

Market Systems Development

TPSD Seminar - Day 6

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The Donor Committee for Enterprise Development

The MSD approach in a nutshell

1. MSD is an approach to understanding and intervening in economies, so as to reduce economic exclusion and poverty
2. It attends to the performance of particular market systems, so they become more inclusive, competitive, resilient
3. Its ambition is lasting changes (sustainability) that generate widespread benefits (impact at scale) for people living in poverty
4. More than a set of tools: MSD is a way of thinking about system change, that is: shifting the conditions that hold problems in place

*Introduction to the
Market Systems approach*

<https://youtu.be/3sEOtVhsqX0>

1. The rationale for MSD programmes

Low income households & informal microenterprises

Economic exclusion of poor people as producers & consumers

Formal large-scale firm



Shows up as fundamental differences in procedures, practices, standards, attitudes, information & networks

GOAL / IMPACT



OUTCOMES



OUTPUTS



ACTIVITIES

Poverty reduction

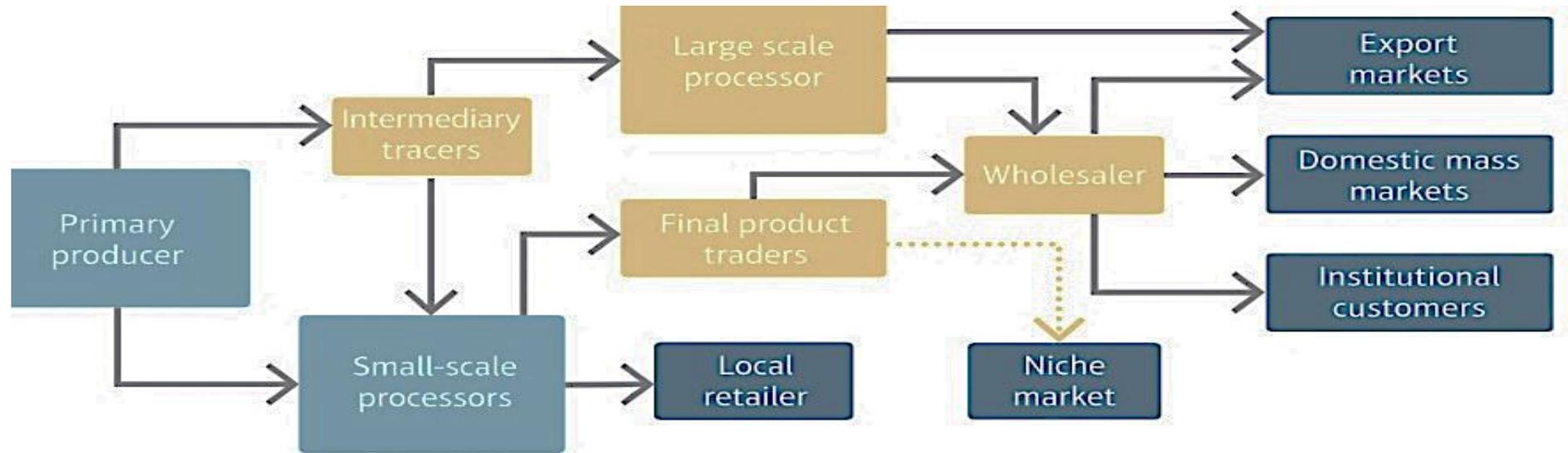
Pro-poor growth
Better access to services

Market system change
(competitiveness, inclusiveness, resilience)

