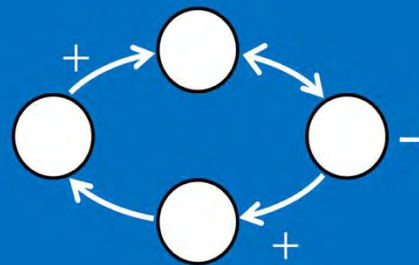
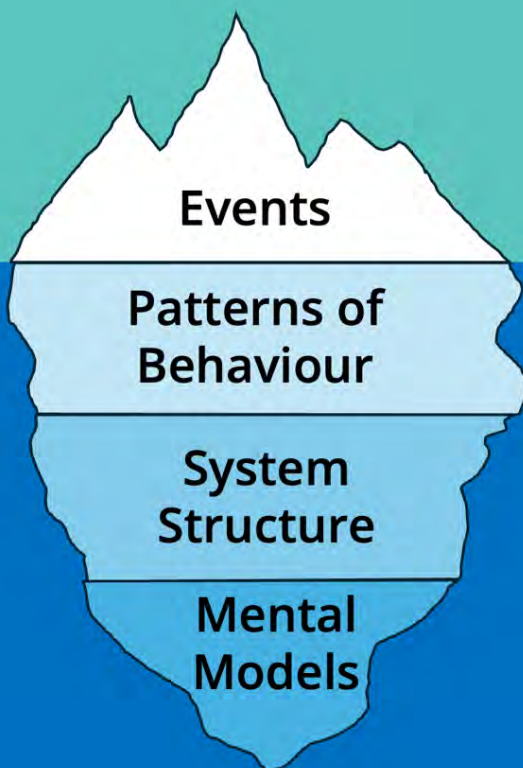


Market systems analysis

A practical toolkit for a 'good enough' approach

Lorenz Wild



Market Systems Analysis: a practical toolkit for a 'good enough' approach

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Citation:

Wild L. (2025) *Market Systems Analysis: a practical toolkit for a 'good enough' approach*, BEAM Exchange

Acknowledgements

This MSA toolkit was originally commissioned by USAID via DAIs' Market Systems and Partnership (MSP) Activity, intending to publish as a website. All of the content had already been reviewed and approved by USAID before the MSP Activity was terminated in January 2025. The toolkit therefore includes some sections that highlighted specific guidance for USAID Missions and USAID-funded projects as well as some terminology and concepts unique to USAID.

Special thanks are due to the MSD Working Group of the DCED, which allocated resources and Mike Albu's time for the re-editing and laying out of this MSA Toolkit in this publishable format as a BEAM Exchange resource.

We would also like to recognise the invaluable feedback provided by Mike Field, Vikāra Institute; Ryan Bourque, DAI; Tim Sparkman, The Canopy Lab; Ben Fowler and Erin Markel, MarketShare Associates; Kristin O'Planick, Henry Heilbroner, Denny Newhouse, formerly USAID; Alison Hemberger, Mercy Corps; as well as Melissa Schweisguth, Abt Global.



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Market System Analysis: a practical toolkit for delivering a 'good enough' approach

Introduction to the MSA Toolkit

Purpose of the toolkit

A hallmark of successful market systems development (MSD) is an intentional and sufficiently resourced process of continual learning and adaptation of context-driven approaches. Current good practice suggests that this process be supported by a **'good enough'** initial market system analysis (MSA) during project start-up, followed by **continual MSA**, learning, and adaptation.

However, this good practice and the resources and tools to inform its appropriate application on the ground are currently not captured in a single accessible document.

This toolkit addresses this gap by providing implementers, donors, and other practitioners engaged in MSD efforts with detailed guidance on and resources and tools for the current good practices for planning MSAs, conducting MSAs, and developing subsequent strategies.

What's new in this toolkit?

- Detailed guidance and curation of resources about how to implement a **'good enough'** initial MSA, accompanied by **continued analysis** during implementation ([Section 3.6](#))
- Integration of the latest concepts of **systems and complexity theory**.
- Detailed MSA guidance and specific recommendations for donors ([Section 1.3](#))
- Reflections on some **foundational considerations** before commissioning an MSA ([Section 2.1](#))
- Operational aspects of conducting MSAs, including at the solicitation, proposal, and application stages ([Section 2.2](#))
- Discussion of **theory and observation-based approaches** for conducting MSAs ([Section 2.1.2](#))
- Guidance on essential **sense-making strategies** when carrying out an MSA ([Section 2.3.3](#))
- Recommendations for MSA **report packaging** and use ([Section 3.5](#))
- Links to a diverse set of further resources and tools (throughout)

Principal messages in this toolkit

- **One-and-done is not the goal**

Rather than **only** conducting an intensive MSA at the start of a project, the goal is to conduct an **initial MSA** which is 'good enough' to start probing the system, followed by an intentional, sufficiently resourced effort that continuously analyzes the intervention and market system levels to adapt the project's approach.' (i.e., **continual MSA**).

- **Don't copy, customize**

Each MSA takes place in a unique context and must be **fitted to purpose**. What is **good enough** has to be defined for each situation. Rather than following this or any toolkit to the letter, adapt what is necessary. This toolkit offers a range of approaches from which one can choose.

- **Adopt a minimum-viable-product attitude**

Be clear about **why** you are conducting an MSA effort and what information exactly you need to answer your '**why**.' At each step of the MSA process, stop gathering data when you have the minimum amount needed to make valid decisions to move to the next step.

- **Know your audience**

A single relentlessly detailed MSA report satisfies almost no audience - and therefore goes unread and unused. Instead, think about the needs of the various internal and external audiences and develop shorter customized products for each group that can be updated later if necessary.

Target audiences

The target audiences for this toolkit are:

- **Implementers**, specifically staff engaged in the MSA and strategic planning processes such as project leads, technical leads, and regional/global technical advisors.
- **Consultants** conducting MSAs.
- **Donor staff** involved in designing, awarding, and managing programming following an MSD approach.

It is envisioned that the target audience has at least a basic understanding and/or practical experience of systems thinking, MSD concepts, and MSAs.

How to navigate the toolkit

Some users **may read the toolkit from beginning to end**. However, it is designed for users to '**choose their own journey**,' quickly jumping to the information they are seeking without having to dredge through non-essential content.

As every MSA is embedded in a unique context, the toolkit does **not suggest one right approach**. Rather, the toolkit identifies the most pressing questions, decisions, and options for MSA teams to consider to customize their MSA approach.

Structure and contents

The toolkit is organized into three main sections with multiple subsections. Each section starts with a brief summary of the section's purpose and content, followed by the main text.



Typical uses & entry points

If you are not entirely sure where to start, take a look at the list of profiles below to see if any of them are a match for your needs.

Your Profile	Most relevant sections
Donor staff: working on program design and / or managing a project that will conduct an MSA?	See Section 1.1 and Section 1.2 if you want to refresh your understanding of the MSD approach and MSAs, respectively. See Section 1.3 Specific guidance for donors for a detailed discussion of - How to support MSAs so they are successful - What to expect from a 'good enough' analysis for project implementation
Working on a proposal and want information on what to include in the narrative and budget regarding an MSA?	For language describing the MSD approach and the purpose of MSAs, see Section 1.1 and Section 1.2 respectively. Section 2.1 Foundational Considerations should be your key focus, helping you decide whether or not an MSA is actually the right approach for your needs and, if so, what to consider in determining your MSA's needs. Section 2.2 Operational planning for success also includes specific guidance for proposal teams in terms of the narrative and budget.

MSA focal point: responsible for the preparation and operational aspects, as well as guiding the individual who will lead the MSA effort for your organization?	See Section 1.1 and Section 1.2 if you want to refresh your understanding of the MSD approach and MSAs, respectively. Review the Section 2.1 Foundational considerations and Section 2.2 Operational planning for success. The latter also includes a detailed discussion of the MSA focal point role and key considerations. Section 3.5 The MSA report: Packaging & use and Section 3.6 Continuing market analysis during implementation, will help you to consider the initial MSA deliverables and how to continue monitoring changes in the system.
MSA lead: responsible for leading the actual MSA on the ground?	Read Section 1.1 and Section 1.2 if you want to refresh your understanding of the MSD approach and MSAs, respectively. Section 2.2 Operational planning for success includes a detailed discussion of the MSA focal point role and key considerations. Along with Section 2.3 Information needs, methods and checks will ensure that you have a clear idea of how to approach the MSA from the start. The most important parts of this Toolkit are Section 3.1 Setting up, Section 3.2 Market system selection and Section 3.3 Market system analysis leading to Section 3.4 Vision, strategy and intervention design. They are likely be the most useful to consult frequently.

Some limitations of this toolkit

USAID-centric

This toolkit was originally funded by USAID's Market Systems and Partnership Activity, and the content was reviewed and approved by USAID. Some guidance is specific for USAID Missions and USAID-funded projects, and includes some terminology unique to USAID. Much of this is relevant to other donors and where possible has been edited for more general application.

Format and graphics

This toolkit was originally conceived as a website. In PDF format, some of the back and forth movement between sections may seem clunky. There are also small discrepancies between some graphics and the final text content.

Humanitarian contexts

This toolkit is not suitable to inform humanitarian interventions where rapid, less-detailed approaches and unique features (e.g., beneficiary targeting, needs assessment, basic product / service availability assessments) are needed. However, this toolkit does recommend analysis and strategy development steps for MSD programs operating in fragile contexts where crises commonly occur. The [Markets in Crises](#) website and [BEAM Exchange](#) are the best places to go for information pertaining to market-based programming — including market assessments — during crises.

1. Setting the stage

1.1 Essential information for newcomers to MSD

Purpose of this section

This section will help you understand the overarching systems change principles within which a market systems assessment is nestled.

It provides a brief overview of what has elevated the need for a systemic approach, what the market systems development (MSD) approach is, and the key themes the MSD field is currently grappling with. Links are provided to further reading on MSD.

While this toolkit is targeted at individuals who already possess at least a basic understanding of the MSD approach, this section can serve to refresh users' understanding of foundational MSD concepts.

Sub-sections

[1.1.1 Why MSD?](#)

[1.1.2 The MSD approach explained in brief](#)

[1.1.3 Common myths about the MSD approach](#)

[1.1.4 Current priorities and trends in the MSD field](#)

1.1.1 Why Market Systems Development (MSD)?

In order to answer the question 'why market systems development,' one has to first ask 'why markets' and 'why the need for a systemic approach?'

Why markets?

In order to understand why markets are important, it is important to understand what markets are. A market comprises any exchange of goods and services (including non-economic¹ ones), the formal and informal rules that govern those exchanges, the actors who participate in the exchanges, and the relationships between these actors and factors.

Markets are an important social mechanism, functioning as a component within larger social and economic systems. Markets can facilitate the flow of essential goods, services, and information, resulting in increased well-being, improved livelihoods, and/or poverty reduction.

Market systems practitioners believe that the function of markets and, more broadly, an economy, is to benefit society. However, markets often have both negative and positive effects on communities within a country. As such, market development is about supporting local communities to adapt mechanisms over time that increase the return to society as a whole and limit negative effects on any specific group.

¹ 'Non-economic' exchanges refer to transfers that do not entail something of perceived economic value (such as money or a product / service that is being bartering).

Why a systemic approach?

Decades of implementing market-based development efforts have shown that desired positive benefits often do not last beyond a project's timeframe and/or continue to be limited to the project's bounded realm of influence. A principal reason for this was that the development field tried to 'fix' problems directly, rather than shifting the underlying patterns and trends, system structures and mental models that were causing the concerning context². Markets were not regarded as complex dynamic systems with emergent properties resulting from the interaction of interdependent parts, but rather as simple economic models with a linear input-output logic.

The application of systems thinking,³ which frames markets as [complex adaptive systems](#) addresses these limitations, with the potential to result in system transformation and hence:

- Increased impact and scale of development efforts.
- Conditions that permit the impact to endure over the long term.
- Meaningful impact.⁴

Complex Adaptive Systems – explained

Complex adaptive systems are fundamentally characterized by the following features:

1. Systems are composed of agents.⁵
2. Agents interact with each other (based on various forces and factors that combine to favour some behaviors over others).
3. This interaction produces dynamics that give rise to an emergent pattern of behavior that is more than the sum of agent behavior.
4. Systems in motion 'self-organize' into coherent patterns, without any central control or coordinating intelligence.
5. These system-level, emergent patterns of behavior influence agent behaviors, and vice versa, in a phenomenon known as 'coevolution.'^{*}
6. Because systems' behaviors change over time, they have a history and a unique character. This feature is known as 'path dependency', meaning any system's current patterns are very much a function of its past.

* It is important to note that some forces and factors are more influential than others. The system concept organizes these into fast and slow-moving variables:

- Slow-moving variables
forces and factors that are more influential and harder to change, so they are more important in the evolution of a system.
- Fast-moving variables
forces and factors that are less influential and easier to change.

² See for example, the arguments in Kania, Kramer & Senge (2018) [The Water of Systems Change](#)

³ For example: USAID (2014) [Local Systems: a framework for supporting sustained development](#)

⁴ 'Meaningful' meaning positive for a certain target group

⁵ The toolkit uses the term 'agents' and 'actors' interchangeably

1.1.2 The MSD approach explained in brief

The MSD approach aims to catalyze systemic change in partnership with market actors (i.e., facilitation) and continually experiments, learns, and adapts (i.e., adaptive management).

Conceptually, the MSD approach describes markets as complex adaptive systems within which factors/forces interact to generate certain system outcomes. While one-to-one causation (i.e., linearity) is unlikely in complex systems, there usually are forces/factors that have greater influence, such as mental models, on the emergence of certain patterns. So, while it is not realistic to expect a simple causal relationship, there are structures, rules, and relationships that, if changed, can influence the system to emerge in a way that can improve the well-being of actors over time.

This means that 1) market systems **can** be influenced to change in certain directions, 2) MSD efforts typically need to intervene in multiple leverage points in the system (akin to a competitive landscape approach, where interventions change how various forces/factors/rules/relationships combine to favor or sanction behaviors and result in a new system paradigm), and 3) MSD efforts must be flexible, requiring continual experimentation, learning, and adaptation.

