but are constructed at the beginning of the project. They are unable to provide perfect information about what the project should do throughout its lifespan. The project must validate its assumptions by engaging with the market, and consistently integrate observations of the market into determining its activities. By acknowledging this uncertainty, the project can embrace a learning mentality to minimize the impact of mistakes and maximize its ability to respond to new information.
Failing small and quickly

Businesses often use a process called “lean start-up” which emphasizes investing minimally, learning quickly if something might work, and if it doesn’t, having the ability to quickly change course. For businesses, it is impractical to invest heavily in planning and launching a full-scale implementation from the start as they could be wasting their efforts on an endeavour that isn’t financially viable. For market systems projects, while the risk may not be bankruptcy, remaining committed to a certain plan of implementation is to risk entering the same costly “death spiral”: one can easily imagine a development project that discovers its interventions are not on the right track, but staff do not have the agency to recommend or implement changes. Unlike a start-up that depends on revenue, the MSD project will not die out when it makes wrong assumptions; instead, it will continue to waste money on interventions that do not produce valuable results. MSD practitioners should regularly revisit the project theory of change and causal model with monitoring and evaluation information in-hand in case a change or pivot is necessary. If this occurs regularly, project learnings, including experiences of failure, can be used to redirect efforts quickly and with less loss of time, energy, and resources.

Piloting new activities to validate the theory of change

One strategy to learn quickly whether an intervention works is by piloting it. Piloting refers to the process of testing an idea, intervention or entire project on a small scale before proceeding to implement the full version. Piloting can be especially important to validate parts or all of a theory of change. For example, a project may have a theory of change showing that:

a. Training female farmers on Good Agricultural Practices (GAPs) will
b. Improve the skills of female farmers in applying these GAPs to horticulture. This is turn will
c. Improve business performance of female smallholder farmers as horticulture enterprises
   and finally,
d. Improve the prosperity of female smallholder horticulture farmers in Kasanga.

If a project starts with a pilot approach, it will be able to adjust or pivot more easily to new information and challenges, and to do so before it commits too much time and resources to launching a full-scale plan that proves flawed. If the project or business were locked into a pre-determined approach from the start, it would be much more difficult to pivot or even to simply adapt as new trends or information emerge in the system.

Here’s a scenario: In the example of the GAPs training, upon completion of the training all trainees indicate a high degree of confidence in applying GAPs on their farms. However, upon the field visit of 10 participants, half have implemented GAPs and the others have not. Upon further probing, the field team discovers that many inputs are unavailable in certain geographic areas, making the implementation of GAPs very difficult for those farmers. As a result, the offering to different farmers must change (a segmented approach). Perhaps in certain geographic areas, the
project must place more emphasis to deliberately link to input providers to horticulture farmers or investigate why this link is not already apparent.

Another scenario: If after surveying the 10 participants, none of the farmers applied the GAPs following the training, perhaps different factors need to be considered before the activity is scaled across the project. Perhaps the GAPs training is inappropriate and other factors need to be
examined in the theory of change. Implementers may want to probe whether there are underlying gender issues leading to a lack of application. Or perhaps linkages to input suppliers are weak across all geographies. Another reason could be that the training was conducted in a season where it was too late to for farmers to apply GAPs; the indicator of checking in after one month may have been unreasonable.

In a final scenario, if all the 10 participants used GAPs following the training and there was a positive response, the project may consider scaling it to additional target members. Following the theory of change, the next test will determine whether these trainings improve business performance. Thus, the next set of indicators will need to test business performance and create appropriate indicators to quickly judge whether GAPs and any other factors are improving this outcome.

### Risky Business

Risk management is a continuous, proactive, and systematic process to understand, manage, and communicate risk across a business or organization. The process requires making strategic decisions that contribute to the achievement of a project’s outcomes.

**Working in market system involves some level of risk. How to manage it?**

A risk register is a tool in risk management and project management. It is used to identify potential risks in a project, sometimes to fulfill regulatory compliance but mostly to stay on top of potential issues that can derail intended outcomes. The risk register includes all information about each identified risk, such as the nature of that risk, level of risk, who owns it and what are the mitigation measures in place to respond to it.


For adaptive management to work, ensure your project invests in:

1. **Structure** that values learning, flexibility, and are open to risk and uncertainty
2. **Culture** that demonstrates strong analytical skills and confidence to make decisions quickly and logically
3. **Processes** that can adopt new tools and ways of working, in management, recruiting, communications, MIM, and finance.
This iterative learning produces projects that are nimbler in response to change. In sum, using adaptive management uses the following principles:

1. **Placing learning at the center of operating in a complex system:** iterative learning and observation guides activities through the life of the project, enabling it to respond to changes and trends and ensure that the intervention stays relevant. Some activities will work, others won’t.

2. **Integrating research, planning, and implementation:** rather than waiting until the end of the research phase to implement, implementation is guided by continuous observational research.

3. **Appropriate indicators to measure both short term and long-term change:** early monitoring of activities will look different than capturing market-level changes at later stages.

4. **Flexible, adaptive approaches that allow for pivots:** pivots are often necessary for projects to respond to market realities. Be ready to change strategies and activities rapidly.

5. **Beware undertaking too many pilots at once:** The nature of pilots is that they should be fast, project staff learn from them, and then they are either adapted, scaled, or scrapped. Running many complicated pilots simultaneously defeats the purpose of having a minimum viable product. Instead, stagger pilots, ensure the time frame to learn from pilots is kept reasonable for the level of activity and that a “decision date” is set at the beginning of the pilot. This will prevent the project from becoming “pilot heavy” with simultaneous pilots.
11.9 Why Evaluation?

Evaluation, or impact measurement, is the process of trying to find out what effect a project has actually had on people, organizations, or their external physical, economic, political or social environment. Systematically and objectively, evaluation strives:

- to identify program outcomes (whether positive or negative)
- to determine whether outcomes can be attributed to (was caused by) the program, and
- to provide an in-depth understanding of the various causal relationships and the mechanisms through which they operate.

Impact measurement can be used to prove that a project was accountable to its stakeholders and/or can be learning oriented (see graphic below), improving project design and programming by providing information to inform changes to a project’s approach.

**PROVING**

**Accountability**
- This is most commonly thought of as the need for those using funds to be held accountable to those who have provided those funds for achieving intended results.
- In a market systems programme, there are often other channels of accountability – for example from programme implementers to the governments of the countries in which they operate.

**External learning**
- A range of stakeholders that are not directly engaged in a programme are often keen to learn from its experience to inform their programming decisions and designs.
- External learning questions often relate to whether and in what context facilitation works for market system development; and whether and how market system development impacts on poverty.

**Internal learning**
- Evaluators often work alongside programme implementers to provide an independent perspective and sometimes more rigorous form of inquiry to help understand what is working (and what is not).
- This can play a useful role in contributing to strategic reviews of the programme and informing decisions on how to adapt a programme’s approach.

**IMPROVING**

How are evaluations conducted?

- **Understanding the theory of change**, and how it has been modified over time is a key task. Recall the four above elements of systemic change (scale, impact, sustainability, and business case) which can provide useful reference points that evaluations may incorporate.
An evaluation work plan, including research questions and an evaluation matrix, are
developed in advance with the participation of project stakeholders.

- **How field research is carried out.** There is a risk that baseline data may become obsolete if the focus or geographical coverage of an intervention shifts. The evaluation field research and tools should be informed by the research questions and evaluation matrix. Field research will include a variety of mixed methods, usually including surveys, interviews, observation, etc.

- **How evaluation results are used.** Formative evaluation (mid-term evaluations) findings provide timely information as a tool to the project adapt for continuous improvement. Summative (final evaluations) provide ex-post information for the design of future projects and policies and for accountability.

**Types of Evaluations**

Participatory designs may be helpful to engage a wide selection of market actors and to understand their views on the progress of the intervention as it is delivered. An insight from systems theory is that because people have different perspectives depending on where they are placed within the system, no single perspective is likely to provide an accurate assessment of how the system works or is changing, nor is any single perspective necessarily more correct than another one.

It is important therefore that the evaluation covers a wide range of perspectives, and also involves market actors and other stakeholders in defining the theory of change and the evaluation questions.

An evaluation can take the following shape within a project:

- **Formative Review** – A formative, or mid-term, review can be conducted in the middle of the project. The objective of the review is to determine efficacy and efficiency of project operations and performance and may include elements of utilization focused evaluation.32 The mid-term review can be in the form of a 1 or 2-day workshop along with other methodologies and can be led by an independent consultant.

---

• **Formative Evaluation** – A formative, or mid-term evaluation study is conducted internally to determine relevance, effectiveness, efficiency, and sustainability of the project. A mid-term evaluation is formative and will help to continuously improve the project design. The emphasis is on forming, shaping, and improving. It can make use of secondary and primary data and require a greater emphasis on the processes and changes in the market system (rules, incentives, relationships, behaviours, capacity, etc.). Evaluations that provide real-time information to facilitate adaptive management can help to contribute to improved project performance.

• **Summative Evaluation** – A summative evaluation looks back at a project and judges the overall merit, worth, and significance of a project. For a market systems project, it may evaluate the final impacts at the household or enterprise level.

### Other Impact Measurement Methodologies
Secondary data includes desk research, follow-up surveys, interviews, and data from relevant government departments and civil society organisations. Primary data is collected by conducting field visits, consumer games (see below), interviews, stories of change, and if necessary, surveys.

• **Technical Case** – These are focused on a programming component, such as the savings and loans groups or organic production by a segment of entrepreneurs. The objective of technical case studies is to learn from and evaluate often innovative or complex elements of the project.

• **Business Case** – Business cases document and demonstrate the market value of engagement in a sector or project. These cases typically feature actors from at least two levels of the supply chain, the before situation (i.e. the production or market need, or barrier to entry), the action they took with project support, and the result. Success factors or drivers may be derived from the case, as a demonstration case for others. Both quantitative and qualitative data is included, as well as forecasting future revenue and impact. Sections of the business case may include business drivers, financial metrics, assumptions, costs, benefits, risks, strategic options, opportunity costs, etc.