Interventions

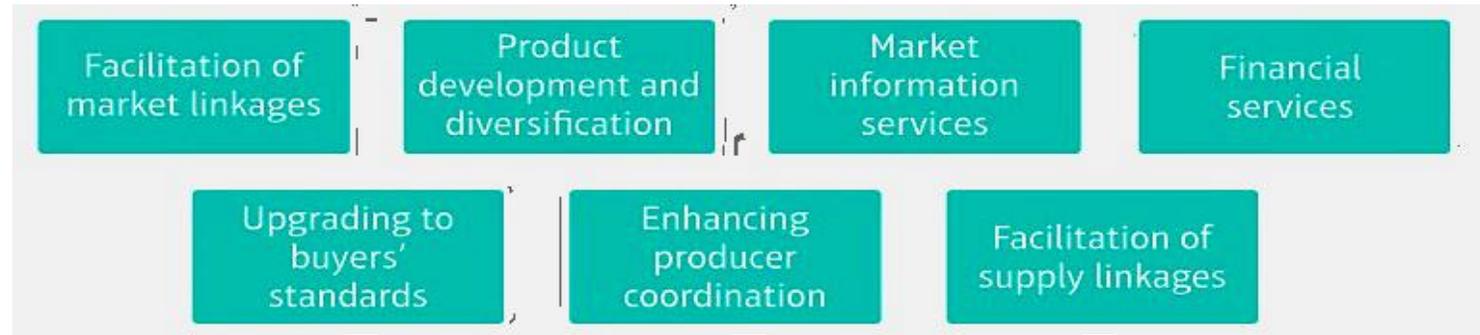
2. What do we mean by market systems?