MSD efforts aspire to support local actors in creating systemic changes that lead to increased well-being, however these actors define it. In practice, these efforts typically seek to contribute to system outcomes benefitting:⁶

- **Group(s) of individuals/households**, often economically or otherwise marginalized (e.g., a practice termed inclusion).
- **Businesses**, typically micro, small, and medium-sized enterprises (MSME).
- **Objectives** (e.g., conservation, water savings, peace/stability, etc).

To do so, MSD projects aim to create conditions that influence how the system evolves over time. The [‘Practitioner’ Guide to Measuring Systems Change](#)⁷ explains that the conditions for systemic change include:

- Changes in relationships between actors, that is, how actors coordinate and collaborate [or compete].
- Changes in how power is distributed and exercised to coerce or reward others.
- Changes in voice and agency to express opinions, make decisions, and act on them [and influence how the system evolves].
- Changes in the rules, including formal laws or informal norms that govern behaviors.
- Changes in diversity and composition of the actors or elements in a system.
- Changes in access to resources by actors within the system.
- Changes in mental models or subconscious values or beliefs of actors in the system [that tend to be more influential on how systems evolve].

⁶ Posthumus et al.(2020) [A pragmatic approach to assessing system change](#) page 10

⁷ See ‘Three criteria to assess degrees of systems change’, Fig. 9 on page. 20

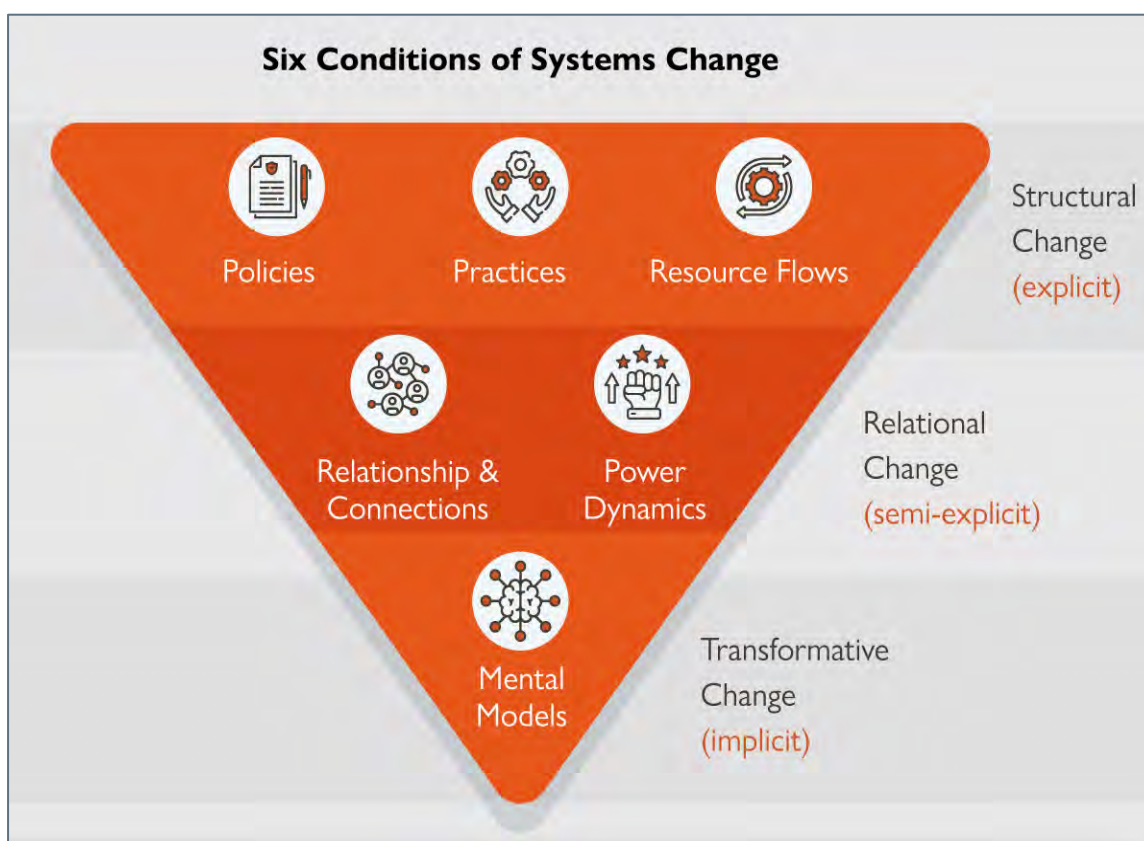
The same guide argues that the MSD measurement community deems change in the system as successful when the change is **sustainable, scalable, and meaningful**:

- **Sustainable:** meaning that change lasts beyond the intervention time frame and is resilient to shocks and/or stresses.
- **Scalable:** meaning that the change spreads beyond the initial innovative market actors that collaborate with the MSD initiative.
- **Meaningful:** meaning that the change is of value to the target group or the impact objective.

In order to achieve systems change based on these criteria, MSD efforts typically focus on catalyzing change that supports the forces/ factors/ behaviors that are most likely to influence positive change in the system. This process should also make forces/ factors/ behaviors that are aligned with negative outcomes less attractive (e.g., the system responding with sanctions).

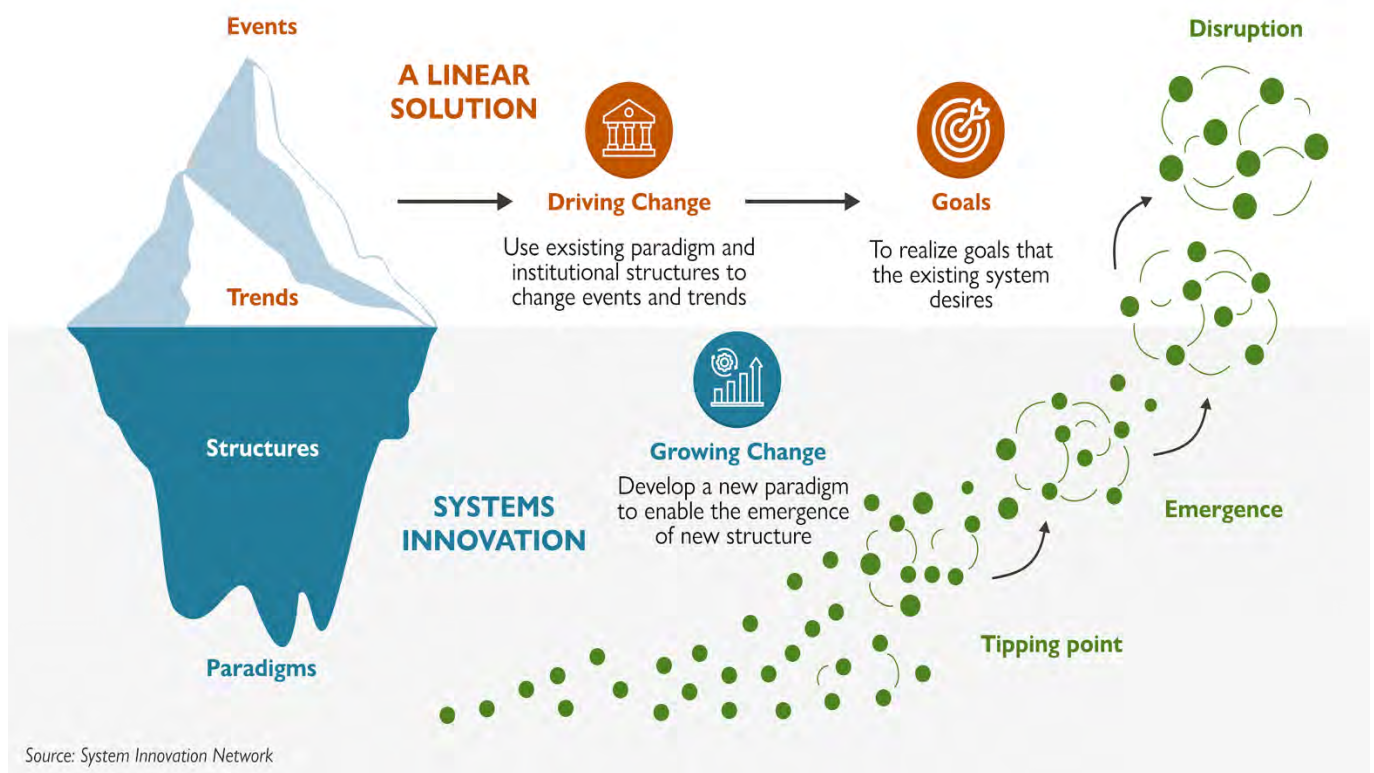
The forces, factors, and behaviors that form reinforcing or balancing feedback loops can range from **explicit** (e.g., policies, practices, and resource flows), to **semi-explicit** (e.g., relationships and power dynamics), to **implicit** (e.g., mental models).

The figure below from [The Water Of Systems Change](#) visualizes these levels and provides useful descriptions of the six conditions of systems change.



Six Conditions of System Change ⁸	
Policies	Government, institutional and organizational rules, regulations, and priorities that guide the entity's own and others' actions
Practices	Espoused activities of institutions, coalitions, networks, and other entities targeted to improving social and environmental progress. Also, with the entity, the procedures, guidelines, or informal shared habits that compose their work
Resource Flows	How money, people, knowledge, information and other assets such as infrastructure are allocated and distributed
Relationships & Connections	Quality of connections and communications occurring among actors in the system, especially among those with differing histories and viewpoints
Power Dynamics	The distribution of decision-making power, authority, and both formal and informal influence among individuals and organisations
Mental Models	Habits of thought, deeply held beliefs and assumptions and taken-for-granted ways of operating that influence how we think, what we do, and how we talk

The next visual, from the [System Innovation Network](#), shows an abstract model of how systemic change occurs in complex systems. The iceberg on the left side organizes the explicit, semi-explicit, and implicit levels into four categories: events, trends, structures, and paradigms.



⁸ Kania, Kramer & Senge (2018) [The Water of System Change](#)

The visual makes the point that systems change originates from the lower levels and also introduces the important concepts of the tipping point and emergence.

For **practical examples** from actual MSD projects, see the [Visualizing System Change](#) brief

In order to achieve sustainable and scalable systemic changes, MSD efforts aim to facilitate in partnership with market actors rather than directly implementing (i.e., 'doing'). An example of 'directly doing' would be offering training to smallholder farmers rather than supporting agriculture extension service providers to do so.

Of course, even a facilitative effort in partnership with a market actor can be unsustainable and one could argue that even facilitation is 'directly' doing something within the system that the system should be doing itself. So, beyond semantics, it is important to keep in mind that **the more the project owns and drives change, the less likely it is that a change will last beyond the project** since the incentives are temporary/external to the system.

TIP – Understand common impact objectives and contribution vs. attribution

The most common impact objectives for donor-funded MSD efforts fall into two general categories: 1) increased incomes through increased sales, profits, and/or jobs for a certain target group; and 2) access to relevant products and services for a certain target group. However, given the increasing adoption of the MSD approach across a wide range of thematic areas, other possible impact objectives include peace/stability and positive environmental or conservation impacts, among others. It is important to note that given the complexity of market systems, MSD projects can only claim a 'contribution' to any outcomes/impact, rather than attributing outcomes/impact solely to their interventions.

Further reading on the concepts of attribution and contribution can be found in the BEAM Exchange's Guidance page on [Reviewing and integrating results](#).

TIP – Be aware of terminology shifts in the MSD field

To be better aligned with complex adaptive system thinking, the MSD field is moving away from the framing of fixing systems that are broken to influencing systems to evolve in ways that result in certain positive outcomes and/or less negative outcomes. This also means moving away from the popular expression of identifying 'root causes of constraints,' to identifying 'influencing factors for system evolution.' This is important because the term 'root causes' may imply a single driver of change (i.e., direct cause-effect relationship rather than an interconnected set of factors) resulting in projects that construct result chains that are believed to be true/proven, rather than seen as a hypothesis that serves as the basis for a learning framework.

TIP – Know the difference between a market system, a sub-sector, and a value chain

MSD practitioners often use these terms to indicate system boundaries. It is convenient to bound a system around a value chain or a sub-sector, for example. However, these terms are also often used interchangeably (e.g., talking about the cocoa sector while conceptually referring to the

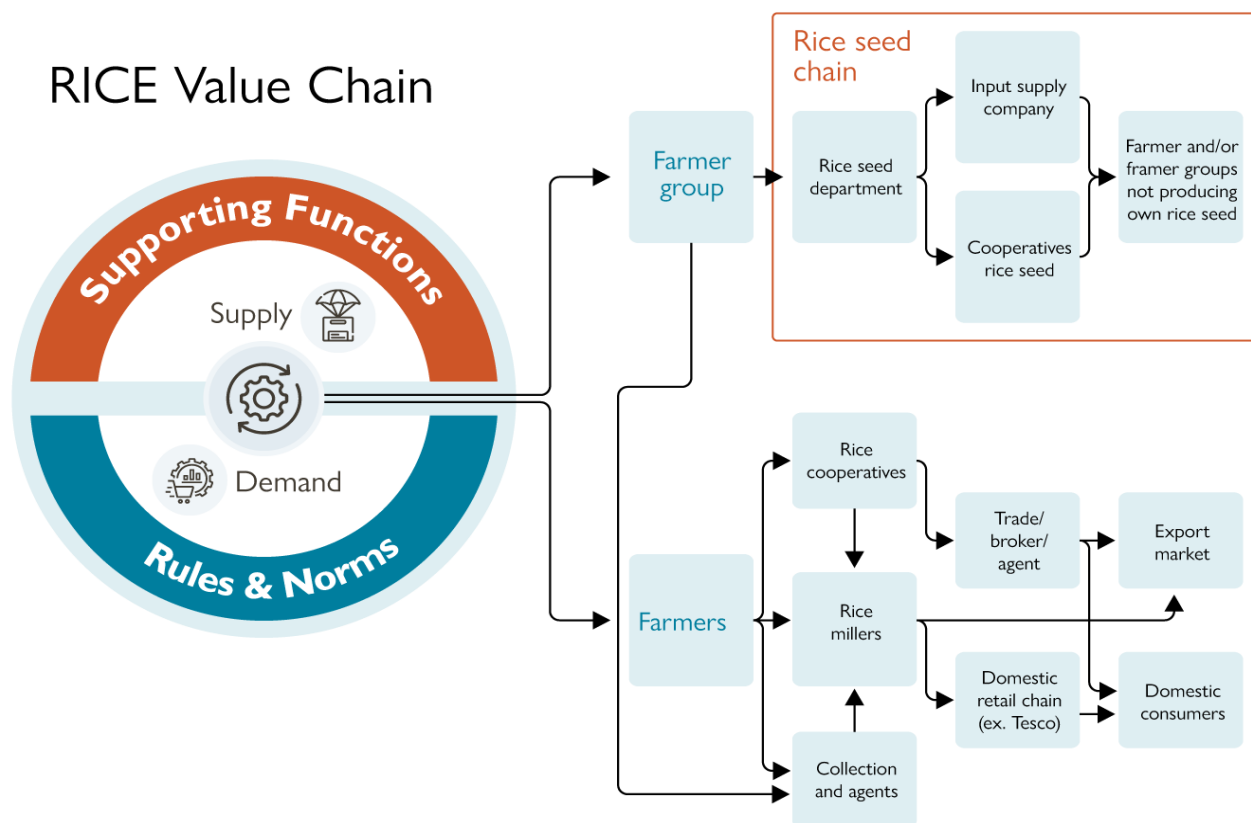
cocoa market system) and are also relative (e.g., a sub-sector of the agriculture sector is the livestock sector and the sub-sector of the livestock sector is the dairy sector). To avoid confusion, understand that different people, projects, and/or entities are likely to use these terms differently and make sure to establish common understanding before proceeding with an MSA.