• **Consumer Price Game** – This method explores consumer awareness and willingness to pay for a commodity. The consumer price game was designed to try to understand how much value (and awareness) consumers place upon different commodities. Consumers were asked to make ten choices, or better phrased to perform ‘a series of choices’, between two differentiated products at varying price levels.
11.10 Evaluation in Market Systems

The implications of the key issues around evaluation can be summarised in a set of principles developed in a separate review of evidence for market systems projects. For evaluations to be rigorous and credible, they should:

1. Use the theory of change to inquire into specific areas of interest.

2. Capture the complex system changes which impact the target population.

3. Incorporate and build on the plurality of perspectives, experiences and values of beneficiaries and non-beneficiaries, with a particular focus on those living in poverty.

4. Capture change beyond what the project team or evaluators may have anticipated. By incorporating a wide range of perspectives (point 3), and a focus on the wider systems which affect people living in poverty (point 2), assessments will be better able to identify these unexpected impacts.

**Impact Measurement** is done when you’ve stepped down from the bike. You can look behind you and see how far you’ve come and what the twists and turns of the journey were.
11.11 Module Summary

This module outlined the importance of monitoring and impact measurement for market systems development projects. In particular, we learned about the key elements of a monitoring and impact measurement process, including the development of qualitative and quantitative key performance indicators which mark the progress (or not) that a project is making on its outputs and outcomes, as well as more complex changes in the market system. We also discussed how to collect data on the indicators that is both high quality and useful to the project team.

The process of defining and collecting data on indicators is an important aspect of adaptive management or the iterative design process, which allows new information and feedback on project design to inform continuous adaptations to a project’s approach and implementation. This in turn keeps the project aligned with its ultimate goals. An important preliminary stage in the iterative process is the piloting of a project, which allows projects to “fail fast and fail small,” and make the necessary changes before launching the full-scale version. Finally, evaluation was discussed as the process by which project teams measure and communicate what the actual impacts of the project were. Specifically, in this module we learned how to:

1. **Understand how to monitor and measure market systems development**

   Monitoring generally refers to the continuous process of collecting and analyzing information on key indicators – or agreed upon indications or markers that the project is achieving what it was designed to achieve. This allows project teams to compare actual results with expected results, in order to measure how well a project, program or policy is being implemented. Often this also allows for more rapid identification and resolution of challenges, and the discovery and tracking of promising practices that could be replicated.

   Impact measurement is the process of trying to measure the short- and long-term changes that an intervention or project has had on people, organizations, or their physical, economic, political or social environments. Impact measurement allows project teams to understand whether the project produced the positive changes that it intended to produce. It can also be used to capture unforeseen or unhelpful outcomes of a project. Impact measurement strives to:

   - identify program outcomes (whether positive or negative)
   - determine the extent to which outcomes can be attributed to (or were caused by) the program
   - provide an in-depth understanding of the various causal relationships and the mechanisms through which they operate

   Impact measurement can include research, case studies, and internal and external evaluations.
2. **Identify indicators and how they track progress**

An indicator should measure specific dimensions of an outcome, such as access, quality, income, recognition, participation, etc. The indicator should also measure the same idea as that captured in the outcome, and nothing at a higher or lower level of the causal model.

Outcome indicators measure each element of the outcome statement. This may mean that two or three indicators may be required for each outcome statement. Where qualifiers are added to an indicator (such as appropriate, sustainable, equitable, or environmentally friendly), these need to be defined and measured.

3. **Build awareness of both quantitative and qualitative methods**

**Qualitative** indicators reflect perceptions, experiences, judgements or attitudes. These can include changes in sensitivity, satisfaction, influence, relevance, awareness, understanding, attitudes, quality, the perception of usefulness. Qualitative indicators can be quantified. For example: % of business managers (f/m) who felt that they were completely or mostly able to participate in enterprise decision making.

**Quantitative** indicators are countable and are often represented as numbers or percentages. For example: % of women-owned businesses represented in trade fairs.

4. **Understand how to evaluate market systems development**

Evaluation, or impact measurement, is the process of trying to find out what effect a project has actually had on people, organizations, or their external physical, economic, political or social environment. Systematically and objectively, evaluation strives:

- to identify program outcomes (whether positive or negative)
- to determine whether outcomes can be attributed to (was caused by) the program, and
- to provide an in-depth understanding of the various causal relationships and the mechanisms through which they operate.

Impact measurement can be used to prove that a project was accountable to its stakeholders and/ or can be learning oriented, improving project design and programming by providing information to inform changes to a project’s approach.
MODULE 12: Implementation
12.1 Introduction

Stimulating market system change is a complex process, which requires flexible, consultative, and responsive management approaches. Management systems, recruitment and personnel capacity building must be consistent with the demands of this approach.

Practitioners should consider the most appropriate roles for core staff and subcontractors and apply adaptive management processes to ensure flexibility and ongoing learning. Budgeting, contracting and communications approaches as well as donor relationships and team culture will also be influenced as increased flexibility are required. Finally, as implementers play the role of facilitators rather than active interveners in the market, a different staff skillset and orientation is needed than in other approaches. The ability to influence, negotiate and communicate effectively as well as strong analytical skills are essential. Like management consultants, staff must have a strong understanding of the business models of their partners and the wider market context.

This chapter focuses on the following three key aspects of project implementation as they relate to MSD programming (largely adapted from the Springfield Center), followed by examples of practical tools and approaches:

- Developing organisational processes and procedures that are conducive to the market systems approach
- Ensuring staff are empowered to manage market systems interventions, including encouraging flexibility and innovation amongst staff as market conditions change
- Assembling project teams with the necessary skills and expertise
12.2 Learning Objectives
By the end of this module it is expected that you will be able to:

1. Identify the management systems needed to effectively implement an MSD approach
2. Establish operating conditions that are conducive to flexibility and innovation
3. Identify competencies and team composition needed for MSD initiatives
4. Describe practical tools/models for implementing MSD programming

12.3 Organizational Processes
This section will focus on developing organisational processes and procedures that are flexible and responsive to market system changes in the following 3 key areas:

1. Delivery models
2. Contracting and Financial systems
3. Visibility and communications

12.3.1 Delivery Models
Key categories of delivery models are as follows:

1. **In-house delivery**: interventions are executed by full-time project staff
2. **Sub-contracted delivery**: interventions are executed predominantly by sub-contracted implementation partners or co-facilitators. These may be local or other international non-profits, business associations, government agencies, or private sector companies. This approach may include cost-sharing with market actors to implement initiatives which benefit the market actor and further the project’s goals such as lead firm models (see section 12.6 for further details).

**In-house Delivery**
In-house delivery has been traditionally the most common model. This approach allows for building and retaining internal house expertise and experience in the market systems development approach, and in setting strategy and controlling interventions. The draw back to this approach, for larger projects in particular, is that it can mean high staff numbers and personnel costs. As staff are employed directly by the organization leading the initiative it also has the draw-back of increasing
employment in the NGO sector, rather than building the capacity of local market actors to continue this work long term. To help address this issue, project staff should work closely with market actors and intentionally build their capacity and ownership of activities, so they are well-positioned to continue to employ the models and strategies introduced after the project is over.

**Subcontracted Delivery**

Subcontracted delivery has the advantage of building on existing networks which can widen reach as well as build local capacity and embed services in organizations and companies that will continue to operate post-project. There are also challenges in this approach as relationship development, orienting, managing, and measuring sub-contractors responsible for delivering key parts of your project can also consume substantial time and resources.

When selecting potential sub-contractor partners ensure you assess the following factors:

- **The need to sub-contract:** do you have the capacity in-house to provide this service role or is there another actor better suited to this role?
- **Sub-contractor additionality:** what is the added value a sub-contractor brings (i.e.: outreach, local knowledge, expertise, continued market interaction)?
- **Sub-contractor capacity:** does the sub-contractor demonstrate the technical and managerial capacity for market system intervention? What level of support and oversight will you need to provide?
- **Sub-contractor credibility:** does the sub-contractor have credibility with market players? Does it have historical relationships with key market players that could undermine your project’s approach?

**Blended Approach**

In practice, projects tend to use a mix of in-house and subcontracts to complete different activities at different times. Initially, a project needs to establish effective systems and generate understanding of the context so it will tend to outsource smaller, more manageable tasks. As the project gains experience, momentum and a better understanding of the needs, incentives, and skills of market players, it is better able to outsource large elements of implementation. As market systems development requires flexibility and a deep understanding of market forces it is advisable to retain the overall strategy development and measurement/learning approach within the lead implementer.

**Adaptive Management, Experimentation and Learning**

Intervening through market players using a facilitation approach reduces the degree of control a project has over the achievement of outcomes and increases uncertainty. Given this uncertainty, as well as changing market contexts, flexible design and building in testing and learning processes are
key to effective implementation. Flexibility is particularly important when working with the private sector, as company priorities and timelines will not always align with project. In addition, if market conditions change or there is a challenge facing the company’s core business, it may need to shift focus or prioritize other activities to ensure business survival and continued profitability.

Traditionally, project managers in a variety of industries (starting with the technology sector) would utilize a Waterfall approach to implementation. As illustrated in the diagram below, this is a linear process with extensive planning activities taking place at the beginning of any new project or product design before moving into testing and implementation. The drawback of this approach is that if conditions change or assumptions are not accurate then this time intensive process must start from the beginning, representing significant wasted time and effort.

As described in Module 11, given these considerations, more flexible adaptive management approaches are increasingly appropriate for market systems programming. This approach focuses on learning quickly and adapting to changing circumstances drawing on lean start-up and Agile design and learning principles.

The term Agile comes from the technology sector and is an iterative and incremental process, breaking work down into smaller components which are then rapidly tested and improved upon over time. If the results of the first stage (or version) are successful then a new cycle begins, until the project is fully finished, otherwise the designer/implementer has to take one step back, understand what went wrong, and correct.
In the context of MSD programming, as illustrated in the diagram below, the process starts with an idea, turned into a testable design activity that is prototyped and experimented in the marketplace to understand market responses and adoption. Failure is expected in this process, so the intent is to fail quickly and fail small so that one does not spend time and effort following ideas that will not work. A key output of the process is to learn about the market from the market actors and then update one’s assumptions.

**Iterative Design Process**

1. Placing learning at the center of operating in a complex system; iterative learning and observation guides activities through the life of the project, enabling it to respond to changes and trends and ensure that the intervention stays relevant.