Value Chain



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Supporting Functions

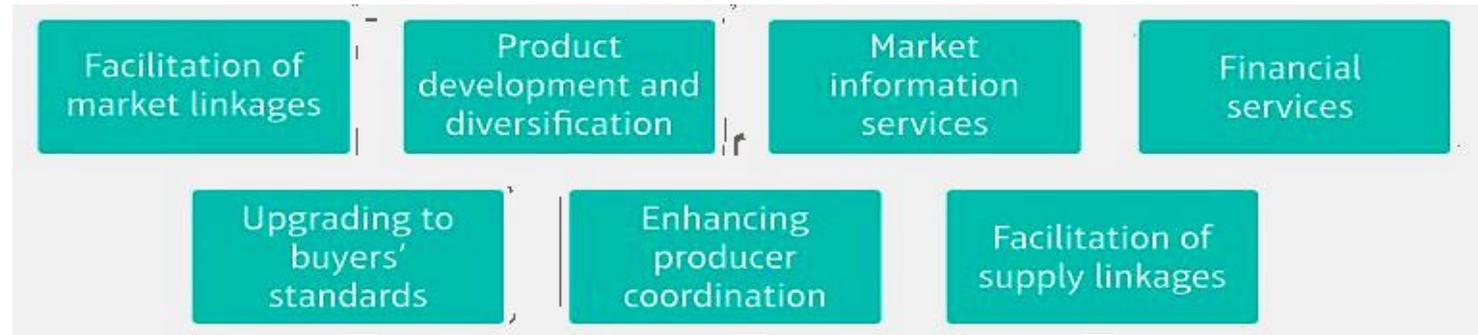


Value Chain

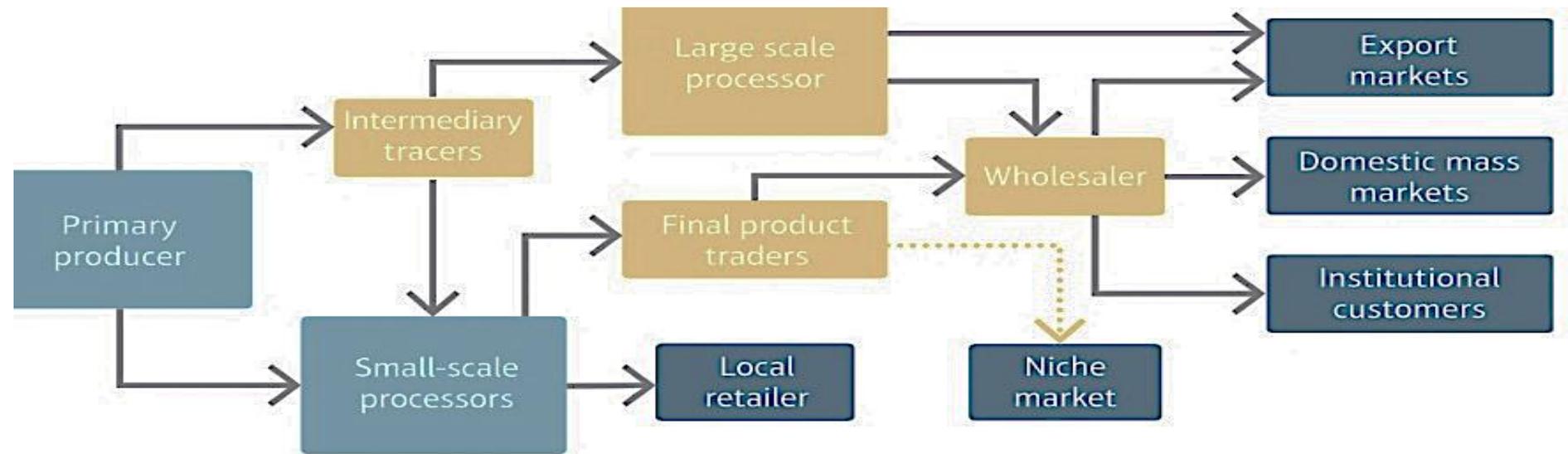


2. What do we mean by market systems?

Supporting Functions