This toolkit proposes the following definitions:⁹

- **Market System:**

Anything can be understood as a system, as long as it exhibits the characteristics listed in the complex adaptive systems box in [Section 1.1.1 Why MSD?](#)

A market system refers to the overall structure and dynamics of buying and selling goods and services for a specific purpose/outcome (e.g., tourism, high-value cocoa). It encompasses the interactions between buyers and sellers, the forces of supply and demand, and the institutions and regulations that govern exchanges. The market system includes the value chain, which is sometimes referred to as the 'core function' (see visual below).¹⁰



⁹ Definitions generated by AI prompt: 'Define the terms market system, sector, sub-sector and value chain.' April 2024

¹⁰ BEAM Exchange guidance page: [Mapping the system](#)

- **Value Chain:**
A value chain describes the series of actions or processes that an industry undertakes to deliver a product or service to the end consumer. It includes all the stages from raw material acquisition to production, distribution, and marketing, highlighting how value is added at each step.
- **Sector:**
A sector refers to a broad category of the economy that comprises businesses or organizations engaged in similar types of economic projects. Examples of sectors include agriculture, manufacturing, finance, healthcare, and technology. Sectors are often defined based on the nature of the goods or services produced.
- **Sub-sector:**
A sub-sector is a more specific subset or division within a larger sector, representing a narrower segment of economic project. Within the healthcare sector, for example, sub-sectors may include pharmaceuticals, medical devices, hospitals, and healthcare IT. Sub-sectors are often delineated based on factors such as industry specialization, product types, or target markets.

1.1.3 Common myths about the MSD approach	
MSD approach is only about the private sector	A systemic approach to market development does not imply working exclusively with the private sector, but potentially with any of the market actors in the system, including a wide range of supporting service providers, national and local governments, regulators, industry groups/associations, businesses, financial institutions, interest groups, civil society, media, communities, etc.
MSD cannot measure impact at the individual / household-level	While measuring systemic changes and impacts at the target group-level is one of the more challenging aspects of the MSD approach, a variety of methods—ranging from complex quasi experimental methods to more simple qualitative approaches (e.g., outcome harvesting, most significant change)—have shown to be effective in providing a level of confidence that contribution to systems change and impact at the household level have occurred. This myth likely emerged based on the idea that impact needs to confirm attribution. As the field has shifted to focus more on contribution, it has become increasingly easy to confirm that donor efforts contribute to changes in behavior/outcomes.
M4P targets the poor, while MSD does not necessarily do so	While ‘making markets work for the poor’ (M4P) includes the term ‘poor,’ M4P, MSD, and the inclusive systems approach are really synonyms describing more or less the same thing. However, MSD has expanded in use to include development outcomes that are not necessarily linked to a group of poor individuals/households (e.g., water conservation). The term MSD has gained more popularity in recent years and has taken over for the term M4P.

1.1.3 Common myths about the MSD approach

MSD is only appropriate for certain sectors	While the MSD approach got its start in the agriculture sector, it has since been adopted or adapted by a wide range of sectors such as (self)-employment, affordable housing, water sanitation and hygiene (WASH), healthcare, renewable energy, tourism, and conservation.
MSD programs are inflexible in their purist approach	Said in other words, MSD projects can only use facilitative, 'light-touch' approaches. This myth is most common for conflict-affected or fragile contexts, emergencies, or very thin markets where projects are more likely to perform roles and responsibilities of system actors. While it is certain that a systems approach requires following certain principles, any development effort can take up and apply MSD principles to make their efforts more systemic by being catalytic rather than diminishing system actors' incentives to perform these roles and responsibilities themselves. Examples of this are the FtF Nigeria Rural Resilience Project or the PRIME Project in Ethiopia, both of which layered in catalytic emergency response mechanisms as a response to the COVID-19 epidemic and severe drought.
MSD is not able to reach the most marginalized	A systems approach can be applied to any complex challenge. However, most applications of MSD aim to improve access to products and services, increase incomes, and create jobs, often relying on commercial incentives to drive change. These results benefit only those individuals who are in a situation to take advantage of the new opportunities provided by the market system. Groups considered as destitute, for example, would likely not be viable target groups for a 'typical' MSD project looking for large-scale impact. However, this does not mean that efforts to reduce destitution cannot apply system thinking principles.
MSD is not appropriate for fragile contexts	See the 'purist approach' myth above.
MSD is basically the same as VCD or PSE	See Section 1.2.3 How do MSAs differ from other market analyses? for a deeper discussion of how the MSD approach builds upon and differs from value-chain development and private-sector engagement.

1.1.4 Current priorities and trends in the MSD field

The MSD field has a rich history of self-reflection, learning, and improvement. Communities such as [BEAM Exchange](#), the [DCED](#) and the [System Innovation Network](#), among many others, serve as spaces for discussion, idea sharing, and resources.

Some of the most pressing topics the MSD community is currently exploring are:

- How to align MSD objectives with our urgent climate change and environment needs.
- How to most effectively address gender and other inequalities in MSD projects.
- How to be most effective in fragile, conflict-affected contexts and reach the most vulnerable.
- How to integrate market systems resilience concepts into project design and implementation.
- How to most effectively assess/measure systemic change.
- How to further integrate complexity considerations in the MSD approach.
- How to be most effective in urban environments.
- How to use AI tools for MSD efforts.

This toolkit will address some of these as related to the process of understanding a market system.

Section 1.1 Further reading - about systems thinking and its application

Videos on systems thinking

- [Introduction to MSD](#) - from BEAM Exchange (available in Spanish, French, Portuguese, Arabic, Vietnamese, and Haitian Creole)
- [Key Aspects of Systems Thinking](#) - from Systems Innovation
- [Systems Change](#) - from Systems Innovation
- [Systems Practice](#) - from the Acumen Academy

Non-USAID References

- [M4P Operational Guide](#) - a foundational guide to the MSD approach
- [Systems + Thinking: An Overview](#) (e-Book)
- [BEAM Evidence Review 2024](#) - on the effectiveness of the MSD approach

USAID resources

- [FTF Market Systems Development Overview \(MSD 101\)](#)
- [A Framework for Inclusive Market System Development](#)
- [Integrating a Market Systems Approach in Programming](#)
- [Local Systems: A framework for supporting sustained development](#)
- [Disrupting System Dynamics: A framework for understanding systemic changes](#)
- [The 5Rs Framework in the Program Cycle](#)
- [USAID Political Economy Analysis Guide](#)
- [Practitioners' Guide to Measuring Systems Change](#), p 36, Annex 1
- [Market Systems Resilience: A framework for measurement](#)

1.2 Key features of market system analyses (MSAs)

Purpose of this section

This section will help you gain a better understanding of the overarching reason for market system analyses (MSAs) and what the 'good enough' approach entails.

It does so by discussing the primary and secondary purposes of MSAs, the 'good enough' approach, common use-contexts and adaptations, how MSAs are different from other types of market analyses, and how an MSA fits into the Program Cycle. Links are provided to further reading about MSAs.

While this toolkit is targeted at individuals who already possess at least a basic understanding of MSAs, this section can serve to refresh all users' understanding of main features of MSA.

Sub-sections

[1.2.1 Purposes of MSAs](#)

[1.2.2 What is 'good enough'?](#)

[1.2.3 How MSAs differ from other market analyses](#)

[1.2.4 How MSAs fit into the Program Cycle](#)

[1.2.5 Common usage contexts and adaptations of MSAs](#)

What is a Market System Analysis?

An MSA is an activity that enables decision-makers to better understand market systems, informing programmatic decisions and effective technical approaches for MSD projects. The understanding of a market system is typically accumulated over time through experimentation and reflection, as well as through the sense-making of a wide range of secondary sources and program/project-specific studies that together constitute an 'MSA'.

MSAs may take the form of one or several studies or pieces of information that reflect the practice of conducting an initial 'good enough' analysis to begin programming, followed by continual analysis throughout implementation to refine and adapt programming. MSAs may be conducted prior to award to inform the design and solicitation of MSD programming and/or after award to inform work planning and implementation approach.

1.2.1 Purposes of MSAs

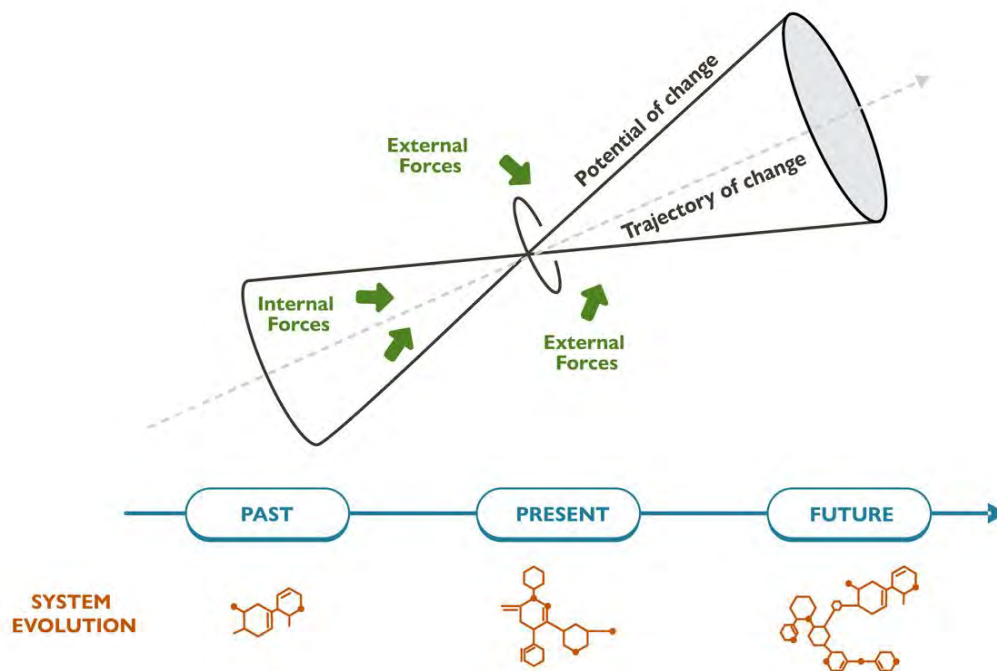
The primary purpose of MSAs is to inform decision-making. For donors, analysis informs project design and decision-making during project implementation by partners. For implementers, analysis informs their overall strategy¹¹, as well as the design and adaptation of interventions.

Decision-makers need a sufficient understanding of the market system(s) in question. To gain this understanding one must look at the past, present, and potential future:

- What is the market system like in the present moment?

¹¹ This could be a country-level strategy or project-level strategy.

- How did change occur in the past?
What factors or actors were instrumental in transforming the system into its current state (i.e., who catalyzed change or ‘fixed’ it into place)?¹²
- Given the evolution and the present state of the market system, what is the expected trajectory of the market system¹³ and what is its potential for change?¹⁴



Source: Dun Grover, based on several diagrams, such as the “futures cone”, including by Charles Taylor, Trevor Hancock and Clement Bezold

Ideally, initial MSAs give implementers, donors, and consultants sufficient information to design a strategy and an initial set of interventions (i.e., pilots) with the intention of shifting a market system out of its current pattern or trajectory and into a new pattern that sustainably benefits a specific target group and society.

As part of a strategy, an MSA should also generate evidence to produce or iterate a theory of change (ToC)—describing the causal logic between interventions, system changes, and high-level impact—that informs the learning framework the project relies on to effectively learn and adapt. This feeds into the project monitoring, evaluation, and learning (MEL) plan, which describes how these systemic changes will be monitored and measured (e.g. the outcomes and indicators).

¹² [Futures Cone: what it is and its uses](#)

[Futures Triangle: a tool for examining interactions of drivers of change](#)

¹³ A trajectory can also be described as a system’s path dependency. It means that the future path of a system is informed (and often constrained) by past events and decisions.