2. Integrating research, planning and implementation; rather than waiting until the end of the research phase to implement, implementation is guided by continuous observational research.

It is important to keep in mind throughout this cycle that our interventions have all been developed based on our assumptions – what we think we know about the market system and how it operates. These assumptions need to be continually tested and updated throughout the implementation process as they inform all of our interventions. If assumptions are false, our interventions will not create anticipated changes. Ensure that you are collecting data to inform your decisions and update your causal model and theory of change as needed based on your learnings.

**Learn:** *About* Market/Community

*From* Market/Community

*With* Market/Community
3. **Appropriate indicators to measure both short term and long term change;** early monitoring of activities will look different than capturing market-level changes at later stages.

4. **Flexible, adaptive approaches that allow for pivots;** pivots are often necessary for projects to respond to market realities.

5. **Beware undertaking too many pilots at once:** The nature of pilots is that they should be fast, project staff learn from them, and they are either adapted, scaled or scrapped. Running many complicated pilots simultaneously defeats the purpose of having a minimum viable product. Instead, stagger pilots, ensure the time frame to learn from pilots is kept reasonable for the level of activity and that a “decision date” is set at the beginning of the pilot. This will prevent the project from becoming “pilot heavy” with simultaneous pilots.
12.3.2 Financial Systems and Contracting

Budgetary and financial management systems designed to ensure accountability often lead projects to define, from the outset, detailed budget breakdowns, spending forecasts and reporting formats. Budgeting and forecasting in such a rigid and detailed manner is often not possible when you intervene through a range of market players, at their pace. Private sector actors in particular may not be familiar with the more rigorous reporting requirements of donor-funded projects. For grants and sub-contracts with small actors who may not have sophisticated reporting systems, consider performance-based contracts which provide funding based on deliverables and results and do not require detailed financial reports and receipts.

Try to balance the need for financial accountability with the need to avoid constraining intervention flexibility. Budgets may be developed at the start of a contract as a guide for implementation; however, you should be prepared to amend budgets based on actual spending trends and changes in market needs.

In developing budgets for MSD projects overall, bear in mind that market systems change is a human-resource intensive process. You add value through your intelligence, insight, advice, mentoring and mediation. Staff are therefore an essential intervention cost for any market systems development project and should be budgeted for adequately. Donors may push back, wanting to see more funding going directly to project clients so it is important to educate them on the needs of a facilitation approach.

Contracts with both donors and implementing partners should safeguard the need for flexibility in implementation and emphasize system-level outcomes and sustainability rather than detailed inputs and activities. Contracts must provide for:

- Operational flexibility – including the ability to reallocate resources over time. The specifics of interventions should not be defined in detail at the contracting stage as using an adaptive management approach, interventions will need to be tested and likely change during implementation as you learn more about market needs.
- Incremental expansion, at a pace determined by opportunities and the responsiveness and capacity of market players
- Regular review to assess and revise intervention strategies in light of results and market system dynamics (again drawing on adaptive management approaches)
- Longer than conventional project timeframes (typically five to seven years and multiple phases)
12.3.3 Visibility and Communications

As implementers play a facilitation role within markets, they may have minimal direct interaction with the target group as activities are completed by or benefits are delivered through other market players.

Returning to the graphic from the Springfield Center included in Module 3 (see above), if a project is working in System 2, providing support to agricultural input retailers to then provide information/advice to farmers, the primary interaction the farmers have is with the input retailers – they may not even be aware that a project is happening in support of this activity. As the project’s intention is to strengthen the long-term relationship between input retailers and farmers, it is not necessary for the farmers to be aware of the project and it is important that the direct relationship and interactions be between the retailers and farmers to ensure sustainability.

The benefits of maintaining a level of detachment from end clients as market facilitators may come into conflict with the interests of funders, government partners and your organization itself who also want to promote the work that is being done and ensure end clients know where this support is coming from. To address this issue, ensure the programmatic reasons for playing a more invisible role in the market are well understood by all stakeholders. In addition, consider developing a communications strategy for your project, with differentiated strategies for communicating targeted messages for different audiences. You may maintain a lower profile in direct client interactions at the farmer level, but develop case studies and client stories which illustrate impact that can be shared with external stakeholders and used to promote successful models and encourage market uptake.
12.4 Staff Empowerment

This section focuses on the extent to which staff are empowered and willing to manage market systems interventions, including encouraging flexibility and innovation amongst staff as market conditions change. The effectiveness of teamwork within the project is influenced by two key factors explored in further depth below:

a. the funder-implementer partnership, and

b. project team culture

12.4.1 Implementer-Funder Partnership

Managing flexible projects requires genuine partnership between funder and implementer, reflected in shared ownership of project outcomes and decision-making which includes the following key characteristics:

- **Patience**: Sustainability is rarely a quick win. It requires iterative interventions and longer timeframes. Being patient yet confident that sustainable results will emerge in time is risky for funders and implementers. Risks can be minimised when they are recognised and responsibility for their monitoring and mitigation is shared.

- **Planning**: build consensus and commitment to the project’s theory of change and its operational implications.

- **Implementation**: maintain a joint focus on the project objectives while recognising the need for flexible intervention approaches in pursuit of those objectives. If you are a funder you will need to give implementers space to innovate. If you are an implementer you will need to build your funder’s confidence in the decision-making processes shaping the project’s direction.

- **Measurement and communication**: share understanding of the change process and what is being measured; be open to learning lessons (positive and negative) in order to refine project implementation.

There will always be a tension between the practical realities of stimulating system-level change and the need to demonstrate tangible results in short timeframes. Realistic projections can help, but reconciling this tension is almost impossible unless implementers and funders work together closely and build an open, trusting relationship.

12.4.2 Project Team Culture

Given changing market conditions and needs, it is important to establish an operating environment that is conducive to staff working flexibly and entrepreneurially, with experimentation and learning
driving implementation choices, drawing on the adaptive management and Agile approaches described above.

Promoting this type of environment is easier said then done. With pressure to hit targets and meet deliverables it can be challenging to create space for experimentation and learning. It is thus important to intentionally build a project culture reinforcing these principles, reflected in a project’s ethos, leadership, and learning environment:

- **Ethos**: effective market systems development projects are characterised by demonstrable understanding of and commitment to the approach, its focus on sustainability and the facilitative role of project interventions. This ethos needs to be nurtured by management and supported by the project’s funder.

- **Leadership**: implementers need to establish a project culture and management systems capable of accommodating risk and flexibility. Leadership is the most critical factor in achieving this. Effective management entails encouraging experimentation and calculated
risk-taking. Teams need to be empowered to engage with diverse stakeholders and to employ a range of intervention tools and techniques. In parallel, management needs to develop the discipline of analytical rigour and critical thinking, accompanied by effective systems for measurement and learning.

- **Learning Culture:** As described above, given the uncertain and changing nature of markets, experimentation and learning are core to the implementation process. Learning is both an attitude and function. Employing an adaptive management approach with learning at its core will assist in creating a learning culture; however, it is important to intentionally cultivate this attitude and practice among staff. Features of a strong learning environment include:
  - **Inquisitive people:** staff at all levels ask questions about market systems and interventions, and share lessons about successes and failures in order to alter and adapt project activities to maximize impact
  - **Space for learning:** projects provide the time and opportunity (progress review, data triangulation) for all staff to reflect regularly on what they are doing, and build mentoring into the tasks of management
  - **Learning is captured and utilised:** staff are expected to capture and share lessons from interventions, and have the mechanisms to do so
  - **Learning as a management criteria:** staff should be assessed and incentivised on their capacity for learning and adaptability
  - **Learning is invested in:** allocation of time and financial resources in learning and exchange events and regular activities
  - **Celebrating Adaptation:** adaptation or stopping of interventions in response to market system signals should be expected and regarded as normal in a project with an effective learning culture based on adaptive management.

12.5 Team Competencies

The effectiveness of any market systems development project depends on its people. Finding, training and motivating the right people is vital to success.

In recruiting and establishing teams it is important to understand the key competencies needed across a market systems team. These key competencies are outlined in the graphic and described in further detail below. The core competencies are transferable across market systems, while sector-specific expertise is unique to selected focus sector (for example: rice, business development services, financial services). The sector-specific knowledge needs to be represented in some way in the core team but can be complemented by outsourcing or partnering with players with more specific technical knowledge. As illustrated below in the graphic from the Springfield Center, in
a multi-sector project (such as the one below working in 3 different market systems or sectors labelled A, B, and C) it is important to share learnings across systems, even if staff may have a primary focus system based on their technical expertise.

A note that these core competencies should be represented across the project team, but individual staff members may be more or less skilled in each of these areas:

- **Managing**: this is important at the overall project and intervention level. Market systems development projects are often organised around particular market systems (i.e.: primary education or fisheries) or specific supporting systems (i.e.: regulation or business development services). This structure requires ‘middle management’ leadership of each intervention, with the capacity to drive and focus the work of the intervention team.

- **Analyzing**: the ability to stand back from individual market players’ perspectives, look at the wider market system context and identify where intervention is required. Teams must add value to the process of market player consultation by identifying constraints and opportunities at the system-level. Specialist analytical skills are often called upon when taking account of more entrenched societal factors, such as gender, political economy, etc.

- **Facilitating**: market systems development is about learning about and with partners to support catalysing change that benefits the market actor while furthering development objectives. The ability to ‘facilitate’ that change process is an essential competency, made up of a number of attributes:
• **Customer/User Experience Focused:** In economic development-focused programming we aim to engage specific customer segments to encourage them to adopt new business perspectives and experiment with new products, services and business models. In order to do this, staff need to have a strong understanding of each market actor and their business model including incentives/capacities, value proposition and willingness to pay

• **Communicator:** facilitators constantly give and receive information. They must be adept communicators with a diversity of stakeholders and able to interpret information

• **Relationship builder:** improving relationships is central to market systems development. Facilitators must be skilled at bringing people together, changing perceptions and fostering trust. They should be effective mediators and resolvers of conflicts

• **Entrepreneur:** facilitators need to be entrepreneurial and credible to the private sector, including some business experience

• **Coach:** facilitation involves building capacity and confidence. This requires a capacity to assess needs, provide support and guide the change process without undermining ownership

• **Innovator:** innovation is a driver of market systems development. Facilitators must be creative and able to identify and stimulate new ideas in others. A good facilitator has enthusiasm for a continuous process of learning

• **Designing:** Technical skills in conducting market system analysis, identifying solutions and interventions (essentially the design process outlined in this course)

• **Measuring:** all team members need some level of capability in monitoring and impact measurement and, importantly, the willingness to be self-critical and open to learning

When looking for experienced personnel to grow existing teams or establish new ones, managers should focus on the core competencies required rather than technical expertise, particularly in projects targeting multiple market systems. A team with very focused technical experience in a specific system can actually be a hindrance to effectively analysing a system's constraints and introducing new solutions, as it can be challenging to see new ways of doing things when you’re extremely familiar with a sector.