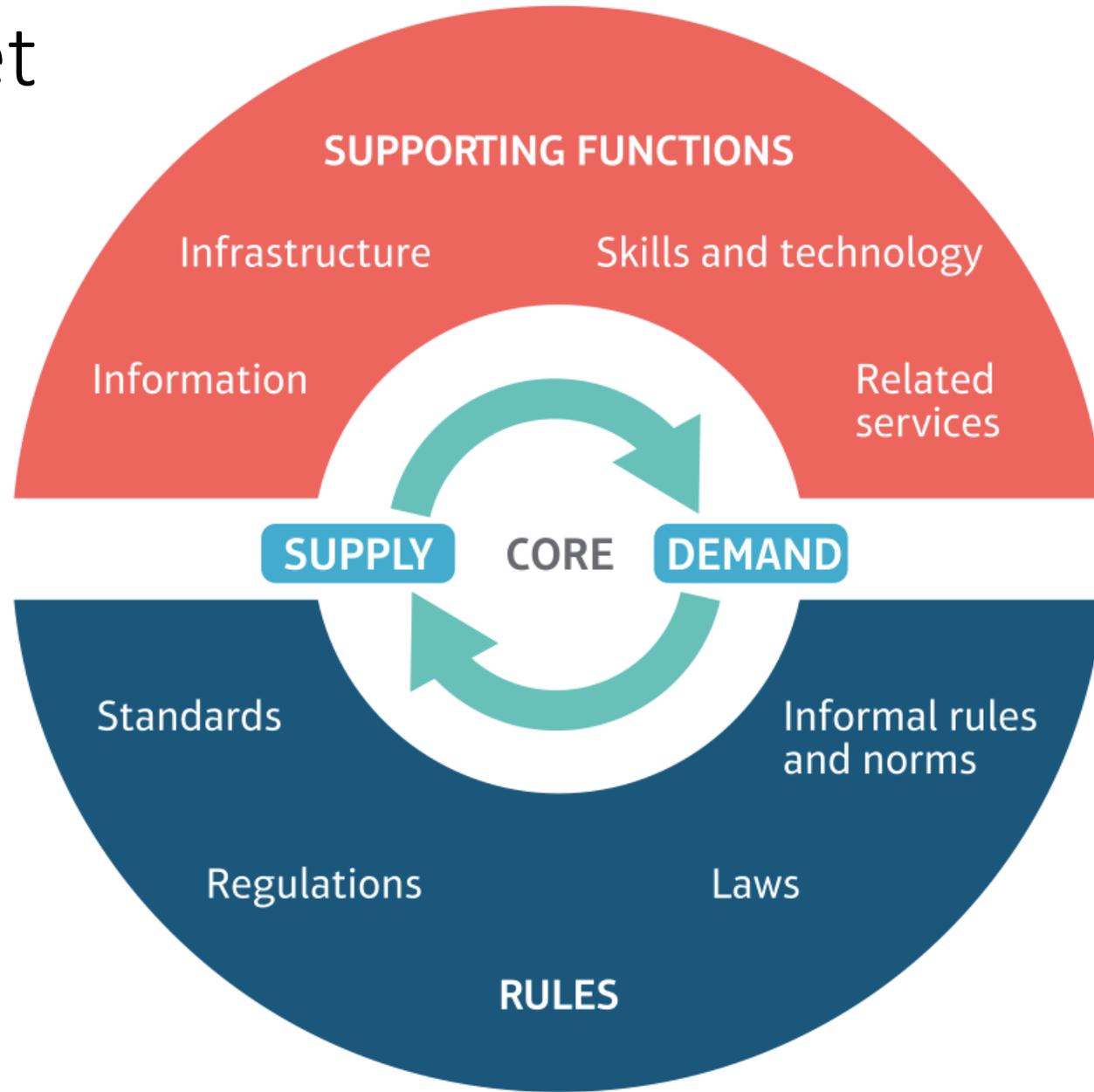
Value Chain



Rules

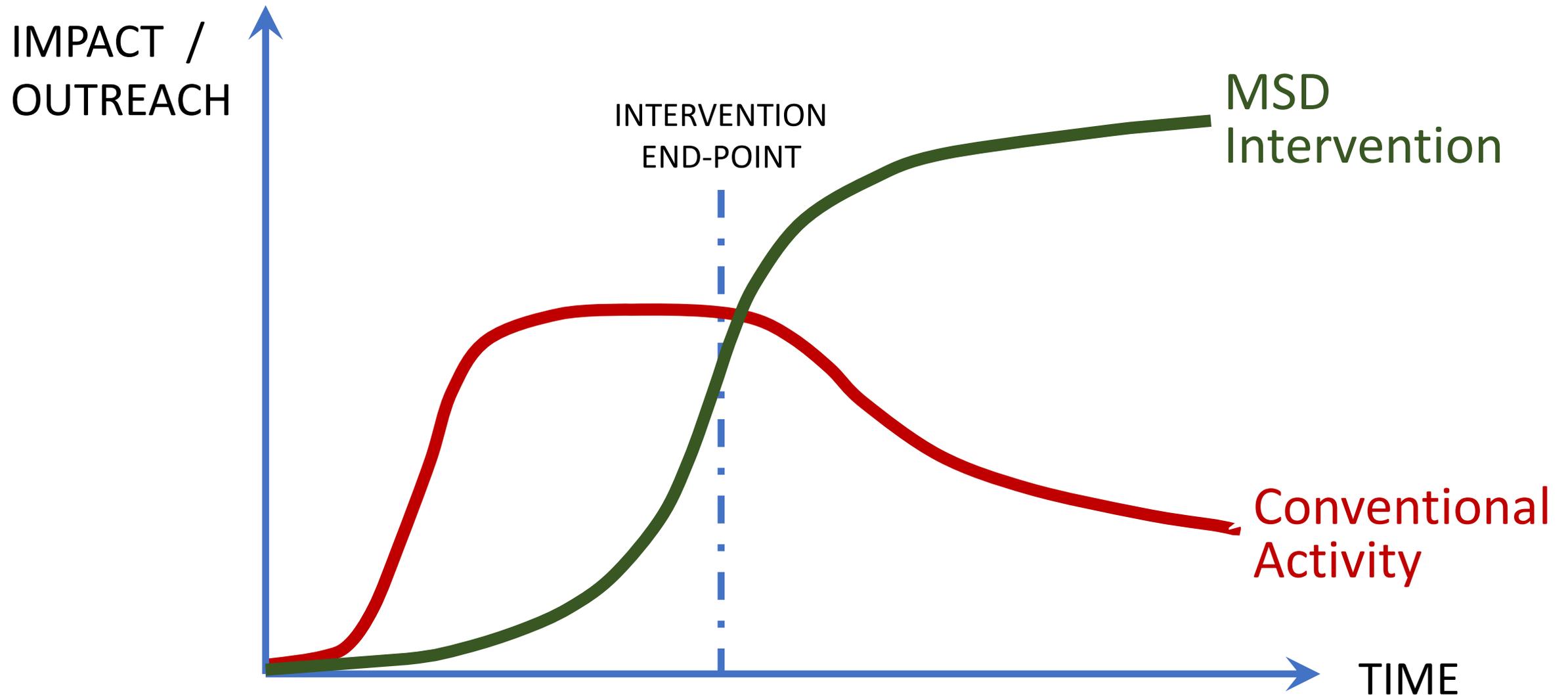


The market systems lens



Source: M4P Operational Guide (2015)

3. MSD ambition is lasting impact at scale



What problems do people & businesses have?