¹⁴ Dave Snowden, a systems thinking pioneer, calls this potential for change the ‘[adjacent possible](#)’

The above points are their primary purpose, but MSAs also play other important functions related to:

- **Staff capacity building & relationship building with market actors –**
By participating in an MSA effort, staff can learn about important aspects of the MSD approach, gain a deeper understanding of the market system being analyzed, and establish connections and relationships with key market actors.
- **Knowledge retention & providing history and justification for decision-making –**
Capturing the information and logic that inform strategic planning, design, and adaptation across the program cycle in one or several documents can ensure that new team members quickly improve their understanding of the market system and why certain decisions made in the past inform present strategy, interventions, and partnerships. This information can also be useful for a donor's country office or donor-funded projects in designing projects or interventions in the same market system. Lastly, capturing the logic behind intervention design is useful for new donor staff, providing a historical justification for the decisions that were made.
- **Market actor/partner capacity strengthening –**
If the MSA is conducted collaboratively with diverse market system actors, the actors themselves can gain a deeper understanding of the underlying dynamics of the system within which they operate. In addition, market actors may learn new diagnostic and analytical skills that can inform and improve their decision-making. Going through the practical experience of generating useful data for decision-making may lead market actors to adopt the practice independent of the project and can particularly benefit women, youth, and other marginalized groups.
- **Informing organizational structure –**
Organizational structure and key positions are often specified in donor solicitations/tender documents and submitted proposals and applications. While donors may conduct analyses to inform organizational structure and key positions, over time these analyses can become out of date. Conducting an MSA can clarify the organizational structure and staffing needs (e.g., by finalizing priority sectors; gaining an appreciation of the size, complexity, and/or opportunity of these sectors/value chains).
- **Informing partnership/fund management –**
This toolkit suggests that an MSA can help define a project's strategy and interventions, including recommendations for systems change visions, as well as potential leverage points, partners, and facilitation tactics. As a subset of facilitation tactics, MSAs may inform the size/value of a partnership fund given the number of potential partnerships and the type of partnership modality. MSAs may also inform the process of partnerships, informing, for example, implementing partners' (IP) use of solicitation mechanisms, co-creation processes, or targeted funds for women or youth depending on the type of partners, the intended partnership modality, and their capacities.

Section 1.2.1 Further reading - about the purpose of market system analysis

- [Market Research for Value Chain Initiatives](#) pg. 6 – about design-focused research
- [Market Systems Diagnosis](#) – a good practice note by The Springfield Centre
- [Systems Analysis](#) – a video from the Systems Innovation network

1.2.2 What is 'good enough'?

The 'good enough' concept is founded in the notion that market systems are too complex to ever understand completely, and that the bulk of learning will come from efforts to intervene and the necessary process of trial and error. A 'good enough' market system analysis provides an MSD team with the information it needs to begin probing... It is important to recognize that some things are easy to know in a short amount of time (global demand trends, and principal end markets, for example), while others – often critical points – require time to having trusting relationships to get at the truth (e.g., enabling environment issues tied to political economy and corruption, business visions for nearer-term investments, social norm constraints). Any analysis will be able to capture some of these things, while others will be notional or absent and will require revisiting with more information later.¹⁵

A 'good enough' analysis provides implementers with sufficient information to start probing (or donors with enough information to design solicitation documents), with the caveat that this initial information is continuously updated and expanded throughout the implementation of the project.

What is a sufficient amount of information?

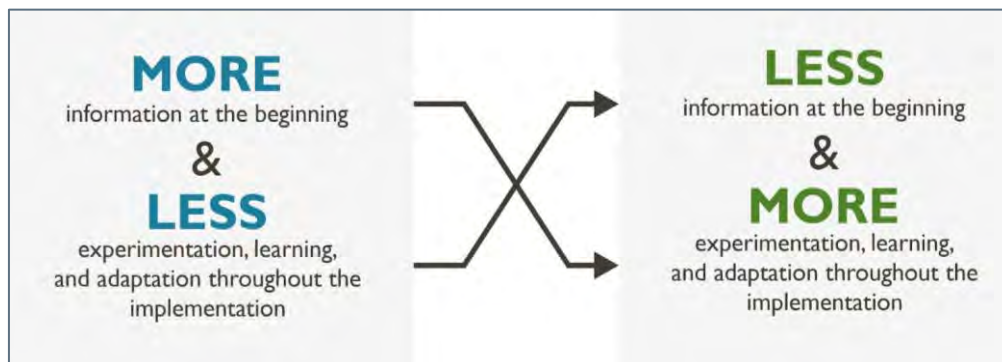
There is no one set sufficient depth of information for MSAs; however [The Utility of Market Analyses](#) review found that:

“One indication of the minimum necessary information is that a program feels confident that it has sufficient information to avoid 1) harming beneficiaries with poorly informed interventions, and 2) harming the future viability of program interventions by damaging a program’s credibility at the outset.

The review also recommends that MSA teams:

“Strive to collect enough information to develop an informed hypothesis of change and do not seek to understand every market dynamic from the onset. Plan to learn through doing, expecting and tolerating failure rather than expecting initial interventions to immediately hit the mark. It is very likely that initial market insights will be proven wrong (as new information comes to light) and/or irrelevant (as market systems change over time).

A 'good enough' analysis approach shifts a project's focus in this way...



It is vital therefore for donors and implementing partners to explicitly identify and agree on what good enough means for their context.

¹⁵ Fowler, Sparkman & Krueger (2016) [The Utility of Market Analyses: Key findings from a landscape review](#)

What is 'good enough' is context-dependent and heavily influenced by donor expectations, including the donor's alignment with the MSD development approach, deliverables, deadlines, and what the donor representative deems to be a suitable format and quality for the deliverable.

Traditionally, project design decisions have been rigid and binding, requiring more robust MSAs in the start-up/inception phase to 'try to get it right.' Recognizing the limits of analysis, some donors have increased adoption of a more adaptive approach (at USAID that movement was largely captured by the [Collaborate, Learn and Adapt \(CLA\) playbook](#)) as well as increasing their openness to incorporating flexible approaches. This has also shifted the ways that implementers can approach MSAs.

[The Utility of Market Analyses](#) review recommends following these principles:

For getting to good enough:

- Strive to collect enough information to develop an informed hypothesis of change and do not seek to understand every market dynamic from the onset.
- Conduct action research to inform formal market analyses.
- Look to integrate methodologies targeting specific issues (particularly gender) throughout the market research process, rather than in a stand-alone study
- Use the research process as a vehicle for staff capacity building and empowerment.

For right-sizing the process:

- Keep initial market analyses fast and rough.
- Identify and use pre-existing research materials when available and of good quality.
- Allocate funding for market analysis throughout the project's lifecycle, not only at the beginning.
- Emphasize process over product.

For packaging the result for ongoing use:

- Adjust the research output to the learning style of the local team.
- Use modular outputs.
- Produce separate outputs for each audience, rather than creating the same output for donors and for staff.

To these principles, this toolkit adds that the research process should also serve as a vehicle for market actor participation, learning, and capacity growth. A good enough initial MSA must integrate gender and climate/environment considerations in all analyses. Not only is it many donors' policy that all projects must be gendered and consider environment/climate aspects, it is just good development practice to ensure that projects do not exacerbate gender inequalities, have more effective impact, and do not weaken communities' resilience by destroying natural resources.

TIP: Embed gender, climate and environmental considerations into the MSA

This toolkit recommends embedding deliverables for gender and climate/environment in the initial MSA. Separate deliverables often reinforce the message that gender interventions are separate from the main project and that these interventions are the responsibility of the gender team / person on the project rather than everyone's responsibility.

1.2.3 How MSAs differ from other market analyses

Market analyses that inform development strategies and interventions have been around for decades, so what makes an MSA an MSA?

The main difference between MSAs and other types of market analyses is an MSA's focus on identifying underlying system factors in order to inform actions that will influence systemic shifts.

In practice, this means that MSAs:

- Use some type of systems-based framework (e.g., market system donut). See Section 2.3.3 on [analytical frameworks](#) as a starting point to organize the research effort. Systems frameworks help to simplify the complexity of systems into manageable parts and are especially useful as an early process step.
- Aim to identify the underlying forces (i.e., important influences and feedback loops) causing the system to continue in its current path, or to identify any emerging changes in the system that can be bolstered. MSAs may therefore investigate semi-explicit or implicit factors, such as relationships, power dynamics, and beliefs or mental models that act as incentives or disincentives for change and influence how some populations, such as women and youth, are less likely to benefit from the existing market system. This also means that MSAs typically rely heavily on qualitative research methods which help one understand the 'why' and 'how' behind the 'what.'
- Recognize the interconnectedness of systems, giving MSAs more flexible boundaries to include a deeper analysis of ancillary systems. For example, an MSA in the livestock sector may end up also analyzing the animal health system and a community's natural resource management practices and capacities.
- Elevate the importance of identifying leverage points in the system, such as influential actors or catalytic factors (e.g., rules, relationships, or structures) that may result in transformative shifts. This is vital to any MSA, as a systems approach aims to facilitate in partnership with system actors, rather than implementing interventions 'directly.'

It is important to note that MSAs typically do not consist of a single study, but are rather a collection of diverse research efforts—both primary and secondary—that go through a process of sense-making throughout project implementation to inform strategy/design efforts and their adaptations. See figure below. The composition of these diverse research efforts within MSAs will differ in terms of content and intensity.

While the list below illustrates what type of research an MSA may conduct, it must be noted that this list does not suggest that an MSA requires all of these. Each project will need to determine which composition delivers good enough results for its specific needs.

An illustrative list of **diagnostic tools and information sources** can be found in the [M4P Operational Guide](#) (page 18, fig. 10)



What is the difference between an MSA and a systems analysis?

A generic systems analysis¹⁶ can be applied to any complex challenge, whereas MSAs focus on complex challenges related to markets, sectors, value chains, and/or the economy.

Signs that a challenge may be complex include:

- Unclear cause-effect relationships between the system structure/dynamic and the outcomes the system produces.
- A problem persists even after repeatedly trying to address it.
- A successful solution requires taking action in multiple parts of the system.
- Previous attempts to address the problem have resulted in surprising, unintended, and/or unwanted outcomes.

How is value chain analysis different from market system analysis?

Ever since the rise of MSD there have been debates as to how it differs from value chain development (VCD), and subsequently how MSAs are different from value chain analyses (VCAs).

¹⁶ An example of the application of a systems analysis to a complex challenge that is not related to markets, sectors, value chains, and/or the economy is the analysis of an organization's internal system. This type of analysis could answer questions such as 'Why does our cost approval process take so long?' or 'Why is our membership declining?'

The challenge to clearly differentiate these approaches comes down to two points:

1. MSD partly evolved from VCD. This means that MSAs often include certain aspects of VCA, such as the value chain map, stakeholder/actor mapping, margin analysis, or identifying constraints.
2. The VCD approach has continued to evolve and has adopted more systemic thinking, further blurring the lines between MSAs and VCAs.

However, in practice, there are a few **general** aspects that offer clear delineations:

- MSAs can be applied to a broader range of sectors, such as service sectors. Imagine trying to conduct a VCA for the tourism sector or the technical and vocational education and training (TVET) sector!
- MSAs tend to have less restricted research boundaries and are more likely to include multiple interconnected systems beyond the core market function (e.g., value chain), and sometimes solely focus on the supporting functions and rules/norms or other interconnected ancillary systems.
- MSAs tend to have a much stronger focus on identifying and working on the underlying dynamics (e.g., influencing factors and feedback loops) that prevent or propel the system to shift to a more desirable state.
- Rigorous guidance exists for getting MSAs from analysis to design; this is generally lacking for VCAs.
- Strategies and interventions resulting from MSAs are much more concerned with how to facilitate systemic change (i.e., sustainability, scalability, and meaningfulness) and therefore tend to apply a broader range of facilitation tactics with a broader set of partner types than do the strategies and interventions coming out of VCAs; this includes aspirations to support replication and/or crowding in by other market actors.

1.2.4 How do MSAs fit into the program cycle?

This section focuses on the USAID Program Cycle. However, other donors and implementers may recognise common process steps and apply the insights shared here to their unique contexts.

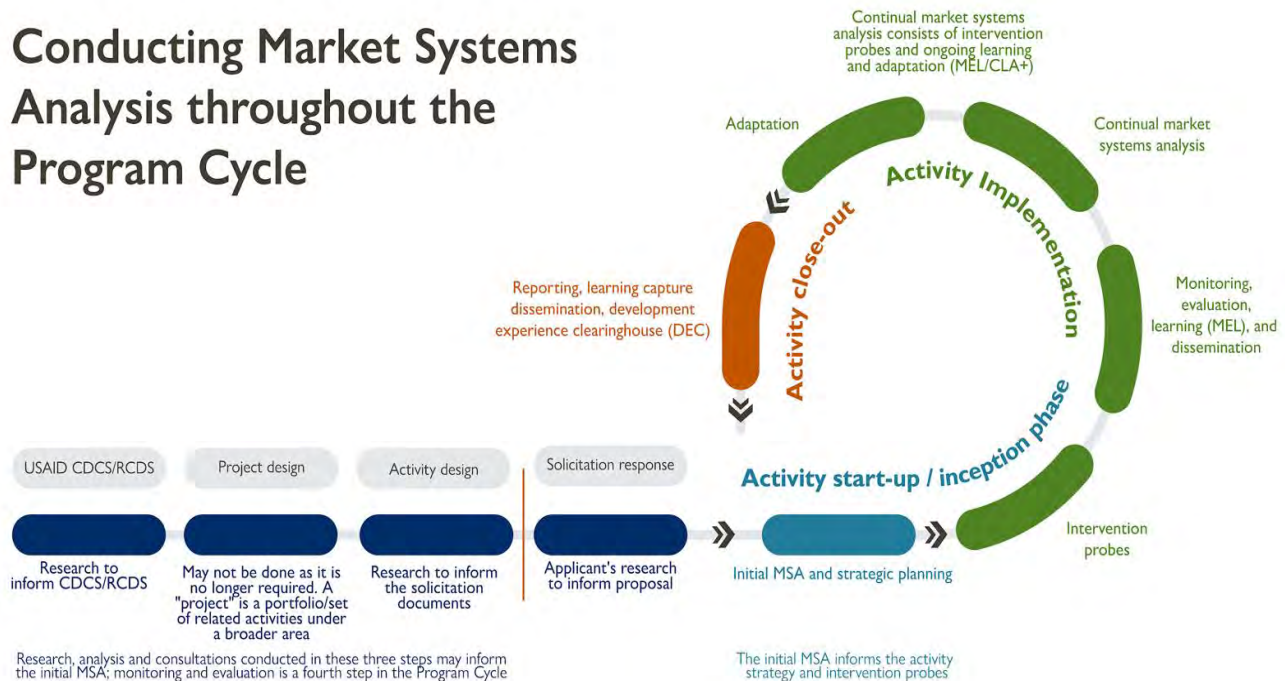
USAID-funded projects, including those adopting an MSD approach, were embedded within USAID's Program Cycle. This program cycle had four main steps: Country/Regional Strategic Planning, Project Design & Implementation, Project Design & Implementation, and Monitoring & Evaluation. MSAs have typically been understood to happen only once, at the beginning of the implementation stage.