### 12.6 Practical Tools and Models

There are a variety of implementation models that can be used to implement identified interventions (see Module 9). This section will highlight some of the models MEDA has found effective in implementing MSD programming. Please see Module 5 for additional details on applying these models and others with a focus on gender equality and social inclusion (GESI).
Smart Incentives

As introduced in Module 5, smart incentives are used to address a business problem or barrier in the market system that has been identified and requires a catalyst to create change. Smart incentives take a variety of forms. They can be financial, such as coupons or price discounts to allow clients to purchase services or commodities at a preferential rate. Incentives can also be provided in the form of services such as training. Smart incentives can be used in a variety of ways:

- to promote or incentivize specific behaviours, such as encouraging sale of products to a previously underserved market segment
- to overcome access barriers, such as limited availability of a particular commodity or product

Characteristics of smart incentives:

1. **Link market actors** – use incentives to build reciprocal market relationships between actors by stimulating market interaction.
2. **Transparent** – the client must see the incentive/discount, transaction and recognize its value
3. **Invisibility of funder** – implementors should not be market players, but rather facilitators to allow emergence of relationships, rules, and norms of market transactions
4. **Limited duration** – time bound
5. **Strategic** – should be used selectively and strategically to promote sustainable change along with other interventions, always promoting a sustainable solution with minimal market distortion
6. **Targeted** – gear toward those needing the incentive, i.e. most in need or most vulnerable. This reduces the risks of displacing non-discounted sales and promotes growth for target populations.

**Smart Incentives are NOT:**

1. Giving something for free (unsustainable and not market-driven)
2. Motivated only by end clients’ inability to pay (unsustainable)
3. Products/services that the target market can access on their own or would have been supplied regardless
4. Redeemed/used without market interaction/participation
5. Long-term or permanent (always built with exit or phasing out strategy)
Matching Grants

A matching grant is an example of a smart incentive. In a matching grant, the project contributes an amount of money that is matched by the grantee (in cash or in kind) allowing shared risk with private sector market actors. To avoid distorting the market, matching grants should be viewed as a one-off, or limited term activity and the matching amount and overall grant size should be aligned with the needs of the partner and market conditions. Grant programs should be designed with additionality in mind – funds should be used to support activities that the grantee would not be able or willing to do on their own without project support. This approach is most appropriate when a need for risk sharing is identified as a key driver based on our will/skill analysis in Module 9 (see below).

This approach is typically used to incentivize target businesses to contribute in one of the following ways:

1. Implementing a strategic business direction (business plan), OR
2. Carrying out a ‘project’ or initiative within the business model that will ultimately benefit the business and its clients
Key questions to consider when deciding whether or not a matching grant is appropriate are outlined below:

<table>
<thead>
<tr>
<th><strong>Business Environment</strong></th>
<th><strong>Management Capacity</strong></th>
<th><strong>Financial Capacity</strong></th>
<th><strong>Local context</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Are market actors receptive to a change in the Product/Market matrix (e.g.: new products/services and/or targeting new market segments)?</td>
<td>Does the project staff have the required manpower, or are they willing to add the required manpower and systems (including finance and risk management considerations) to manage a matching grant?</td>
<td>Is the business willing/able to provide a matching contribution to the initiative?</td>
<td>Will the implementer be able to issue a grant given the security and political environment (i.e. can the implementer visit businesses for project monitoring)?</td>
</tr>
<tr>
<td>Have you identified a sufficient number of businesses which have expressed interest to contribute to a matching grant aligned with project goals (as opposed to just a grant), i.e. does the business have the financial resources to contribute?</td>
<td>Do the market actors have the capacity to execute the initiative and meet reporting requirements for the matching grant?</td>
<td>Is the target business able to comply with financial reporting requirements based on donor requirements?</td>
<td>Does the implementer have confidence that the grant will reach target clients/businesses? (i.e. potential of money laundering, corruption, ability to track clients etc.)</td>
</tr>
<tr>
<td>Is the proposed matching grant size attractive to the intended businesses?</td>
<td></td>
<td>Does the target business currently have positive net equity (N/A for associations and NGOs) and positive gross revenue?</td>
<td></td>
</tr>
</tbody>
</table>

### Challenges and Tips for Matching Grant Programs

Depending on donor financial reporting requirements, on a practical level the process of financial reconciliation can be a challenge, particularly if managing a large number of grants where receipts and supporting documentation is required for all grant spending. If this is the case, ensure that you are staffing your finance department appropriately and consider staggering grant implementation periods to avoid overwhelming your team. Consider performance-based grants, particularly for smaller grants and when working in more informal markets where receipts may not be readily available. It is also advisable to invest in a strong grant screening process, paying particular attention to financial reporting systems for established businesses. Follow-up to ensure clarity on
reporting guidelines immediately following contract signing. Just because reporting requirements are included in contracts doesn’t mean that the grantee has reviewed these guidelines in depth and will automatically submit reports and provide the supporting documentation you need.

If grants are relatively small in size or you’re working with companies that are receiving grants from multiple projects, it can at times be challenging to get the company to focus on implementing activities falling under your project. To address this challenge, ensure that you are identifying partners committed to implementation and that activities align with the business needs of the company. Coordinate with other projects to ensure you aren’t supporting the same activities or concentrating funds in a small number of grantees. In addition, ensure application forms and templates are clear and work closely with businesses to develop their applications, including an initial meeting and site visits early on in the process to ensure alignment between business and project goals.

Matching grants should mainstream gender equality and social inclusion (GESI) as well as environmental sustainability (ES) activities; however, it can be challenging to motivate companies to focus on activities in these areas without a clear link to business performance. It is thus important work closely with recipients to identity and implement GESI and ES activities aligned with business needs (such as improved targeting of women as an important customer segment, recruiting and retaining male and female talent, and decreasing costs through using sustainable energy sources). Develop key performance indicators and other metrics which clearly demonstrate the link between GESI and ES and business performance and regularly review this impact data with grant recipients to ensure they see this linkage.

MEDA’s Gender Equality Mainstreaming (GEM) tool is one resource that can be used to assist in gender mainstreaming activities with businesses. This is a practical manual and toolkit for assessing gender equality, and identifying, implementing and measuring gender equality mainstreaming strategies within companies. The framework builds upon the environmental, social and governance (ESG) investment standard by mainstreaming gender across ESG criteria.

Designed for organizations seeking financial and impact returns through investing or providing support to companies, the manual is applicable to a wide range of investors (i.e: private equity funds, government donors, foundations) and capacity builders (i.e.: accelerators, technical assistance providers, NGOs). The ultimate aim of the framework is to transform companies to be more gender equitable while supporting business growth and impact.

**Lead Firm Approach**

The lead firm (LF) approach is an implementation model where activities are delivered through market actors who are also project clients, typically using a matching grant or cost-share model. LFs are defined as small, medium, or large firms that have forward or backward commercial linkages with a significant number of micro, small and medium enterprises including smallholder farmers. They include processors, exporters, traders, input companies, service providers, etc. that play a
critical role in moving their industry, and other market actors forward. LFs are the “market makers” for MSMEs that supply them with goods and services, meaning that the LFs depend on their supply chains to maintain their own competitive positions as value suppliers to their own customers. LFs and MSMEs ultimately need each other and derive mutual benefit - if they strengthen their respective competencies and capacities, they will be better able to respond to end-market opportunities and improve business performance.

In many value chain development projects, implementers will begin with the producers at the start of the value chain, organizing them into groups to be able to supply to private sector buyers and helping connect them to better market opportunities. In contrast, the LF approach uses LFs at the top of the value chain as the entry point for intervention, working with these to positively impact the MSMEs and smallholder farmers participating in their supply or distribution chain. This model lends itself to a market systems facilitation approach, working primarily through market actors to deliver benefits to end clients, in this case MSMEs.
This approach aligns closely with the 5 core principles discussed throughout this course. By co-opting established, successful companies, costs are reduced, mutually beneficial commercial relationships are exploited, scale is possible, and sustainability is enhanced. Together, the MSMEs, smallholder farmers and the businesses that serve them share the local knowledge, the reach and the creativity needed to make livelihood improvements that are mutually rewarding and scalable. LFs can be further leveraged as channels through which to sustainably deliver financial services, new technologies and new knowledge to the MSMEs and smallholders they serve. At the same time there is great opportunity to strengthen the competitiveness of LFs in ways that make them more effective market intermediaries for MSMEs and smallholder farmers.

It is important to note that the LF model is not appropriate in every context and depends on the goal of the overall project. In MEDA’s experience it has been most effective in contexts which include the following factors:
Returning to the example of Kasanga and the horticulture sector, the LF model may be appropriate to help reach project goals as there is growing demand for fresh fruits and vegetables, strong relationships between the aggregators and the farmers they work with; and mutual dependency as the main high value markets are European export markets and need to comply with strict production requirements for sale. Aggregators are well-positioned in this context to act as LFs as one method to deliver project benefits.
This model would not be appropriate, for example, in the cocoa sector in Ghana where the national Cocoa Board (COCOBOD) serves as the negotiating layer that protects farmers’ interest. Buyers cannot choose their suppliers, so there is no incentive for firms to invest in farmers that may or may not sell to them. Similarly, in contexts where markets are fragmented and there are not a sufficient number of private sector actors with these types of supply chain linkages, a more bottom up method of market systems development focused at the smallholder farmer or MSME level may be more appropriate.