Conventional

MSD Approach

How can we help to solve these problems?

Why isn't their market environment providing solutions to these problems?

What solutions can we deliver?

What can we do to fix the market system?



Six Conditions of Systems Change

Policies

Practices

Resource
Flows

Relationships
& Connections

Power
Dynamics

Mental
Models



REIMAGINING SOCIAL CHANGE

4. Putting MSD into practice

1. Look to **address specific root causes** of weak performance
not just the superficial problems (symptoms) or general macro-economic issues
2. Be driven by a vision of **sustainable outcomes**
always think about how the system will work better after we leave
3. Adopt the role of a **facilitator and catalyst**
understand the interests and capabilities of permanent 'actors' first,
then look for opportunities to align these with poverty reduction objectives
4. Respect the **dynamism and unpredictability** of market systems
experiment, learn, adapt and be flexible

	STRATEGY		DIAGNOSIS	VISION	INTERVENTION
	Set policy goals	Select market systems	Determine root causes	Envision achievable outcomes	Implement deals, investments and other activities



What does market facilitation mean?

Using interventions to catalyze changes in rules, relationships & support services

- Align incentives: system actors must be persuaded that changing behaviour or following different rules is in their own interests
- Work with those who have both the will and skill (capacity) to effect changes
- Foster ownership & leadership of change (e.g. thru self-selection)
- Build trust and relationships among actors, by buying down short-term risks of innovation and behaviour change
- Deploy resources with appropriate intensity to avoid distorting incentives
- Monitor, learn, pivot and adapt to remain agile and relevant



USAID
FROM THE AMERICAN PEOPLE

Commercially Viable Conflict-Free Gold Program

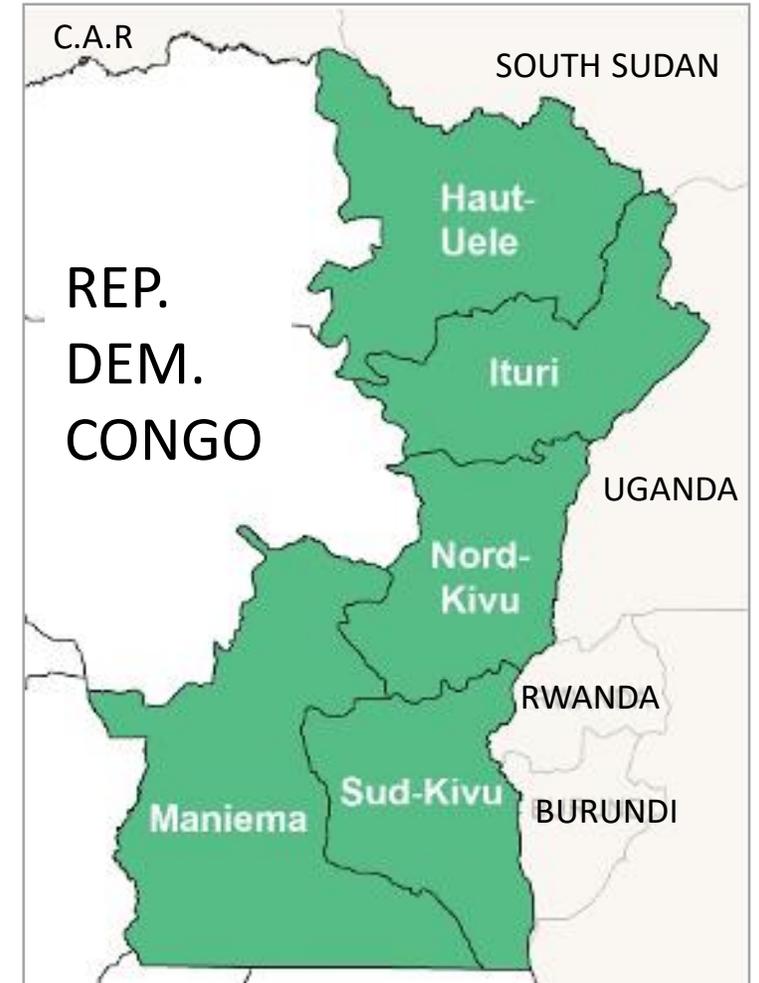


LEVIN SOURCES



Challenges in ASM supply chain?