In line with more adaptive practices, this toolkit proposes a reframing of this outdated view of MSAs. Rather than a one-off effort at the beginning of a project, MSAs consist of the entire body of research efforts that have been conducted in each of the Program Cycle steps.

Looking at MSAs in this light can help donors and implementers maximize the benefits of their resources and efforts. An MSA then becomes a much more collaborative process that is built up over time.

A table describing the visual below in more detail can be accessed here: [Conducting Market Systems Analysis throughout the USAID Program Cycle](#)

Conducting Market Systems Analysis throughout the Program Cycle



TIP: The general term MSA refers to both the initial MSA and continual MSA efforts.

Continual MSA effort constitutes ongoing research efforts, described in more detail in [Section 3.6: Continuing market analysis during implementation](#), not multiple discrete, initial MSAs. Some organizations would argue that the most effective approach to initial MSA is a collection of small studies, pilots, and continual MSA efforts throughout implementation. This toolkit uses the term **initial MSA** to refer to such a collection of small studies.

Section 1.2.4 Further reading - about the program cycle

- [Managing MSD Projects](#) - internal guidance paper for SDC staff
- [Program Cycle Operational Policy](#) - ADS Chapter 201
- [Linking the 5Rs with Program Cycle](#) - Annex A (Listen, Engage, Discover, Adapt)

1.2.5 Common usage contexts and adaptations of MSAs

The MSD approach has been applied to an increasingly wide range of contexts, resulting in bespoke adaptations of market system analysis and strategy design efforts.¹⁷

Common adaptations have been developed for:

- Emergency contexts
- Conflict-affected or fragile contexts
- Specific sectors (e.g., employment [labor and self-employment], tourism)
- Specific development objectives (e.g., climate change/environment)

MSA efforts have also been developed to be more participatory or less participatory and more rapid or less rapid. Participatory approaches generally refer to approaches where market system actors play a larger role in defining the challenges and solutions for an MSD effort.¹⁸ More rapid MSAs are typically used at the sudden onset of an emergency and can be as fast as several days to two weeks.

MSA efforts in emergency contexts

In both pre-emergency or during emergencies, MSA's typically include specific aspects that differentiate them from MSAs for non-emergency contexts:

- **Participant selection** – identifying the households or individuals who are at most risk, and their needs.
- **Before–after comparisons** – comparing the market system or value chain before the crisis and after in order to determine which market functions are still functioning and at what level.
- **Critical products, services, and capacities** — identifying the most critical/essential products and services and assessing the capacity of their providers; identifying capacities of at-risk communities, households, or individuals (e.g., social capital).
- **Price monitoring** – monitoring prices of essential goods and services to inform humanitarian and market-based response efforts.
- **Dissemination of the MSA findings** with other implementers is a common practice.
- Strategies generally aim at ensuring that the target group's **basic needs** are taken care of and that they have access to essential products/services.

Section 1.2.5 Further reading - about MSAs in emergency contexts

- [Comparative Table of Humanitarian Market Analysis Tools](#) – CALP Network

¹⁷ In contrast to the general approach outlined in the [M4P Operational Guide](#), for example.

¹⁸ In contrast to efforts that are largely led by external teams or consultants where, while the views of market actors are gathered, it is generally not in a group setting (e.g. the whole system in the room), nor is the analysis and strategy design led by the market actors themselves.

MSAs in fragile and conflict-affected settings

Increasingly, humanitarian efforts that are active in conflict-affected contexts are applying a systems lens – including MSD approaches – to catalyze changes to how the systems manage risks. They are generally used to inform resilience programming, though they may also be used in preparation for humanitarian and market-based responses to likely emergencies (e.g., Pre-crisis Market Analysis [PCMA]). For the former, these MSA efforts typically include the following specific aspects:

- Evaluation of likely **shocks and stressors**.
- **Shock profiles** that evaluate the likelihood, scale, duration, and relate to each target group in terms of its impact and common positive and negative coping mechanisms (including vital products, services, and/or capacities the target group relies on during shocks/stressors).
- Assessment of how households rely on market systems leading up to, during, and after shocks and stresses.
- Assessing dispute patterns within a market system, including how disputes are managed, as they can become flash points for wider conflict.
- Measurement of **market system's resilience** capacities.
- Strategies generally aim at building the resilience capacities of households, communities, and the market system in response to specific shocks/stressors.

Section 1.2.5 Further reading - about MSAs related to resilience

- [Market Systems Resilience: A framework for measurement](#) -
- [Resilience in Market Systems](#) - BEAM Exchange guidance page
- [The Market Systems Resilience Index](#): A tool to assess resilience at multiple levels

MSAs for the employment market system

Typically MSAs include these specific aspects and/or adaptations:¹⁹

- **Sector selection**
“In a MSA you have usually gone through a sector selection process and selected sectors where there is an opportunity (i.e., where there is sufficient demand for the commodity or whatever). But for labor markets/employment, you have to select labor market systems as a primary focus even if there isn't sufficient demand for labor in the context. This has all sorts of knock-on implications, but perhaps the most important one is that you may be looking at interventions to create demand and create opportunities, rather than selecting for them. This means you have to diagnose both 'up' and 'down' from 'the labor market.'”
- **Target group segmentation**
“You have to really understand, and likely segment, workers, entrepreneurs, and jobseekers. Labor is intrinsically linked to the person who supplies it — their skills, experience, preferences, abilities and disabilities, experiences of prejudice, ambitions and more. Work is

¹⁹ The guidance quoted below is from Rachel Shah, Director of Youth Employment at Mercy Corps

part of our identity, and our identities affect what kind of work we are willing and able to get. So a deep understanding and a realistic segmentation is pretty important.'

- **You may be working across multiple sectors**

"Many young people have a portfolio of work and don't work 'in a job' i.e. in a full-time, formal, salaried job. You are also unlikely to find sufficient opportunity for scale in any one sector – especially when value for money is considered – so you are often having to look for where there are cross-cutting system changes that will be solutions that can serve multiple sectors. This makes sector selection unique and quite tricky – as demand for labor is still sector specific (and you therefore can't abandon a sectoral lens).'

- **Objectives**

"There isn't a single driving objective (income increase, or increased productivity) that is the driving 'improvement' being analyzed in terms of system performance – in some sectors, for some segments of young people, the objective will be about access to work, in others it will be about improving the conditions they are already working in, in others it will be about job/work creation – so you have to have a really clear understanding of what kind of opportunities you are looking for, and who will benefit from them.'

- **Public sector**

"You almost always have to pay way more attention to the public sector than in a typical non-employment MSA.'

- **Intermediaries**

"Explicit focus on intermediaries as part of the core exchange (and the system around it). While not exclusive to labor markets, the importance of the intermediation function (from public employment services to brokers and matching) in facilitating, informing and regulating employment means MSAs focused on labor market outcomes need to adapt to not just look at the supply- and demand-side.'²⁰

Section 1.2.5 Further reading - about MSAs for employment

- [What's the difference between MSD and MSD4E?](#) Blog by Rachel Shah, Mercy Corps
- [Market Systems and Job Quality: what do we know and what can we do about it?](#) – ILO briefing

MSAs for the entrepreneurship ecosystems

ILO's recent guidance on [Evidence and best practice in entrepreneurship ecosystem development](#) offers specific advice for entrepreneurial ecosystem development (EED):

- The **value chain, or core function, of the EED market system is viewed as the process of entrepreneurship**, including the following stages: ideation, concepting, validation, start-up, trial/error, learning/adapting, growth/death, and recycling. So, *'rather than the system enabling the flow of a physical product through a set of actors, adding value at each stage, entrepreneurial ecosystems enable individual entrepreneurs to successfully advance through the various stages of the entrepreneurial process. This has important significance when considering how to diagnose, plan and implement EED initiatives. One could view each stage as a separate system, the framing of*

²⁰ Quote from Matt Ripley, Director at Impact Frontiers

which could help organize the complexity of EEs during ecosystem diagnosis and design of intervention.'

- **'Entrepreneurs and entrepreneur communities are a much more important catalyst for their own change;** thus they are both beneficiaries and catalysts. In other sectors, the target group are typically indirect beneficiaries who don't play a major part in facilitating systems change.'
- 'Important system characteristics / capacities for entrepreneurial ecosystems have been identified to include: entrepreneur density, collaboration, coordination, power/leadership, culture, specialization/diversity, and inclusion.'

MSAs for the tourism market system,

Typically these include some specific aspects and / or adaptations:

- The core function is viewed as the set of experiences tourists have in the process of searching for and booking travel/accommodation and destination activities/experiences.
- As with EEDs above, each stage could constitute its own market system to be analyzed for each target visitor segment.

MSA efforts for greening agricultural systems²¹

They may use **planetary boundary donuts** or [value network mapping](#)

- 'The planetary boundaries doughnut represents the ecological limits and social welfare foundations within which agriculture must operate to be truly sustainable. ... the planetary boundaries doughnut shows an alternative way of visualizing the impact of a particular market system.'
- Social or Value Network Analyses. These analyses map the nature and strength of relationships between different types of players across market systems.
- Use a triple-layered business model canvas, adding a social and an environmental layer, in order to envision new business models with potential partners.

²¹ Parra (2024) *Greening the MSD approach in agriculture* beamexchange.org/resources/1885

Section 1.2.5 Further reading - about integrating environmental considerations

- [*Value Chain Development for Decent Work*](#), Box 20, pg. 41 ILO guidance
- [*Market Systems Development and the Environment*](#) - ILO's strategic & operational guidance note
- [*Greening the MSD approach in agriculture*](#) - BEAM Exchange / DCED guidance
- [*Better integration of environmental considerations*](#) - blog by Isaac Cowen-Gore
- [*Assessing climate risks and vulnerabilities in market systems*](#) - Helvetas guidelines
- [*Sector selection and rapid market assessment for addressing environmental sustainability in value chain development*](#) - an ILO tool
- [*Environmental sustainability in value chain and market system development for decent work*](#) - guidance from ILO

1.3 Specific MSA guidance for donors

Purpose of this section

This section presents guidance to donors on market system analysis (MSAs) and strategic planning/intervention design. It discusses what donors can expect from a 'good enough' MSA, how donors can best support MSAs, and how the MSA approach aligns with industry priorities.

Sub-sections

[1.3.1 How to facilitate successful MSAs](#)

[1.3.2 What to expect from analysis that is 'good enough' for implementation](#)

[1.3.3 Alignment with industry priorities](#)

Donor contexts

Donor staff are often under pressure to quickly report results for new projects. While conducting MSAs, designing interventions, identifying potential partnerships, and finalizing a grant manual or MSD implementation manuals are vital aspects of implementation in the first year, but they typically don't count toward results.

This pressure to report results often leads to an intense first year, stacked with deliverables and tight deadlines, so the project can start implementing and producing immediate results. But at what cost?

Initial MSAs that are rushed or not sufficiently resourced, may end up leading the project down a greater number of dead ends. Further, an initial MSA that is conducted too soon may not be able to include project staff, who still need to be hired, and therefore may lose a vital opportunity for local knowledge capture and staff capacity development. These trade-offs must be considered in comparison to their potential impact on the trajectory of the project throughout implementation.

How can donors support successful MSAs (initial and continual) and strategic planning/intervention design efforts, while balancing the need for results in year one?

A strong start is vital to the success of a project, and this requires a healthy balance between 'let's get going' and 'let's stop and think.'

1.3.1 How to facilitate successful MSAs

The Utility of Market Analyses review found that

'some practitioners and donors are unconvinced that market analyses are living up to their promise. There are concerns about the quality of the analyses, their value for money, and their usefulness in informing subsequent intervention design.'

However, the report goes on to highlight how much a USAID Mission's decisions will influence an implementer's ability to conduct a successful MSA and strategy design effort. These findings are reiterated by a recent ILO review of 64 market system analysis exercises²².

²² ILO (2023) *All analysis & no action* <https://beamexchange.org/resources/1830/>

Donors, through the decisions they make, have the power to make or break an MSA and strategy design effort.

What can donors do to support successful MSA efforts?

Donors can greatly contribute to successful MSA efforts and MSD project implementation when they:

- Understand systems thinking approaches and their implications;
- plan for flexibility from the beginning;
- consider MSAs not as a one-off but as a continual process of learning;
- expect that system changes take time to emerge; the full five years is often needed, and depending on the systemic change - some social norms take a generation to change - think about how multiple projects over time will move the needle.
- facilitate flexibility by including targets in monitoring, evaluation, and learning (MEL) plans (versus in contracts and agreements - limit those to 'north star' targets) and avoid adding indicators beyond the required indicators;
- establish a collaborative relationship with implementers; and
- foster a learning culture.

If you are a donor staff working on designing a program and are interested in using a market systems approach you can also review [Section 1.1 Essential information for newcomers to MSD](#), which includes links to guidance materials about the MSD approach.

Below are more detailed recommendations, organized by common phases of project design and implementation.

Flexible procurement & grant approaches

Competitive tenders or calls for proposal documents and subsequent applications, including staffing plans and strategies, are built on incomplete information. Once an initial MSA is conducted, a more nuanced understanding of the situation emerges. Without a conscious effort to enable flexibility, contracts/grants often require awkward retro-fitting via modifications, which in the best-case scenario is feasible but takes time and resources away from the project.

Share any project design reports or studies with applicants, or at least with the winning implementer. [The Utility Of Market Analyses](#) review found that 'some donors conduct market analyses prior to the solicitation phase, while often reflected in a procurement solicitation,... the full pre-solicitation analyses are difficult for the implementation teams to access.'

Solicitation documents (competitive tenders or calls for proposal documents)

Solicitation documents typically include descriptions of the expected development approach, may include specific mentions of analyses to be conducted, especially in the start-up phase - or ask respondents to propose analyses, and always include at least some core deliverables and their deadlines (e.g., progress and financial reports). The language in the proposal documents around MSAs will have implications on the implementer's ability to deliver a successful MSA.