**Guarantee Funds**

Guarantee Funds (GFs), are aimed at facilitating access to private sources of financing for targeted enterprises (such as micro, small and medium sized firms, or agriculture producers), and guaranteeing part of the loan granted by financial service providers (FSPs) to these firms. The GF reduce the FSPs’ risk and therefore encourages them to make loans to specific sectors or targeted businesses. However, the fund also specifies conditions under which it can be accessed, to ensure that financial institutions still screen potential clients with appropriate due diligence. For example, some funds cannot be accessed until the client has paid back a percentage of the principal, or unless the client has made regular payments for a specified period of time.

GFs vary in structure, but generally have conditions specifying target clients (e.g., youth-run businesses) and the terms under which financial institutions can access funds. The goal is for the fund not to be accessed: this means that the financial institutions are screening clients appropriately, despite the higher risk (real or perceived). Conditions for accessing a guarantee fund might be as follows: Financial institution ABC Bank lends to youth-run businesses in Kasanga. The fund would agree to cover a percentage of the Bank’s losses of principal on guaranteed loans up to a specified value. The fund would not be accessible until the client had already paid back for a number of consecutive months and would cover a percentage of the remaining principal.

MEDA has been involved in setting up and managing several guarantee funds, including in Ethiopia as part of the Ethiopians Driving Growth, Entrepreneurship, and Trade (EDGET) project focused on the rice and textile sectors. In this case, MEDA guarantees boosted bank financing to small enterprises such as rice processors, textile designers, and exporters, enabling them to create value and demand for rice and textiles that ultimately benefited rural farmers and weavers. Through this partnership, MEDA partner Bunna Bank provided multiple loans to 16 enterprises that previously had no access to finance. This resulted in the creation of 27 jobs and the launch of a new textile workshop.

The loans also spurred an extra purchase of inputs, raw rice and textiles from another 990 new rice farmers and weavers in rural locations, at a total value of about $273,000 CAD monthly. And to the bank’s astonishment, the repayment rate was as high as for loans to large companies, proving small rural businesses can be as creditworthy and bankable as their corporate customers and making the business case for Bunna to continue lending to these clients.
MEDA has also worked with investment funds to establish first loss guarantees, where the project contributes investment money which would be utilized first in the case of financial losses, before drawing on the contributions from other investors. As with the examples provided above, the first loss guarantee would be applied after a specified period of time, for example an initial investment period of 5 years, after which investors would continue to invest with their own funds, taking on the risk themselves. This might be an existing fund or a new fund, ideally managed by an experienced local or international firm.

Returning to our Kasanga example, a project might provide a first loss guarantee of $100,000 for an investment fund focused on supporting horticulture SMEs in Kasanga with an overall value of $1M (including the $100,000 project contribution) for a period of 5 years. In our case study, implementers have identified KP Funds Ltd. – a Kasanga-based firm that is experienced in investing in SMEs but is having trouble attracting investors for its new Kasanga Horticulture Investment Fund due to high levels of perceived risk in the agriculture sector. The first loss fund offered by the project could help KP Funds Ltd to reach the fund target of raising $1M in investment capital by attracting additional funders through decreasing financial risk.

If after 5 years, there were losses of $100,000 due to bad investments, this money would be drawn from the project contribution and the investors would maintain their entire $900,000 USD investment. If losses were $200,000, then $100,000 would be drawn from the first loss and $100,000 from the investors, for a remaining value of $800,000 for the investors.

In general, guarantee funds are designed to share risk between a project and financial institution or investment fund partners, who are putting their own funds at risk in order to reach out to populations that are not served by financial services or investment capital. If well-designed, the
services will eventually bring revenue and new clients/investee companies to market actors (as in the case of Bunna Bank in Ethiopia described above), but not without an element of risk up front. Guarantee funds are typically accompanied by other interventions, focused at addressing other constraints within the system limiting access to finance and affecting business performance by target groups to ensure that by the end of the project, financial institutions and investors continue to be sustainable sources of financing. The size of the guarantee fund should be determined in consultation with the partner based on the level of risk involved, financial need and the capital the partner is willing/able to contribute.

For additional information on value chain finance approaches and models, including guarantee funds, please see MEDA’s Agricultural Value Chain Finance course available on MEDA’s website.

12.7 Summary

This module focused on the following learning objectives:

1. Identify the management systems needed to effectively implement a Market Systems Approach

MSD practitioners require organisational processes and procedures that are flexible and responsive to market system changes in the following 3 key areas:

a. Implementation models – Consider the most appropriate roles for in-house delivery and subcontractors. Employ adaptive management approaches focused on learning quickly and adapting to changing circumstances drawing on lean start-up and Agile design and learning principles.

b. Contracting and financial systems – Try to balance the need for financial accountability with the need to avoid constraining intervention flexibility. Budgets may be developed at the start of a contract as a guide for implementation; however, you should be prepared to amend budgets based on actual spending trends and changes in market needs. Contracts with both donors and implementing partners should safeguard the need for flexibility in implementation and emphasize system-level outcomes and sustainability rather than detailed inputs and activities.

c. Visibility and communications – The benefits of maintaining a level of detachment from end clients as market facilitators, may come into conflict with the interests of funders, government partners and your organization itself who also want to promote the work that is being done and ensure end clients know where this support is coming from. To address this issue, ensure the programmatic reasons for playing a more invisible role in the market are well understood by all stakeholders. In addition, consider developing a communications strategy for your project, with differentiated strategies for communicating targeted messages to different audiences.
2. Establish operating conditions that are conducive to operational flexibility and innovation

Focus on the project-implementer relationship and the project team culture. Managing flexible projects requires genuine partnership between funder and implementer, reflected in shared ownership of project outcomes and decision-making which includes patience, planning, flexible implementation, shared understanding of measurement processes and lessons.

Given charging market conditions and needs, it is important to establish an operating environment that is conducive to staff working flexibly and entrepreneurially, with experimentation and learning driving implementation choices, drawing on adaptive management approaches. Promoting this type of environment is easier said then done. With pressure to hit targets and meet deliverables it can be challenging to create space for experimentation and learning. It is thus important to intentionally build a project culture reinforcing these principles, reflected in a project’s ethos, leadership, and learning environment.

3. Identify competencies and team composition needed for MSD initiatives

Core competencies include managing, analyzing, facilitating designing, and measuring. These skills are transferable across market systems, while sector-specific expertise is unique to selected focus sector (for example: rice, business development services, financial services). Sector-specific knowledge needs to be represented in some way in the core team but can be complemented by outsourcing or partnering with players with more specific technical knowledge.

4. Describe practical tools/models for implementing MSD programming

There are a variety of implementation models that can be used to implement identified interventions. Three examples used by MEDA in a number of programs include:

a. Smart Incentives – This is a set of tools used to address a business problem or barrier in the market system that has been identified and requires a catalyst to create change. Smart incentives take a variety of forms. They can be financial, such as coupons or price discounts to allow clients to purchase services or commodities at a preferential rate. Incentives can also be provided in the form of services such as training. A matching grant is an example of a smart incentive. In a matching grant, the project contributes an amount of money that is matched by the grantee (in cash or in kind) allowing shared risk with private sector market actors.

b. Lead Firm (LF) Approach – This is an implementation model where activities are delivered primarily through market actors who are also project clients, typically using a matching grant or cost-share model. LFs are defined as small, medium, or large firms that have forward or backward commercial linkages with a significant number of micro, small and medium enterprises including smallholder farmers. They include processors, exporters, traders, input companies, service providers, etc. that play a critical role in
moving their industry, and other market actors forward. LFs are the “market makers” for MSMEs that supply them with goods and services, meaning that the LFs depend on its supply chain to maintain their own competitive positions as value suppliers to their own customers.
c. **Guarantee Funds (GFs)** – This is a financial services tool aimed at facilitating access to private sources of financing for targeted enterprises and guaranteeing part of the loan granted by financial service providers (FSPs) to these firms. The GF reduce the FSPs’ risk and therefore encourages them to make loans to specific sectors or targeted businesses. However, the fund also specifies conditions under which it can be accessed, to ensure that financial institutions still screen potential clients with appropriate due diligence. GFs vary in structure, but generally have conditions specifying target clients (e.g., youth-run businesses) and the terms under which financial institutions can access funds. The goal is for the fund not to be accessed: this means that the financial institutions are screening clients appropriately, despite the higher risk (real or perceived). This approach may also be used with investment funds using a first loss guarantee structure, where the project contributes investment money which would be utilized first in the case of financial losses, before drawing on the contributions from other investors.
MODULE 13: Conclusion
13.1 Introduction

This is the final module of the Market Systems Project Design and Implementation Guide. To review, this course started by introducing the key elements of an MSD approach, followed by a detailed overview of the steps involved in designing and implementing effective MSD programming. Throughout the course we utilized the fictional case study of the country of Kasanga to illustrate key concepts related to MSD as well as offer course participants the opportunity to apply their knowledge to a concrete example. Participants were asked to take on the role of a fictional non-governmental organization called Economic Development Solutions which is designing and implementing an MSD project in Kasanga. This course provided a methodology and supporting tools intended to enable you to introduce MSD to your own work. Now that you have completed the course you should be able to:

- Explain key market systems concepts
- Apply the key steps involved in market systems project design while applying a gender lens
- Demonstrate an understanding of key principles of effective project implementation

This final module is intended to provide a high-level review of the key concepts covered throughout the course focused on the key learning objectives for the overall course listed above.

13.2 Learning Objectives

By the end of this module it is expected that you will:

1. Review key market systems concepts
2. Review the key steps involved in market systems project design while applying a gender lens
3. Review key principles of effective project implementation

13.3 Review of Key Market Systems Concepts

Market Systems Development

Market Systems Development (MSD) is an approach to economic development which recognizes that we are all dependent on markets for our livelihoods. People in developing and developed countries alike participate directly in economic activities as producers (farmers, business owners), employees (providers of labour) and consumers (of goods and services). Markets operating in an inclusive way offer people living in poverty the jobs, opportunities, goods, and services that they
need to increase their incomes. However, people living in poverty are often excluded from or face increased barriers to effectively engage in markets. Such barriers may include limited access to education/training, finance, land, support services and other resources needed to effectively engage in market activities.