- 200,000 + artisanal miners in eastern DRC
90% of gold production
- 98% traded thru illicit supply chains / smuggling to avoid DRC Government regulation & duties
- Widespread use of child-labour
- Environmental destruction / use of toxic chemicals
- Major role of conflict actors / exacerbating insecurity
- International scrutiny (US Dodd-Frank Act 2010, EU Conflict Minerals Regulation 2021)
- Legal & reputational risks for legitimate market actors





Commercially Viable Conflict Free Gold Program (CVCFG) in D.R.Congo

Aims: to create a sustainable commercially viable, responsibly sourced, artisanal and small-scale mining (ASM) gold supply chain originating from eastern DRC.

1. Increase demand for and co-investment in responsibly-sourced ASM gold
2. Increase the volume of exports of responsibly-sourced ASM gold
3. Improve the commercial viability of ASM gold cooperatives through targeted and participatory training

Approach: Taking a market-led, whole of supply chain approach to implementation, encompassing the entire ASM gold market system.



Buyer
engagement



Export
facilitation



Mine site
support

Government engagement & Partnerships

CVCFG's approach / interventions

Partnership with Government of DRC: co-design of interventions; sharing lessons, & promoting compliance with DRC regulation to maintain full political support

Testing business models & solutions

- Convening a gold **refiners'** community of practice (mainly European firms)
- Public-private partnership to improve the DRC government's **ITOA traceability** system
- Building **exporters** capacity to apply OECD-aligned due diligence
- Working with **miners cooperatives** to improve their governance and business practices
- US\$1M **Responsible Gold Innovation Fund** to incentivise additional private sector investments that unlock barriers to trade, as well as social investments in ASM communities.

Ongoing **market research and analysis**, supporting continuous monitoring and learning from implementation to inform **adaptive management**.

*What is different about the
Market Systems approach?*

<https://youtu.be/7CUX0wKherQ>

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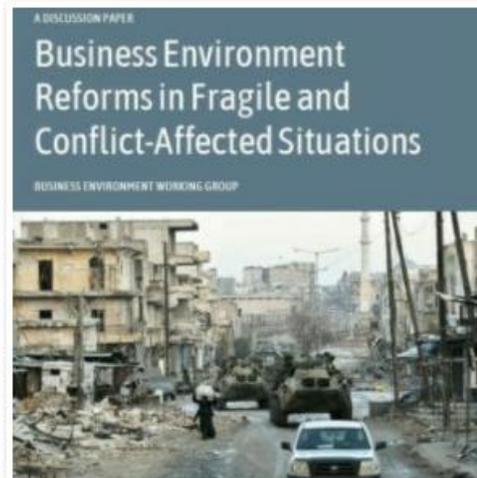
Learning from Experience

The DCED is a forum for learning about the most effective ways to create economic opportunities for the poor, based on practical experience in Private Sector Development (PSD).

This website is the leading source of knowledge on all aspects of PSD.



New DCED publications



PSD and COVID-19



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Market systems and the poor

Market Systems Development (MSD) reduces poverty by enhancing the ways that the poor interact with markets. This page gives access to key documents on the approach.



The [BEAM Exchange](#) website hosts a wealth of resources on MSD, including a [4-minute introductory video](#). BEAM Exchange is supervised by the DCED's [MSD Working Group](#).

MSD approaches acknowledge the dynamic and complex nature of markets; good monitoring is therefore needed, to adapt the approach during implementation. [Learn more about how the DCED Standard helps achieve that.](#)

Building Effective and Accessible Markets

The BEAM Exchange - in partnership with the DCED - is a platform for knowledge exchange and learning about the role of markets in poverty reduction.

Latest Blogs

09 Sep 2020

What does market-based programming look like in the age of COVID-19?