Following the below recommendations can lead to creating an environment within which implementers can conduct effective MSAs:

- Clearly define the project parameters (see below), while providing flexibility to the implementer for how these will be achieved. This will help achieve the balance between the management oversight the donor needs to have and the flexibility required when implementing MSD programs. It will also help create clear boundaries for the MSA, which will result in more focused research and analysis efforts.

Project parameters:

- o Define target group
- o Define high-level impact objectives
- o Describe potential opportunities to benefit the target group, including potential market systems
- o Describe feasibility of inducing systems change
- o Theory of change
- If you are planning to use a market systems approach and are planning on commissioning an analysis to inform the project design, specify a market system analysis in the solicitation documents.
- Offer the option to adjust the organizational structure as part of a co-creation process after award or after the initial MSA and intervention design effort. This flexibility will allow implementers to hire or re-assign the appropriate staff for an MSD approach, including for conducting the initial MSA, and for conducting continual MSA efforts.
- Limit the number of targets in the solicitation documents and make sure these are well focused. Too many targets, especially if unfocused, may spread an MSA thin and limit an implementer's understanding of the underlying structure and dynamics of the market system being analyzed.
- If funding sources and strategy allow, include flexibility in terms of sectors in the solicitation documents (i.e., having sector/market system selection happen as part of the solicitation, award and implementation process, with explicit award language that focus market systems may shift with donor approval). This will allow implementers to pivot based on the findings of the initial and continual MSA efforts, resulting in more adaptive efforts to meet donor's high-level objectives .
- Include the expectation of a robust learning and adapting approach and continual MSA; allow for a sufficient budget for continual learning and adaptation throughout project implementation.
- Don't be too prescriptive in terms of the initial MSA effort in the solicitation documents, give implementers flexibility to collaboratively define what would be the best MSA approach for the context, keeping an eye on what is feasible.
- Recognize that first-year deliverables are interconnected, often require sequencing as one feeds another, and have implications on the staffing pattern and hiring timeline. Consider, for example, the level of detail and development beyond the proposal or application content desired when setting a work plan due date. If more detail or development is desired, the initial MSA should be completed before the work plan. However, there is also the option to have rolling work plans or otherwise iterate them as things are learned, should a faster work plan submission be desired.

Project implementation phase

Once the award has been made, donors can support MSA efforts of implementers in the following ways:

- Closely engage and collaborate with the implementer, share information/reports/studies, provide key contacts and contexts (especially for new implementer), facilitate meetings (e.g., with government), and discuss ideas together
- Come to an agreement with the implementer about what amount of information will be 'good enough' for the initial MSA in order to get started on intervention pilots
- Actively support an ongoing process of analysis, learning, and adaptation rather than a one-off MSA only. This will require staff capacity strengthening, time, and resources.
- In collaboration with implementers, ensure that MSAs:
 - Are commercially oriented, meaning that they identify market opportunities for innovation and the movement of new players into a market as well as binding constraints holding back private sector investment. Many poor MSAs were doomed from the beginning because the donor set out an unrealistic project goal for the MSA (e.g., marginalized youth employment at scale in agriculture in the north)
 - Engage private sector or other stakeholders that are likely to be partners in the future
 - Use qualitative methods - this allows the implementer to identify the underlying system dynamics and is quicker and more cost-effective than quantitative methods (which are better suited for evaluations or other specific data needs)
- Keep in mind that local market systems are connected to larger national, regional, and global market systems that may require the project to work outside the zone of interest (ZOI) or target area.
- Read and provide feedback on the MSA terms of reference (ToR) and approve this and other MSA deliverables promptly.
- Remember that progress on 'north star' objectives will be zero or near-zero in year one and calibrate MEL Plan targets accordingly in partnership with the implementer. This can dampen pressure to achieve unrealistic progress, unsustainably, in year one. This will also help the initial MSA to stay focused and support strong strategic planning and intervention design.
- Allow the implementer to start pilots even if the intervention work plan has not yet been approved, for the more obvious low-hanging and less risky opportunities. Doing so would help focus initial MSA efforts to include identifying these opportunities.
- Keep in mind the award date and any seasonality aspects of the market system(s) in question that could have an impact on the MSA effort and results.
- Don't ask for the entire MSA report to be in publishable shape - it is a process document. Consider requiring only a presentation or a short MSA report (20-40 pages max) as official deliverable (see [Section 3.5 MSA report: packaging and use](#)).
- Managers can communicate to the donor focal point that they do not feel the need to have the implementer hyper-plan and document everything to cover their backs in case something doesn't work out. This will alleviate the pressure on MSAs and strategic planning and

intervention design to produce inappropriate levels of information and details and analysis which could lead to ‘analysis paralysis.’

Note: *the above recommendations will be more feasible to implement if flexibility was built into the award from the outset, giving the donor focal point space to work with the implementer to define specifics at the work plan level and by providing technical direction, versus needing to adhere to (or modify) stipulations in the contract/grant itself.*

Section 1.3.1 Further reading – advice for donor staff on facilitating MSAs

- General recommendations on MSD programming aspects for funders and implementers - [M4P Operational Guide](#), pages 6 - 10
- [Commissioning a programme](#) - BEAM Exchange Guidance page
- [Adjusting procurement processes for MSD programmes](#) - BEAM MSD Procurement Series
- [The Utility Of Market Analyses: Key findings from a landscape review](#), page7 - 9

1.3.2 What to expect from analysis that is ‘good enough’

The information needed for an MSA will differ for each context and should be agreed on in collaboration between the donor focal point and the implementer. Having said this, initial MSAs do have common information needs to effectively inform project strategic planning and intervention design (discussed in detail in [Section 2.3 Information needs, methods & checks](#)).

Besides this, the subsections below ([the initial MSA effort](#), on [work planning](#), and [continual MSA and learning](#)) describe what donors can expect from a ‘good enough’ approach to MSA.

The initial MSA effort

When planning initial MSA's donors should anticipate that:

- MSA's in fragile or conflict affected settings take longer, cost more, and are likely to generate less detailed findings.
- MSA's are more effective with project staff participation. Using consultants - especially a firm – to conduct an MSA without project staff participation, can cause in large knowledge and relationship gaps among project staff, which may require a lot of time and effort for the project to close. Note that this toolkit is not suggesting that all project staff participate in an MSA
- MSA's vary significantly in terms of cost/time, based on the following factors
 - Number of market system analyzed
 - Conducted in-house, vs consultant vs firm
 - Geographic spread of market systems
 - The depth of analysis
 - The existing available information sources
 - Level of participation from market actors
 - Number of individuals on the MSA team
 - The country and context

- MSA's commonly cost between-
 - \$30 - 60,000 if using a consultant over a three- to four-month period;
 - \$40 - 120,000 if using a firm (typically firms are hired for more extensive MSAs); **or**
 - \$10 - 20,000 per market system being analyzed
- MSA's commonly require one month per market system, plus one month for strategic planning and intervention design; often MSAs are done over three months with strategic planning and intervention design finished within four months. *The Utility of Market Analyses* review found that *'the fieldwork and writing for market analyses in our sample lasted from 45 to 90 working days, with the typical study taking about three months of work for a team to complete.'*
- MSA's take a lot of preparation and work, starting with drafting a ToR for a consultant or firm, getting it approved, posting the opportunity, interviewing, selecting, overlapping with consulting or firm availability; drafting a research plan; planning logistics; conducting secondary research; conducting field work; collating and analyzing results, validating results; using results to inform strategies and intervention design; report/deliverable development; and donor review/approval.
- MSA's always have gaps/remaining questions that need to be filled later. They rarely serve as baselines for MEL²³. While a piece of baseline data may come from an MSA, in most cases information gathered for MSAs should inform additional baseline efforts.
- MSA's use qualitative methods to reveal the underlying causes shifting, or preventing the system from changing. Initial MSAs almost never use large-scale quantitative surveys to gather data.
- MSA's should include gender considerations, which could be crafted into a distinct deliverable if necessary.
- MSA's should incorporate (rather than conduct separately) aspects such as social inclusion, environment, climate change, resilience, and political economy that may need deeper investigation during implementation.
Note that some of these topics could be crafted into distinct deliverables if advantageous.

Work planning

Donor focal points should define expectations for the initial work plan and documents outlining the implementer's implementation approach to:

- Put forward hypotheses to be tested via pilots and continual learning and implementation, rather than a static roadmap that won't change.
- Include a discussion of incentives, business models, cost-benefit, system dynamics or characteristics, norms and/or other feasibility checks.
- Suggest implementation tactics and interventions and partnerships (that might adapt or pivot later).
- Propose a step-wise approach rather than large transformative shifts to happen quickly and in one step. Each step will lead to the next possible alternative for the project to consider; this is akin to way-finding and in the systems space is called working with the 'adjacent possible.'

²³ An exception being when the MSA includes a social network analysis (SNA) for example.

- Include gender considerations at minimum, and other cross-cutting considerations as desired.

Based on the donor focal point's expectations for what should be documented in the first-year work plan and how often it will be revisited, there will be implications for the scope and timing of the initial MSA. Out-year work plans should incorporate new ideas and information from continual MSA.

Continual MSA and learning

Donors should expect that:

- The initial MSA and strategic planning/intervention design efforts are only the beginning in the process of continual learning and adaptation in the Program Cycle
- Continual market system analysis is the evolution of a single initial MSA and strategic planning/intervention design effort into several avenues of continual learning and adaptation efforts throughout implementation. Together, continual market system analysis and learning gleaned via implementation constitute the continual MSA effort, which can be periodically reviewed, collated, and analyzed as a team.
- The continual MSA is based on a learning framework with a solid hypothesis around how change could/should emerge. This allows projects to leverage learning from pilots and make more effective adaptations
- Initial intervention pilots will be experimental, which means that sometimes they will not work out; this is not a failure if learning and pivoting are part of the implementation approach
- Initial intervention pilots may start at varying times depending on the preferences of your Chief of Party/Team leader, and they may not deliver much in terms of reportable results given their important role in driving learning about system dynamics (one influence on timing of initial intervention pilots is if the donor focal point allows the implementer to get started with pilots even if the design/work plan is not fully completed and approved)
- Continual MSA and learning requires periodic staff capacity strengthening

1.3.3 Alignment with industry priorities

The MSD approach in general, and particularly the 'good enough' analysis approach for conducting MSAs, is closely aligned with the general industry trends of more adaptive approaches, which includes an increased learning function, as well as a localization effort, which aims to increase the involvement of local entities and individuals.

The 'good enough' analysis approach for conducting MSAs is also conducive to including climate and environment aspects, as well as the inclusion of marginalized groups.

Section 1.3.3 Further reading – about alignment with industry priorities

- [Shifting The Locus Of Learning: Catalyzing private sector learning to drive systemic change](#)
- [Localization Series](#) – guidance from the LINC initiative
- [Localisation and system approaches](#) – thinkpiece from Agora Global

2. Before you begin

2.1 Foundational considerations

Purpose of this section

This section will help decision-makers determine whether an MSA is the most appropriate tool to provide relevant information, and if so, how best to start the planning process, focusing on operational considerations.

It does so by discussing whether an MSA is really needed or not, and the key foundational decisions and their implications if needed, followed by recommendations for the planning process. Links to further reading on relevant subtopics are provided.

Sub-sections

[2.1.1 Is an MSA really necessary?](#)

[2.1.2 If an MSA suits your needs, what are main things to consider?](#)

2.1.1 Is an MSA really necessary?

As described in [Section 1.2 Key features of market system analysis](#), an MSA is an analysis designed to enable decision-makers to understand market systems better, informing programmatic decisions and effective technical approaches for market systems development (MSD) projects. As a first step, it is important to ensure that an MSA is actually what is needed for your project.

Although the flow chart below was designed for USAID Missions and their partners, the essential logic may well be applicable for programmes funded by other donors.

In some cases, implementers may want to conduct an MSA to inform their internal strategies (e.g. country strategy, regional or sectoral strategies) independent of a specific project. Implementers may also conduct an MSA to influence donor priorities in a given country.

See also, [Section 1.3 Specific MSA guidance for donors](#)

USAID Missions

If you are considering procuring an MSA for your program design needs (i.e. to design an RFP/RFA), will the solicitation documents require or recommend a systems approach?

YES

Proceed to the MSA guidance for USAID Missions.

NO

While commissioning an MSA will still provide you with the essential information to inform the activity design, you will likely not be able to utilize the information in the MSA report fully and may spend more time on the assessment than is necessary. Consider other simple market assessments.

Implementing partners and/or consultants

Are you required by the donor to use a systems approach, or did your organization propose a systems approach in your winning proposal and application?

YES

Proceed to the Key Decisions for MSAs.

NO

Proceed to the next question below.

Does your organization have sufficient time for the activity (i.e. at least two years)?

YES

Proceed to the next question below.

NO

Activities with funding lasting less than two years will struggle to implement effective systems change solutions. However, in some cases, an MSA effort may nonetheless be useful for local counterparts if they plan to "take over" the activity's efforts upon completion.

Will the activity be able to implement the proposed ideas from the MSA and strategy development process? In other words, does your organization have sufficient organizational MSD capacity and know-how?

YES

Proceed to the next question on the left.

NO

Consider hiring an external consultant or firm to lead the team in conducting an MSA and accompanying the implementation phase. Include in their deliverables a validation workshop with USAID, the IP and market actors, and a design workshop to co-develop a strategy and interventions.

Does your organization have sufficient funding for staff, MEL, and partnership grants?

YES

Proceed to the next question on the right.

NO

MSD activities require a sufficient budget for staff, as well as ample resources for MEL and continual MSA efforts. Often, MSD Activities also include funding for partnerships with market actors, which requires flexibility in terms of funding usage.

Is the donor supportive of a systems approach? Is the contract vehicle suitable for a systems approach?

YES

Proceed to the next question below.

NO

Using a systems approach when the donor is not supportive or the contract vehicle is unsuitable is not recommended.

Does your organization have supportive internal systems?