In order to create positive, sustainable access to improved incomes, an MSD approach aims to facilitate changes in the way markets operate so that they work more effectively and sustainably for people living in poverty. MSD projects take a facilitation approach, working with actors that are already present in the market to take on roles which align with their own interests and incentives.

Gender Equity and Women’s Economic Empowerment

Gender equity is the process of being fair to women and men. To ensure fairness, strategies and measures must often be available to compensate for women’s historical and social disadvantages that prevent women and men from otherwise operating on a level playing field. As illustrated in the diagram below from the Robert Wood Johnson Foundation, in the image representing equality, all of the individuals are given the same bicycles but only the adult female figure is able to ride comfortably. In the image representing equity, each individual is given a different bicycle suited to their needs so that everyone is able to ride. Gender equity ultimately leads to equality. It does not mean that men and women become the same; only that access to opportunities is not dependent on, or constrained by their sex.33

---

The empowerment of women is essential to achieve gender equity. Women’s economic empowerment (WEE) refers to empowering women to access resources that allow them to participate fully in economic life across all sectors and to make decisions about these assets and the profits they realize from their activities. WEE is critical to the overall empowerment of women and leads to better-functioning market systems for all market actors. In other words, WEE contributes to a larger effort to achieve the goal of women’s empowerment and, ultimately, gender equality.

In order to increase gender equality, market actors and facilitators must deeply understand the gendered dynamics of a market system. This includes the current roles that women and men play in the market, at home and in the community, and the social and cultural norms that dictate their relationships. Once these dynamics are better understood, women and men can work together to identify constraints and opportunities for WEE, which benefits both women and men.

Key Elements of Market Systems

Enterprises, value chains and market systems are the building blocks of market systems development. To support the development of the overall market system, it is essential to understand how each level operates and how relevant market actors interact. Furthermore, women’s roles in market systems, and how gender norms and relations impact and are impacted by market systems, must be understood. An understanding of these concepts is important to ensure that MSD initiatives benefit both men and women from all social backgrounds and identities, and strategies can be developed to specifically increase the equitable engagement of women.

The graphic below summarizes these market system levels and key elements that should be taken into consideration at each level:
An enterprise is any entity engaged in economic activity, regardless of its registration status or legal form. Evidence suggests that small enterprises (SEs) contribute significantly to economic development, especially for women and youth. At the heart of each enterprise is its business model which describes the value an organization offers its customers and illustrates the capabilities and resources required to create, market and deliver this value and to generate profitable, sustainable revenue streams. The successful creation and application of the business model for enterprises, and their ability to adapt their model to the constraints and opportunities they face will determine the longevity of the enterprise. One way to visualize a business model is through a one-page business model canvas. Upgrading enterprise performance involves the upgrading operational efficiency through increasing productivity and lowering costs by and increasing market access through creating effective market links into current and new markets and improved products.

A value chain is defined as a network of firms that buy and sell to each other to supply a particular set of products or services to a particular group of final consumers. By considering a value chain, we can begin to understand how a set of actors interact through value chain relationships, for example, between input suppliers, producers and processors. Value chain relationships can be horizontal; or competing at the same level, or vertical, which means they are buying or selling with one another. A value chain is geared towards an end market, which includes the consumer trends and market opportunities that exist in the final destination for those goods and services.

A Market System is defined as the supporting ecosystem in which market actors conduct business transactions. Value chain transactions form the core of the overall market system as this is where transactions take place as a good, product or service moves from an input supplier to an end consumer. Supporting functions are defined as the range of context- and sector-specific functions that inform, support, and shape the quality of the core function and its ability to develop, learn, and grow. Rules are the norms and practices that govern and shape incentives, behavior and practice of the core and supporting functions. All markets are made up of individual businesses with their own business objectives and goals as articulated in their business models and accompanying business plans. These businesses operate at different levels of the value chain or may act as providers of supporting services in the wider market system.
Core Principles of Market Systems Development

In developing and implementing Market Systems Development Projects there are 5 key principles which should be considered throughout the design and implementation process summarized below:

1. **Scale** – When selecting an entry point for MSD work, it is important to consider scale. Projects that work directly with individual farmers, for example, are limited in the number of people that they can realistically impact, as they have a finite staff team size, budget and time period. By working with actors in other parts of the value chain or market system, there is much more potential to achieve scale through leveraging the outreach of these already existing actors.

2. **Impact** – While scale is important, it is essential that activities are carefully planned to ensure there is a meaningful impact on your target group. From a gender perspective, as women are often responsible for the majority of household responsibilities, it is also important to consider the impact that activities focused on increasing women’s economic engagement may have on increasing women’s labour burden. Activities should be designed in a way which consider household responsibilities and encourage sharing of household labour between men and women.

As MSD focuses on working with economically marginalized populations or otherwise excluded from equitable participation in markets, a focus on equity as a means to empowerment is an important aspect of maximizing impact. Whenever possible, market systems projects should seek to create more inclusive environments through which more economically marginalized individuals can empower themselves through enhanced market literacy and relationships to address power imbalances. Strong relationships that are based on trust and cooperation are essential for addressing marginalization, discrimination and power issues to promote strong, dynamic and inclusive market systems.
In order to achieve impact, we must ensure we are addressing the key constraints facing our target group and choosing the right partners that can help us to effectively address these constraints. Careful monitoring throughout the implementation process, and learning from project outcomes, is also essential to ensure we are achieving the impact we want to see and can adjust our strategy during implementation if we are not seeing the anticipated results (or seeing unintended negative results – such as a disproportionate increase in women’s labour burden). You should also consider strategies that enhance the capacity of market system actors to assess and address new constraints throughout and after the life of the project.

3. **Sustainability** – Sustainability refers to the capability of market systems to respond to changes and provide a means by which target clients can continue to see benefits, beyond the period of project interventions. While scale and impact are important considerations, in order for these benefits to be maintained, sustainability is a key consideration. Without thinking about sustainability, while you may create short term benefits during the course of your project, once your project is over the impact for that group is gone.

MSD considers sustainability in a number of ways. First, in determining where to intervene and what constraints to address, during the design process good MSD work seeks to identify underlying causes rather than symptoms. This requires a deep and multi-faceted understanding of the context. Secondly, improvements in the market system need to be tailored and market-based, with solutions offered by commercial businesses on a profitable basis to build a dynamic, efficient market system that endures beyond external support. Implementers should play a facilitation approach – providing client-centered support which meets the needs of partners and demonstrates the business case for providing these solutions long term. Partner selection should come out of an understanding of business models and the needs articulated by partners themselves who have specialized knowledge of the operating context and their own needs. Projects should also focus their work beyond targeted businesses, beyond a few buyers, and beyond a handful of service providers in order to foster competition and increase economic choice for all market actors.

4. **Business Case** – As MSD works within a market context, we must recognize that actors are driven by market realities. As noted above, when selecting market systems and partners, we must have an in-depth understanding of the business models of the actors involved and ensure that there is a business case for actors to provide services. However, MSD can and should be used to de-risk the testing of new and innovative ideas which the actors might see a business case for but are hesitant to introduce on their own. If successful, innovations and new models can then be transferred to others through activities which encourage market uptake and the demonstration effect. This is particularly important for economically marginalized populations who have limited access to capital and may be hesitant to adopt new ideas, technologies, etc. or pilot their own ideas without seeing clear demonstration of value from peers. Implementers must be careful to use a facilitation approach, ensuring that they are not directly providing services, but are instead acting to stimulate uptake by a long-term market actor.
In order to grow, project activities and interventions must be driven by end-market opportunities in each sector. These include local, national, and international markets. Both practitioners and market actors need to understand the different demands and criteria to compete in these markets, with activities, interventions, and initiatives developed accordingly. Markets are dynamic; market system actors must be equipped to identify and respond to trends and changes on an ongoing basis and continue to develop innovative solutions to market constraints.

5. **Feasibility** – When selecting where and how to intervene, you must consider whether it is feasible to do so. The decision around feasibility relates in part to the priorities and skills of your organization and donor, but more importantly it relates to the context in which your initiative will be implemented. Some market systems have more conducive operating environments that might make it more attractive for your organization to intervene. For example, if the government of Kasanga recently invested significant funds into the rice sector or introduced a new trade policy it might be increasingly appropriate to work in rice. In contrast, you might find that there are substantial barriers to intervening in a sector or you can’t overcome the key constraints identified in the project timeframe you may need to focus your project elsewhere.
13.4 Project Design Review

The key steps involved in developing and delivering a market systems development project are outlined below:

1. **Goal Development** – This step involves identifying and articulating an initial, high-level goal informed by the skills of the implementer, donor priorities and the development context that will guide program design. This goal can and should be refined throughout the research and design process and finalized during the causal model development stage.

2. **Initial Market Research/Analysis** – While market research should be conducted continually throughout the design process. A high level of research is conducted at the very beginning of the process to understand the market context and ensure the overall design process is informed by research.

3. **In-depth Gender Analysis** – Gender analysis (alongside considering cross-cutting themes such as environment) should be integrated throughout the design process. For projects with a stronger gender/WEE focus, a supplemental, increasingly in-depth gender analysis should be conducted. The module on gender and WEE included in this course provides additional background and tools for projects specifically focused on these areas.
4. **Market System Validation** – This is where the project designers select a particular market system for further analysis. The goal is to select a market system that best meets a set of core and supplemental criteria that are defined during this step. These criteria drive the selection process such that the market system chosen, and hence the project designed around it, will most effectively benefit the intended impact group.

5. **Market System Mapping** – Once a focus market system is selected, implementers map out the overall market system, including developing a business model canvas for key actors within the system, identifying the subsector and value chain actors as well as relevant supporting functions and rules. You may use overlays to help understand key elements of the interactions between market actors, including Gender, Access to Finance, Environment, Margins and production volumes.

6. **Strengths and Constraints** – Building on the market systems map, at this stage implementers continue to analyze the market research collected to articulate key strengths and constraints that can be leveraged (in the case of strengths) or need to be addressed (in the case of constraints) in order to make market systems operate more effectively for target populations.

7. **Solutions and Inventions** – At this stage we will start to build a picture of our intended future picture, articulating our vision for how we want the market system to operate in the future, who would be best placed to provide the solutions (based on an analysis of incentives and capacities or will/skill), who will pay and what short term interventions a development agency can we implement to help create this future picture.