Key takeaways from an online discussion series hosted by the Markets in Crisis Community of Practice (MiC)



Markets in Crisis Community of Practice



The market systems approach: what it is & how it is different



Latest Resources

COVID-19 and MSD resources

Latest COVID-related resources on PSD and MSD from the DCED and BEAM



BEAM Programme Index

- Agriculture
- Manufacturing employment
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- Household energy
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Fodder for the future Pakistan

How MDF kick-started a leap in the productivity of 40,000 small-scale livestock farms



Interventions

Technical & financial innovations for small-scale silage businesses to produce year-round fodder



System Change

Emergence of a new layer of services and investment that support smaller livestock farms



Impact

Increased and more stable income from livestock farming for 40,000 rural households

MSD Procurement Papers an overview

September 2020

[Resolving the procurement dilemma](#)

Development projects and activities typically involve a collaboration between donors (who pay) and implementers (who do). These parties' interests overlap but are not identical.

Procurement and contracting are used to reconcile different interests in a formal and transparent manner, but it can become an adversarial process. Antagonism, if it arises, discourages constructive relationships of trust. This, in turn, hinders the flexible, adaptive management needed if programmes that use the Market Systems Development (MSD) approach are to be effective in reducing poverty.

The MSD Procurement series grew out of informal conversations between donors and implementers seeking to resolve this essential dilemma. They capture their insights in this set of four papers:

- Paper 1: [Decisive Structures](#): procurement format options for MSD programmes and their different implications
- Paper 2: [Deepening the Relationship](#): a stage-by-stage guide to strengthening partnerships between donors and implementers in MSD programmes
- Paper 3: [Getting off the Ground](#): practical lessons for the launch phase of MSD programmes
- Paper 4: [Fit for Business](#): modifying internal procurement processes for adaptive MSD programmes

The papers were written by four volunteer groups of MSD practitioners and donors who worked together over four months in early 2020 to synthesise their accumulated knowledge and experience of procurement arrangements for MSD programmes. With the support of a BEAM Exchange facilitator, each group met on a bi-weekly basis to examine a particular aspect of MSD procurement based on common interests and collective experience.

[Paper 1: Decisive Structures](#) examines the different procurement formats that are available to donors when creating an MSD programme. It explores how this choice influences both the design of programmes and the shape of the implementation consortia that bid for them.

The paper proposes a typology of procurement formats, representing a spectrum from co-creative processes to formal competitive bidding.

Informal & co-creative

Implementer led
single implementer with multiple donors

Donors, by expanding country MSD capacity contribute to improved optimal project

[Paper 2: Deepening the Relationship](#)
together better MSD programmes, but it also

Stage

1. Preparation and scoping

2. Tendering and bidding

3. Bid opening and award

4. Implementation and monitoring

For each stage of the procurement process, the paper provides practical guidance on how to create a more effective and efficient process

[Paper 3: Getting off the Ground](#)
of early implementation of MSD programmes

Scenario

Quick wins are needed

Due diligence is an obstacle to partnership

Delays in establishing contracting systems

Structuring payment terms to reduce risk

Difficulty with non-traditional partnership agreements

The paper can help identify opportunities in the procurement process, which is a range of funding systems and give

[Paper 4: Fit for Business](#)
partnership arrangements focus is on preparing MSD programmes for the market

The guidance

1. Modify 'conventional' implementation

2. Integrate operational roles

3. Promote relationships

4. Implement and monitor

October 2020 Update

Next BEAM webinar

In collaboration with [Marketlinks](#)

5th November 2020

[How the private sector is adapting to Covid-19: country-level analysis from the World Bank](#)

Case studies from Kenya, Somalia and Bangladesh and how the data can help MSD practitioners adapt programming.

Missed BEAM's October webinar?

Watch the recording of:

[How to do MSD procurement: practical insights from donors and implementers](#)

New programme profiles

[FSDMoç: Financial Services Deepening Mozambique](#)

Increasing financial inclusion and access to formal financial services especially by women, youth and the rural low-income population.

[View this UPDATE in your browser](#)

MSD in the time of COVID-19

We're keeping an eye on

[MSD resources relating to COVID-19.](#)

Do [get in touch](#) with any suggestions

View the [DCED's resource page on PSD and COVID-19](#)

Latest BLOGS



[A pragmatic approach to assessing system change](#)

Rahel Shah presents an overview of the report *A Pragmatic Approach to assessing system change*, which outlines a process that programmes can use to assess system changes regularly, and practically.

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