YES

Proceed to the Key Decisions for MSAs

NO

This may impede your activity's ability to effectively implement or may result in delays.

2.1.2 If an MSA suits your needs, what are the main things to consider?

There are several important questions to consider before planning your MSA effort:

- [Is the MSA to inform a country-level strategy, a new, existing or follow-on project?](#)
- [Do you have sufficient in-house capacity / staff to conduct the MSA in the required timeframe?](#)
- [What context / situation are you conducting the MSA in?](#)
- [Are you planning an intensive one-off MSA, or adopting a 'good enough' approach?
Or some combination of the two?](#)
- [Will you use a theory- or an observation-based approach to measure systems change?
Or some combination of the two?](#)
- [How participatory do you want your MSA to be?](#)

The answers to the above questions will determine many aspects of the MSA. As such, they are important to consider and answer **before** starting the internal process of budgeting for the MSA, recruiting firms, consultants or an in-house team, developing a research plan, or planning field logistics.

If the MSA is tied to a donor-funded project, consider the above questions **during the proposal and application stage**. This will ensure that the MSA has sufficient budget and appropriate staffing if the project is won.

Further details for foundational consideration can also be found in the donor guidance '[Section 1.3.2 What to expect from analysis that is 'good enough'](#)'

Section 2.1.2 Further reading - about foundational considerations

- Setting up the MSA: Assessing your options - [MSD Resource Guide](#) Mercy Corps
- Management: are you ready, willing and able? - [M4P Operational Guide](#) Chapter 6.
- MSA Types & Considerations - [MSD Resource Guide](#) Mercy Corps

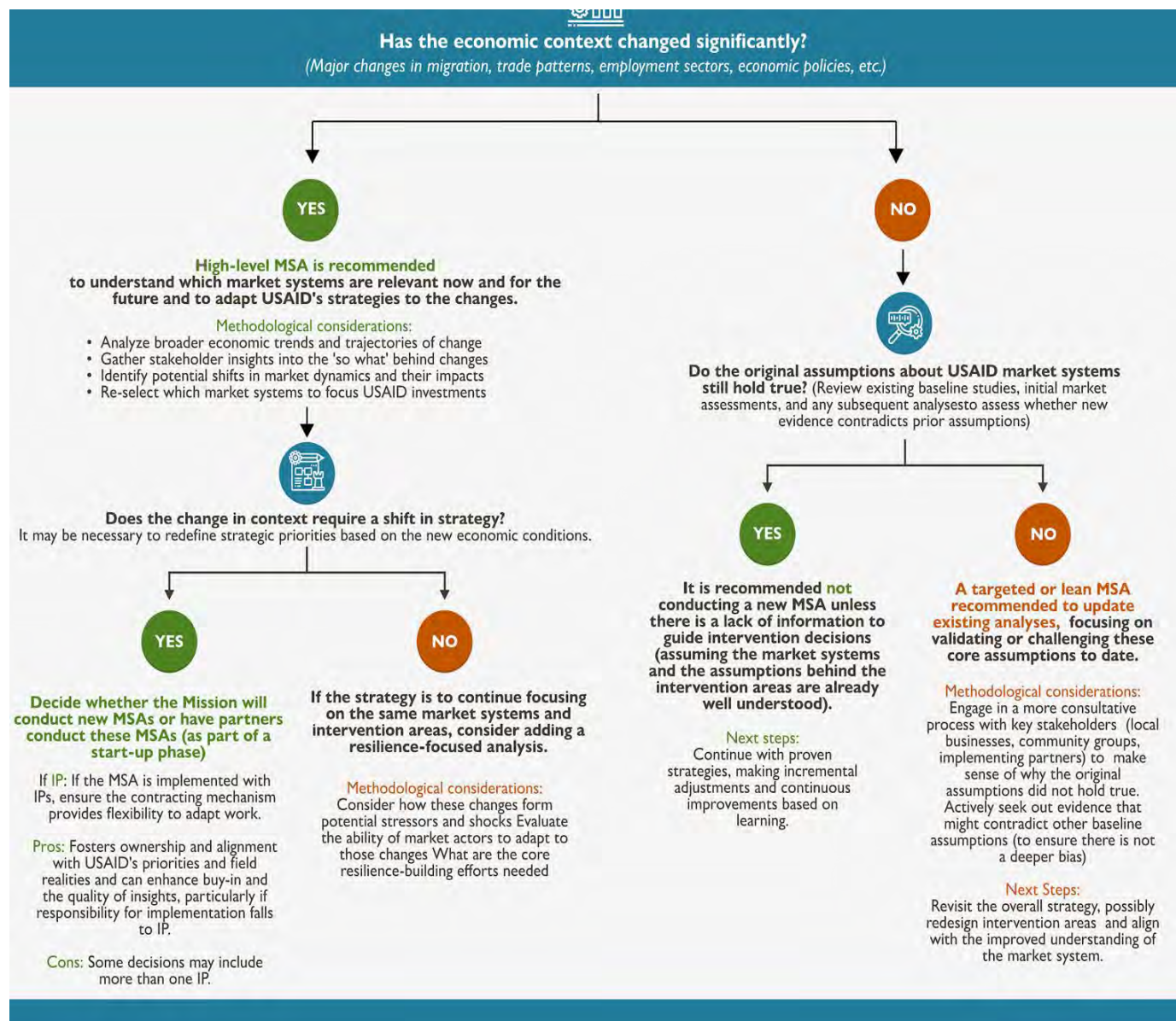
Is the MSA to inform a country-level strategy, a new, or an existing or follow-on project?

The answer determines the type and depth of information needed, as well as its sources.

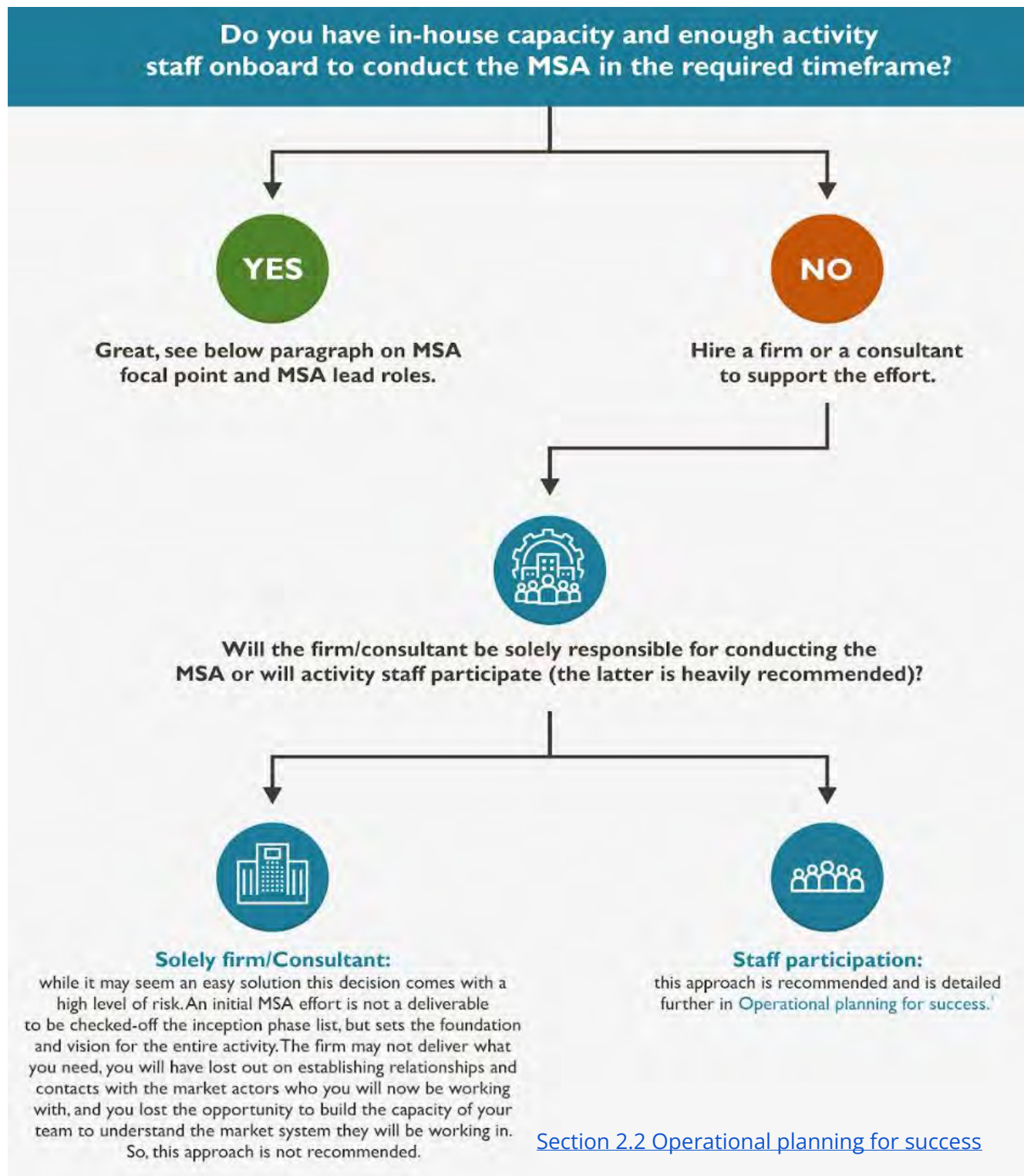
Country- level strategy	At this level, for implementing organizations, it is likely sufficient to focus on secondary sources, 1-2 weeks of interviews with key informants, as well as a week of sense-making and strategy development. This can be achieved internally or with the support of a consultant for 1-3 weeks. For donors, this country-level strategy work may require more intense research, especially for newer country offices or when contexts have significantly changed (see below decision-tree for USAID Missions and other donors).
New project	This situation will most likely require a full effort, as outlined in Section 1.3 MSA guidance for donors and Section 2.2 Operational planning for success.
Existing or follow-on project	If the MSA is conducted for an existing project, perhaps as the project is shifting to a systemic approach, or is conducted for a follow-on project, much of the required information for the MSA should already exist. The effort then is to summarize the existing knowledge, identify the information gaps required for a systems approach, and conduct a focused MSA that is likely shorter than a full 'new' analysis. The time and resources required for this scenario depend on available information ,existing information gaps, and the difficulty of attaining this information. As a rough guide, however, implementers could plan for a two-month effort, including two weeks for the sense-making, strategic planning and intervention design. Alternatively, an existing project may not require an MSA effort at all, but rather an internal strategy review of existing interventions and partnerships, coupled with an evaluation of the project's ability to learn and adapt.

Although less common, an MSA could also be used to present information to a donor to influence their funding strategies and priorities. For this purpose, the MSA level of effort would likely fall somewhere between the Country-level strategy and New project in the above chart.

Decision-tree for USAID Missions and other donors



Do you have sufficient in-house capacity & staff?



MSA focal point and lead roles

Whether you choose to conduct the MSA using in-house resources only or hire a consultant/firm, designate an MSA focal point who will be responsible for all of the operational considerations of the MSA and will bear overall responsibility for a quality end-product. If you have in-house capacity, also

designate an MSA lead, who will be responsible for leading the technical implementation of the MSA; this same person could also act as the MSA focal point. If you are hiring a firm or consultant, the MSA lead will be on their side. The MSA lead should allocate 100% of their time over the duration of the MSA and strategic planning and intervention design effort.

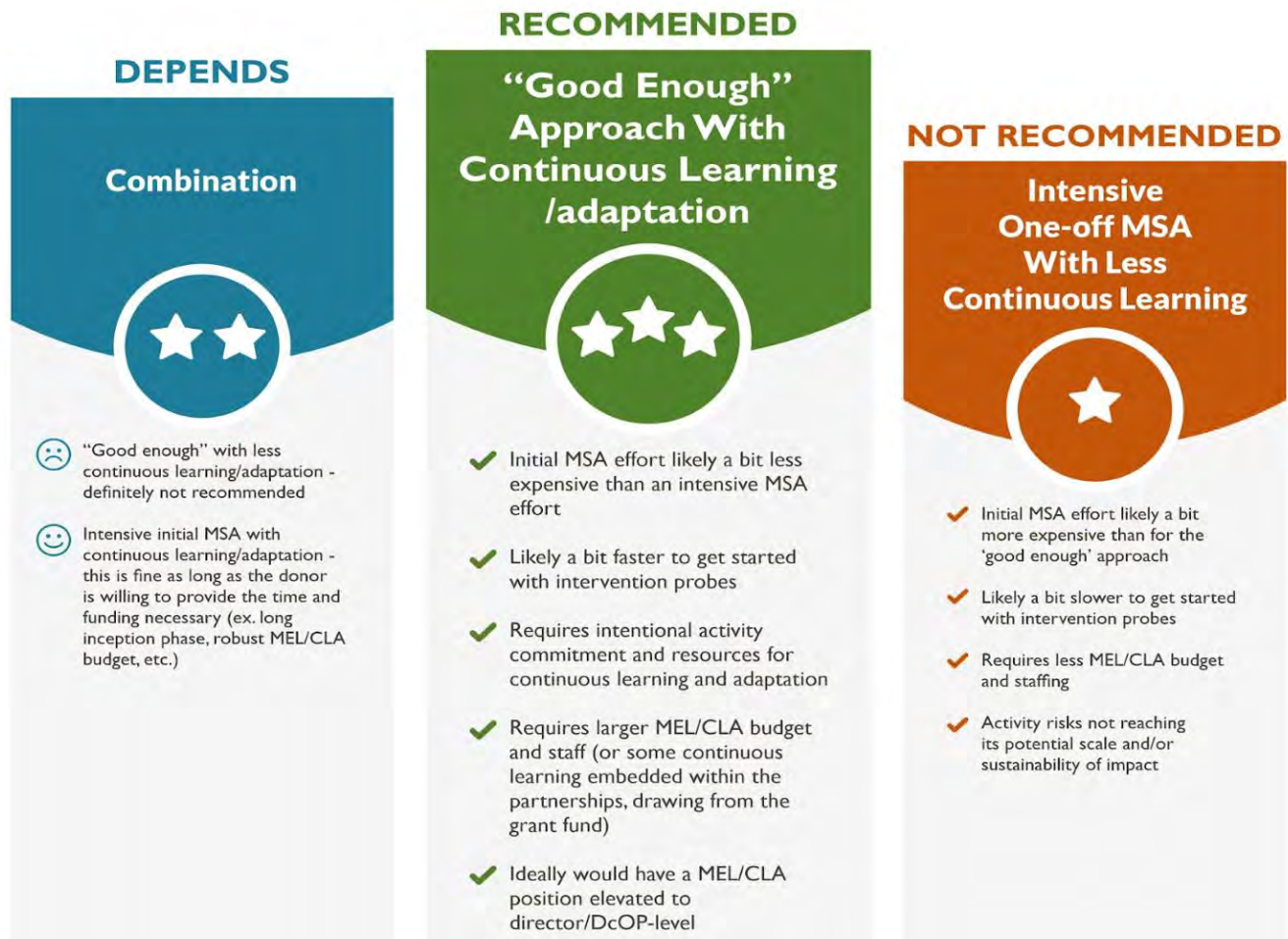
See [Section 2.2.2 Guidance for the start-up / implementation phase](#) for a description of MSA focal point and lead responsibilities and skills / capacities.