8. **Causal Model Development** – This step is a chance to articulate your overall project design based on the goal, solutions and interventions identified throughout the design process. This includes an explanation of the cause-and-effect relationships between the different results levels, and the assumptions on which these relationships depend as well as key external risks and contextual factors that could influence the achievement of results.

9. **Monitoring and Impact Measurement (MIM)** – This stage in the design/implementation process involves identifying indicators and putting in place systems to track progress towards achieving project goals and collect information which can be used to improve performance and inform the design of future projects.

10. **Implementation** – At this stage, implementers must develop and put in place the appropriate organisational processes, procedures and team members needed to effectively implement an MSD project as well as adapt the implementation approach as needed based on ongoing monitoring and learning activities.

As you’ll note in the diagram – gender equality and social inclusion (GESI), environmental sustainability (ES), and market research are cross-cutting activities that should be integrated throughout the design process.
13.5 Review of Key Implementation Principles and Models

MSD practitioners require organisational processes and procedures that are flexible and responsive to market system changes in the following 3 key areas:

a. **Implementation models** – Consider the most appropriate roles for in-house delivery and subcontractors. Employ adaptive management approaches focused on learning quickly and adapting to changing circumstances drawing on lean start-up and Agile design and learning principles.

b. **Contracting and Financial systems** – Try to balance the need for financial accountability with the need to avoid constraining intervention flexibility. Budgets may be developed at the start of a contract as a guide for implementation; however, you should be prepared to amend budgets based on actual spending trends and changes in market needs. Contracts with both donors and implementing partners should safeguard the need for flexibility in implementation and emphasize system-level outcomes and sustainability rather than detailed inputs and activities.

c. **Visibility and communications** – The benefits of maintaining a level of detachment from end clients as market facilitators, may come into conflict with the interests of funders, government partners and your organization itself who also want to promote the work that is being done and ensure end clients know where this support is coming from. To address this issue, ensure the programmatic reasons for playing a more invisible role in the market are well understood by all stakeholders. In addition, consider developing a communications strategy for your project, with differentiated strategies for communicating targeted messages to different audiences.

There are a variety of implementation models that can be used to implement identified interventions. Three examples used by MEDA in a number of programs include:

a. **Smart Incentives** – This is a set of tools used to address a business problem or barrier in the market system that has been identified and requires a catalyst to create change. Smart incentives take a variety of forms. They can be financial, such as coupons or price discounts to allow clients to purchase services or commodities at a preferential rate. Incentives can also be provided in the form of services such as training. A matching grant is an example of a smart incentive. In a matching grant, the project contributes an amount of money that is matched by the grantee (in cash or in kind) allowing shared risk with private sector market actors.

b. **Lead Firm (LF) Approach** – This is an implementation model where activities are delivered primarily through market actors who are also project clients, typically using a matching grant or cost-share model. LFs are defined as small, medium, or large firms that have forward or backward commercial linkages with a significant number of micro, small and
medium enterprises including smallholder farmers. They include processors, exporters, traders, input companies, service providers, etc. that play a critical role in moving their industry, and other market actors forward. LFs are the “market makers” for MSMEs that supply them with goods and services, meaning that the LFs depend on its supply chain to maintain their own competitive positions as value suppliers to their own customers.

c. **Guarantee Funds (GFs)** – This is a financial services tool aimed at facilitating access to private sources of financing for targeted enterprises and guaranteeing part of the loan granted by financial service providers (FSPs) to these firms. The GF reduce the FSPs’ risk and therefore encourages them to make loans to specific sectors or targeted businesses. However, the fund also specifies conditions under which it can be accessed, to ensure that financial institutions still screen potential clients with appropriate due diligence. GFs vary in structure, but generally have conditions specifying target clients (e.g., youth-run businesses) and the terms under which financial institutions can access funds. The goal is for the fund not to be accessed: this means that the financial institutions are screening clients appropriately, despite the higher risk (real or perceived). This approach may also be used with investment funds using a first loss guarantee structure, where the project contributes investment money which would be utilized first in the case of financial losses, before drawing on the contributions from other investors.
13.6 Summary

This module focused on the following learning objectives:

1. Review key market systems concepts
2. Review the key steps involved in market systems project design while applying a gender lens
3. Review key principles of effective project implementation

You have now completed the Market Systems Project Design and Implementation Guide. We hope that this guide and the accompanying e-course have left you with a deeper understanding of market systems core concepts, design, and implementation principles. In addition, we hope that the course has provided you with the practical tools needed to adapt and implement this methodology in your own work. It is important to remember that the process is flexible, and the tools and steps presented can be customized to meet project goals. We hope that this course has demonstrated that market systems development is a powerful approach to impacting the lives of economically marginalized populations while driving private sector growth as well as increased gender equity and social inclusion in a sustainable manner.
Key Terms, References and Resources
Key Terms

Module 1 – Introduction

**Gender Equality** – The equal rights, responsibilities and opportunities of women and men and girls and boys.

**Gender Equity** – Fairness of treatment for men and women according to their respective needs.

**Market Systems Development** – An approach to economic development which recognizes that we are all dependent on markets for our livelihoods.

**Women’s economic empowerment (WEE)** – The process by which women increase their right to economic resources and power to make decisions that benefit themselves, their families and their communities. Women’s economic empowerment is a necessary prerequisite to achieving gender equality.

Module 2 – Understanding Market Systems

**Business Model** – Describes the value an organization offers its customers and illustrates the capabilities and resources required to create, market and deliver this value and to generate profitable, sustainable revenue streams.

**Cooperative** – An organizational structure that can be utilized by enterprises to jointly pursue economic activities. A cooperative is an autonomous association of individuals united to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.

**Customer segmentation** – The practice of dividing a customer base into groups of individuals that are similar in specific ways relevant to marketing, such as age, gender, interests and spending habits.

**End Market** – Where the final transaction takes place in a value chain. Typically, it 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.

**Enterprise** – Any entity engaged in a business activity (i.e.: earning revenue from selling products or services), regardless of its registration status or legal form.

**Market System** – The ecosystem in which market actors conduct business transactions. Value chain transactions form the core of the overall market system as this is where business transactions take place as a good, product or service moves along the value chain to an end consumer. Outside the core transactions taking place along the value chain, there are a variety of important supporting
functions and rules, performed by a variety of market players, that also are also needed for markets to operate effectively.

**Rules** – The norms and practices that govern and shape incentives, behavior and practice of individual enterprises, value chains and supporting functions.

**Social Enterprises** – Social mission driven organizations which apply market-based strategies to achieve a social purpose.

**Subsector** – The network of enterprises involved in the production of a particular product or service. While a value chain is focused on one specific end market, a subsector includes all of the actors involved in the buying/selling of a particular product or service to diverse end markets.

**Supporting functions** – The products and services which support the business functions of actors throughout a value chain. Essentially, supporting functions enable the core product/service delivery to take place and act as transition mechanisms for rules to be effective.

**Value Chain** – The full range of activities required to bring a product or service from conception (an idea) through the various stages of production and delivery to a final consumer. It consists of a network of companies that buy and sell to each other in order to supply a particular set of products or services to a particular group of final consumers.

**Value Chain Relationships** – The relationships and interactions between value chain actors. This includes buying and selling as well as other support services such as the transfer of information, product designs, credit, technology, or other support products and services either embedded into the transaction cost or offered for a separate fee. These relationships happen both horizontally (actors at the same level in the value chain) or vertically (actors at different levels in the value chain).

**Module 3 – Introduction to Market Systems Development, Project Design and Goal Statements**

**Business Case** – Understanding market realities and the business models of actors involved to ensure we are supporting entering into profitable (and thus sustainable) markets.

**Facilitation approach** – An implementation approach that seeks to catalyse others within the market system to bring about system level changes through temporary activities or interventions.

**Feasibility** – Considered with regards to the priorities and skills of your organization and the local context/enabling environment.

**Goal Statement** – A statement which captures the long-term change which a project seeks to achieve for its target population capturing the following key elements: Intended change + Target group + geography + sector.
Impact – The change in levels of economic access and empowerment among clients.

Scale – The number of clients reached through leveraging the outreach of market actors.

Sustainability – The capability of market systems to respond to changes and provide a means by which target clients can continue to see benefits, beyond the period of intervention.

Module 4 – Market Research

Action Research – An approach which allows a researcher to try out a specific intervention with the aim of testing its feasibility, impact and suitability for achieving project goals.

Key Informant Interviews – Consultations with value chain entrepreneurs, support service providers or other stakeholders, such as government and NGO staff, who can provide an overview and/or preliminary information on a market system.

Focus Group Discussions – Facilitated discussions amongst a group of similar stakeholders designed to investigate specific issues and/or ideas, including potential solutions to shared challenges. Consider incorporating interactive, participatory activities into focus groups to ensure active engagement of participants.

Gender Analysis Matrix (GAM) – A participatory research tool which examines gender differences and their impact in four areas: labor, time, resources and socio-economic factors.

Harvard Analytical Framework – Sometimes called the “Gender Roles Framework”, this is a simple and practical toolset to identify the type and amount of work men and women do in a household, farm, or community.

In-Depth Interviews – Semi-structured interviews designed to gather detailed information from stakeholders about their experiences and opinions.

Market Observation – Watching actual transactions and other interactions between value chain entrepreneurs, to get a sense of relationships and power dynamics in the value chain.

Market Research – The process of gathering information on a market system to identify gaps, barriers and opportunities in the multiple, dynamic systems that exist around producing and delivering products/services to end markets.

Qualitative Data – Unstructured and non-numerical data collected including observation, interviews, questionnaires, focus groups, participant-observation, documents of various kinds, and material artifacts.

Quantitative Data – any data that is in numerical form such as statistics, percentages, etc.

Secondary Source Research – The gathering of background information from existing documents, journals, studies, reports, databases, websites, etc.
Seasonal Calendar – A visual tool used to identify the various income generating activities (farm or non-farm) engaged in a household, as well as the gender-based patterns of labour, income and expenditure patterns, shifts in household health and welfare, and free time.

Stakeholder Meetings – A research technique which brings together stakeholders who are involved at various levels in a value chain both for information gathering and to initiate action to improve the vertical functioning of the market channel.

Surveys – Asking people for information through a questionnaire, which can be delivered through a variety of methods including in person, on paper, via phone, text message or online.

Module 5 – Increasing Gender Equality in Market Systems

Gender – The socially constructed roles, attitudes and attributes of men and women.

Gender-based constraint – A gender-specific challenge or gap due to historical and cultural gender-based discrimination.

Gendered division of labour – The socially determined ideas and practices which define what roles and activities are deemed appropriate for women and men.

Gender equality and social inclusion (GESI) – Gender equality refers to the equal rights, responsibilities and opportunities of women and men and girls and boys. Social inclusion is the inclusion of individuals and groups in society’s political, economic and societal processes leading to their full participation in the society in which they live. Gender equality and social inclusion are seen as not only a fundamental aspect of human rights and social justice, but also a precondition to improve the development process by putting social concerns at the forefront of interventions.

Gender mainstreaming – The integration of a gender perspective into policies and programs, with a view to promoting equality between women and men and combating discrimination.

Social norms – Unwritten or informal rules that govern behaviour in groups and societies. Related to gender norms, which determine behaviours that are appropriate or desirable for people based on their biological sex.

Triple burden – The burden faced by women as a result of their triple role in society which is a major barrier to women’s economic empowerment. Women’s work typically includes reproductive work (domestic work, child caring and rearing, caring for elderly and the sick, fetching water and fuel, health related work), productive work (work for income and subsistence, including work in the formal or informal sectors) and community managing work (includes activities linked to preserving culture and tradition such as organizing funerals and religious ceremonies, and providing and maintaining common resources such as water, healthcare and education).
**Women’s economic empowerment (WEE)** – The process by which women increase their right to economic resources and power to make decisions that benefit themselves, their families and their communities. Women’s economic empowerment is a necessary prerequisite to achieving gender equality.

**Module 6 – Market System Subsector Validation**

**End Market** – where the final transaction takes place in a value chain. Typically, it 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.

**Sector** – A term used in economics and finance to describe a large segment of the economy such as agriculture. Generally larger than an industry or subsector.

**Subsector** – The network of enterprises involved in the production of a particular product or service. While a value chain is focused on one specific end market, a subsector includes all of the actors involved in the buying/selling of a particular product or service to diverse end markets.

**Subsector Selection/Validation** – The stage in the market systems project design process in which practitioners evaluate multiple subsectors and focus in on one or more for further analysis. The goal is to select a subsector that best meets a set of core and supplemental criteria that are defined during this step.

**Value Chain** – the full range of activities required to bring a product or service from conception (an idea) through the various stages of production and delivery to a final consumer. It consists of a network of companies that buy and sell to each other in order to supply a particular set of products or services to a particular group of final consumers.

**Module 7 – Market System Mapping**

**Aggregator** – An individual or business entity that collects and distributes product from multiple sources. Some examples of aggregators of farmers’ produce: a farmers’ market, a food hub, a distributor, or an individual farmer who does the product marketing for several other farmers.

**Market system map** – A diagram which graphically illustrates all of the components of the market system, including the roles and functions of different entities and relationships between them. It is a visual tool that helps us understand how a particular market system works. The mapping process involves looking at all three levels of the market system outlined in previous modules: enterprise, value chain and market system.
Module 8 – Strengths and Constraints

**Constraints Analysis** – The process of identifying factors that prevent the effective development of market systems.

**Constraints Tree** – A visual diagram that uses a tree structure to establish cause-and-effect relationships and separate symptomatic problems from underlying causes.

**Positive Deviance** – Signs that performance is clearly better among some players or within some areas than is the case on average.

**Root Causes** – Constraints that reflect issues in the broader context in which you are working and are beyond the control of your project. Examples may be hierarchical societies, poor infrastructure, or economic recession.

**Strengths Analysis** – The process of identifying and capturing the strengths, or positive conditions, present in a market system that can be leveraged and enhanced to help the targeted impact group reach market opportunities.

Module 9 – Solutions and Interventions

**Adopt, Adapt, Respond, Expand (AARE)** – A framework for intervention design focused on supporting the expansion of change throughout the market system and adoption by other actors. Activities in the early stages of the project will likely be focused in Adopt – this is where you are working directly with partners and helping them to Adopt a new practice. Once these practices have been securely adopted you can move into the Adapt phase, in which activities focus on supporting or encouraging the initial partner to continue to incorporate the change independently of direct project support. Once actors are beginning to implement a change on their own, you can shift into the crowding in phase, focused on encouraging additional actors to adopt the change. This begins with the Respond stage, where noncompeting actors adjust their practices and then finally the Expand stage where competing actors copy and then adjust their own practices.

**Capacity** – The ability of an actor to perform a specific function or task, also referred to as skill.

**Constraint-Solution Tree** – A tool that can be employed, typically within a participatory workshop setting with relevant stakeholders, to confirm key constraints and identify potential solutions.

**Incentive** – A factor that makes an actor want to do something, also referred to as will.

**Interventions** – Specific short-term actions that a project takes to achieve the solutions you identified.

**Leverage Point** – The level or place within the market system you chose to intervene.
Solutions – Long-term, systemic changes to the market system that will address the prioritized constraints and capitalize on the strengths you have already identified.

Module 10 – Theory of Change and Causal Model Development

Causal model – Like a roadmap or a blueprint, a causal model is a visual depiction of the main elements of a theory of change for a specific project or program, reflecting the series of changes that are critical to achieving project success. It depicts the logical connections between the planned outputs and the expected that the project aims to achieve or contribute to.

Outcome – Results are the same as outcomes. An outcome is a describable or measurable change that is derived from an initiative’s outputs or lower-level outcomes.

Theory of change – A theory of change focuses on what is not explicit in the logic model. It justifies the causal pathways, assumptions and other project-design choices with evidence and lessons learned from other initiatives or practitioners. A theory of change can also address any major risks to the achievement of outcomes and describe the measures that have been – or will be – implemented to respond to them.

Module 11 – Monitoring and Impact Measurement

Activities – Actions undertaken by those involved in the intervention.

Causal model – Like a roadmap or a blueprint, a causal model is a visual depiction of the main elements of a theory of change for a specific project or program, reflecting the series of changes that are critical to achieving project success. It depicts the logical connections between the planned outputs and the expected that the project aims to achieve or contribute to.

Evaluation – The systematic and objective assessment of an on-going or completed project, programme or policy, its design, implementation and results. The aim is to determine the relevance and fulfillment of objectives, development efficiency, effectiveness, impact and sustainability. An evaluation should provide information that is credible and useful, enabling the incorporation of lessons learned into the decision-making process of both recipients and donors.

Impact Measurement – The process of trying to find out what effect a project has on people, organizations, or their external physical, economic, political or social environment.

Indicator – “Signals” of achievement or change related to an expected result. A quantitative or qualitative factor or variable that provides a simple and reliable means to measure achievement, to reflect the changes connected to an intervention, or to help assess the performance of a development actor.

Monitoring – A continuing function that uses systematic collection of data on specified indicators to provide management and the main stakeholders of an ongoing development intervention with
indications of the extent of progress and achievement of objectives and progress in the use of allocated funds.

**Outcome** – Results are the same as outcomes. An outcome is a describable or measurable change that is derived from an initiative’s outputs or lower-level outcomes.

**Qualitative research** – Measures of quality. Can be subjective, based on perceptions and opinions. Refers to the meanings, concepts, definitions, characteristics, metaphors, symbols, and description of things.

**Quantitative research** – Measures of quantity. Can be numerical data or data that can be transformed into usable statistics and cross tabulations such as numbers, percentages, ratios, etc.

**Theory of change** – A theory of change focuses on what is not explicit in the logic model. It justifies the causal pathways, assumptions and other project-design choices with evidence and lessons learned from other initiatives or practitioners. A theory of change can also address any major risks to the achievement of outcomes and describe the measures that have been – or will be – implemented to respond to them.

**Module 12 – Implementation**

**Adaptive Management** – A systematic process for continually improving management policies and practices by learning from the outcomes of operational programs.

**In-house delivery** – An implementation model in which interventions are executed by full-time project staff.

**Lead Firms** – Small, medium, or large firms that have forward or backward commercial linkages with a significant number of micro, small and medium enterprises including smallholder farmers. They include processors, exporters, traders, input companies, service providers, etc. that play a critical role in moving their industry, and other market actors forward.

**Matching Grant** – A type of a smart incentive in which the project contributes an amount of money that is matched by the grantee (in cash or in kind) allowing shared risk with private sector market actors.

**Piloting** – The process of testing an idea, intervention, or entire project on a small scale before proceeding to implement the full version.

**Smart Incentives** – A programming approach used to address a business problem or barrier in the market system that has been identified and requires a catalyst to create change. Smart incentives take a variety of forms. They can be financial, such as coupons or price discounts to allow clients to purchase services or commodities at a preferential rate. Incentives can also be provided in the form of services such as training.
**Sub-contracted delivery** – An implementation model in which interventions are executed predominantly by sub-contracted implementation partners or co-facilitators. These may be local or other international non-profits, business associations, government agencies, or private sector companies. This approach may include cost-sharing with market actors to implement initiatives which benefit the market actor and further the project’s goals such as lead firm models.

**References**

**Module 1 – Introduction**


**Module 2 – Understanding Market Systems**


Module 3 – Introduction to Market Systems Development, Project Design and Goal Statements


Module 4 – Market Research


Module 5 – Increasing Gender Equality in Market Systems


Module 6 – Market System Subsector Validation


Module 7 – Market System Mapping


**Module 8 – Strengths and Constraints**


**Module 9 – Solutions and Interventions**


**Module 10 – Theory of Change and Causal Model Development**


Module 11 – Monitoring and Impact Measurement


USAID. *Collaboration, Learning and Adapting (CLA) Toolkit*. Accessed from: https://usaidlearninglab.org/qrg/understanding-cla-0


Module 12 – Implementation


Additional Resources

**Gender Equality and Social Inclusion**


**Market Research**


**Market Systems Development**


**BEAM Exchange.** Available at: https://beamexchange.org/


**Monitoring and Impact Measurement**


WOLAIYTA SODDO
ATVET COLLEGE
VEGETABLE MICRO
VALUE CHAINS
DEVELOPMENT
FARM

SUPPORTED BY ATTSVE PROJECT