What context / situation are you conducting the MSA in?

Refer back to the discussion of [Section 1.2.5 Common usage-contexts and adaptations of MSAs](#)

Are you planning an intensive one-off MSA, or adopting a 'good enough' approach with continual learning and adaptation throughout the program cycle?

This decision is best made in collaboration with your donor counterpart in the early stages of project start-up and will have the following implications:



Will you use a theory- or observation-based approach to measure systems change? Or a combination of the two?

While this question is really about how the project will measure systems change, the answer has implications on the initial MSA and strategic planning and intervention design approach.

Definitions

Theory-based approaches

Start with a Theory of Change, which outlines the logic of how the intervention is expected to lead to desired outcomes and impact. Outcomes are identified by theorizing the causal mechanisms that link program interventions and desired impact.'

Observation-based approaches

Gather data and evidence from the context to identify outcomes that have occurred. This approach triangulates different sources of information (data, perceptions, feedback) to determine the outcomes and the underlying factors contributing to or hindering those outcomes.'

The [*Practitioners' Guidance To Assessing Systems Change*](#) observes that

'The key difference we see is whether to start with the theory of change to identify outcomes or to begin with observation of the system and reflect on outcomes that result.'

Theory of change here refers to a core ToC, or macro-ToC, rather than a more micro ToC. For example, a project's core ToC may be that migration outflows of youth from a given country are primarily caused by a lack of youth employment opportunities in the agricultural sector (this may be stated explicitly or be implicit in the project's logic). The solicitation document would then be requesting offerors to improve youth employment in agriculture. In comparison, a more micro-level ToC would be that improvements in enterprise survival and growth result from increased innovation, investment, market access, sector competitiveness and a decrease in negative coping behaviors.

In the observation-based approach, the solicitation document may offer a ToC, but it would be very broad, perhaps something like, *'If the market system in X country improves in terms of inclusivity, competitiveness, and resilience, there would be better economic opportunities for entrepreneurship and jobs, which will reduce the incentives to migrate.'* So, the starting premise is different, providing more flexibility of scope for an observation-based approach. Using this observation-based, or exploratory approach, ensures that important factors are not missed because of an initial narrow project scope. This approach can be argued to be especially useful at a country strategy level.

To note, the observation-based approach will also use theories of change (e.g. at the micro, or intervention levels) at some point, but not a core ToC as a starting point, or if there is a core ToC it would be very broad and provide a lot of flexibility in terms of implementation.

Comparing the theory-based and observation-based approaches:

	Theory-Based	Observation-Based, or Exploratory
Starting Point	Begins with a set of predefined theories or hypotheses about how changes within the market system are expected to lead to specific development objectives. These theories may be informed by existing literature, previous experiences, donor priorities, or other predetermined objectives. <i>E.g. In an MSA focused on seed systems, the assessment might start with a theory that enhancing seed quality and distribution will contribute significantly to the broader development goal of improving food security.</i> The assessment would then test this theory by examining the seed system's role and potential impact within the overall market and development context.	Starts from a more open-ended perspective to uncover the actual conditions and dynamics of the market system, defining the scope as broadly as practical. This approach focuses on understanding what has happened, what is currently happening, and what is likely to happen within the market system. <i>E.g. In an MSA focused on food systems, the assessment might begin by observing high-level changes in food availability, affordability, and access.</i> From these observations, the assessment could identify historical trends and emerging trajectories within specific sub-systems (e.g., distribution networks, local markets) to explore further and determine potential areas for intervention.
Role of Evidence	The role of evidence is to validate or refine the initial theory by providing a deeper understanding of the market system. Evidence collection focuses on targeted data gathering, such as specific surveys or guided key informant interviews (KIIs), designed to explore uncertainties or specific areas of interest outlined in the ToC. <u>Example Question:</u> 'How does distribution of seed varieties affect access and yields of rural producers for different crops?'	Evidence collection is broad and open-ended, drawing from a diverse range of data sources (secondary data, qualitative insights, and stakeholder perceptions). The MSA is focused on triangulating information from multiple sources to uncover broader patterns and insights to allow for a more comprehensive and broader understanding of the system. <u>Example Question:</u> 'What are the key challenges and opportunities perceived by rural producers?'
Level of Decision-Making	The analysis guides decisions about specific interventions that align with the established hypotheses. The focus is on how to select targeted interventions and allocate resources effectively, aiming to be as precise as possible in achieving the desired outcomes.	The analysis informs higher-level decisions about where new opportunities exist. It focuses on identifying new areas for intervention, redefining strategic priorities, and adjusting strategies based on emerging insights.

Theory-based approach to MSAs

In terms of an initial MSA, there are often explicit or implicit theories about how systems change will happen. For example, solicitation documents may identify the market system (seed or livestock systems), target group, objectives, and key areas of intervention (i.e. implicit), or specifically define a theory of change (i.e. explicit; which was the case for most USAID projects).

The initial MSA then collects evidence to validate this assumed causal logic and provide a deeper understanding of these market systems. Evidence is collected via a variety of information from secondary and primary sources, the latter of which typically involves interviews or focus groups with the private sector and other market actors.

The MSA results refine the theory of change and/or articulate more detailed intervention-level results chains.

The theory presented in the ToC and/or results chains is later tested during implementation through pilots and reflection moments in which the learning is analyzed and shared, leading to the refinement of the ToC and/or results chains. The strategy and intervention design often remains limited to the core underlying theory from the outset. For example, if the core underlying theory to reduce migration is that more youth employment opportunities are needed in agriculture, then the project will limit its interventions to this area.

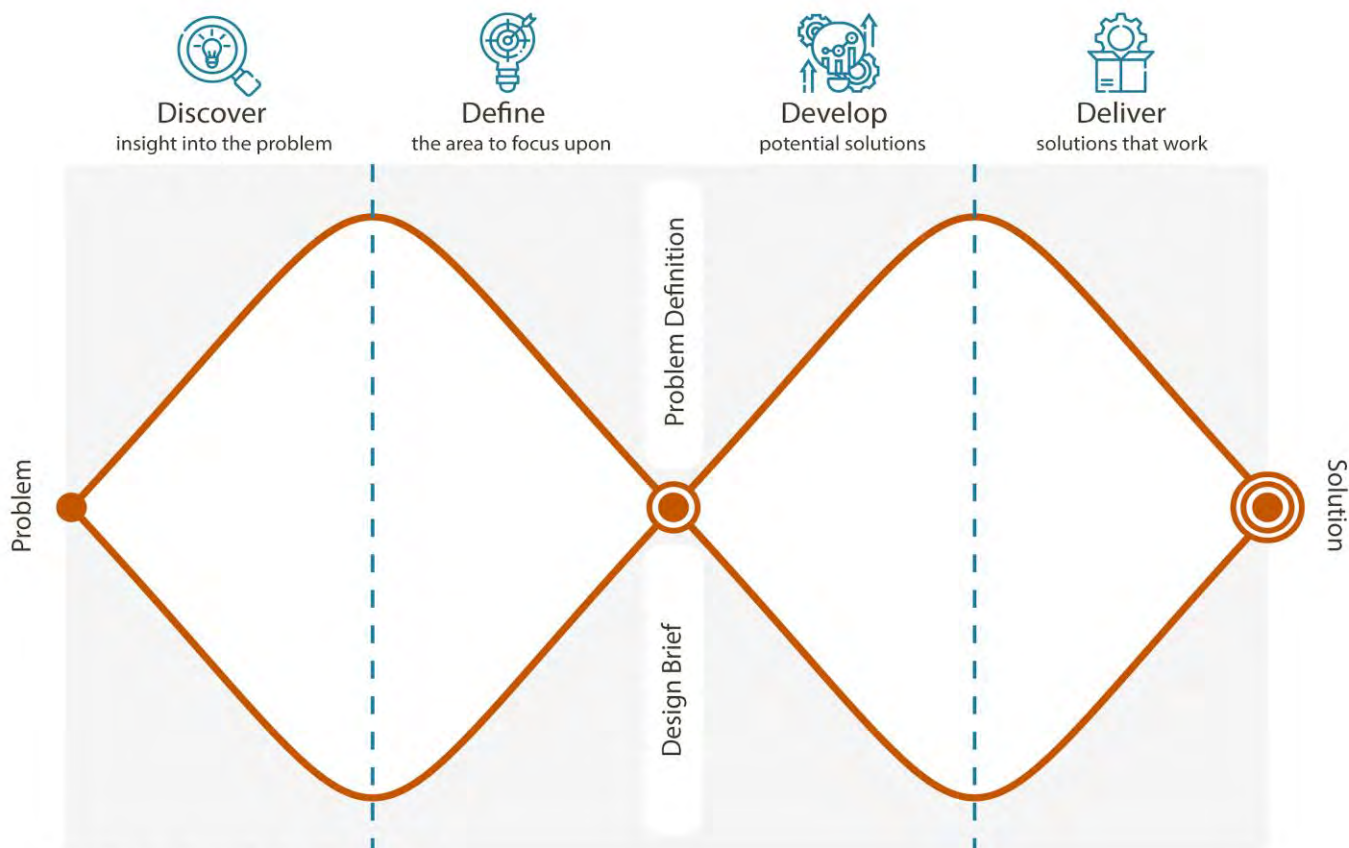
A theory-based approach is fairly flexible, as ToCs and results chains can be constructed even with a narrow scoping of the market system, with the understanding that they will have to be revisited at regular intervals.

Observation-based approach to MSA

The observation-based approach, on the other hand, has a broader aperture to expand the search parameters to think of market systems more broadly and look beyond specific subsystems like seed or livestock systems. The rationale for broadening is to minimize the risk that the binding constraint or limiting factors do not reside in these subsystems, and by narrowing the framing, one may ignore or miss evidence of what could be a high-potential area. This approach will require the MSA team to organize meetings of a broader subset of market actors (and other key experts) in which participants are tasked to (1) identify past changes in the market systems and then identify what underlying factors hindered or helped these changes occur (2) imagine the future conditions for systems change. The goal is to link past history and future trajectory of change and understand how different systems (and subsystems) have potential for change. This approach also looks for opportunities at the intersections of systems, to see how intervening in one could influence another.

This process typically takes multiple meetings with actors in different market systems and requires strong facilitation skills. It is an iterative process of zooming-in and zooming-out on particular issues. Specific theories may emerge from this process that merit a more narrow investigation through additional analyses (e.g. sector-selection, end-market analysis, social network analysis, domain-specific systems analysis) that lead to the identification of systems change objectives and outcomes. The underlying dynamics are then analyzed to identify evidence-backed causal links with intended project outcomes.

An illustrative view of this iterative nature:



Source: Design Council's Double Diamond

Given the complexity of the scope of this approach for larger systems, such as the entire economy, the USAID-funded Transforming Market Systems (TMS) Honduras project used a method called structural factor analysis²⁴, in collaboration with a local university and private sector chamber. However, for narrower systems, such as dairy, TMS used a leaner version through a whole system in a room methodology.

Below are the general steps the TMS project used for the observation-based approach²⁵ -

Step 1 - Listen.

The TMS team held stakeholder workshops to listen to stakeholders within the system and how they prioritized emerging themes and priorities. These workshops gathered an array of experiences and stories, allowing for a more open-ended understanding of the diverse set of issues impacting the market system.

²⁴ For more on structural factor analysis see LINC (2021) [Market System Diagnostics: A structural analysis](#) -

²⁵ Drawn from a UNDP blog [Unstuck: Making sense of market systems change](#)

Step 2 - Evidence.

TMS then used both quantitative and qualitative methods to gather evidence on these issues. One method was to transform the identified issues from the stakeholder's workshops survey into questions and then indicators. These surveys were completed by enterprises across priority sectors and departments. Another was to evidence with secondary and qualitative data. The goal was to substantiate and look at the level of certainty in understanding these issues.

Step 3 - Identify 'pairwise influences' between issues.

The TMS team identified 'pairwise influences'²⁶ between issues and how these issues have changed based on respondents' answers, using several techniques to assess how change was happening in the system over time. One was a qualitative coding method called Causal Map for narrative data. Another was a voting mechanism where experts defined the influences. The third was statistical, looking at relationships in quantitative survey data to see where connections were.

Step 4 - Run systems-level analyses to study complex relationships.

The team conducted system-level analysis to identify and prioritize areas of leverage in the system. These focused on diagnostic tests. They include 'binding constraint' tests which showed issues which influence many other issues, but are influenced by few others i.e. at the 'root cause' for the systemic issues. Test also looked for 'bright spots' and areas of promise in the system - where there are signs of alternative possibilities, positive momentum or attractors for change

Step 5 - Stakeholder discussion and interpretation of result.

There are often mixed evidence, contradictory or inconclusive findings in any analysis. TMS organized sensemaking workshops with its team and with community stakeholders including business leaders, to discuss the results of the data analysis and engage its partners in co-creation of a portfolio of ideas to further explore through strategic interventions designed to generate impact and learning.

A valuable aspect of the observation-based approach was that the system's history and trajectory were front and center. Enablers and enabling conditions of change were also considered in addition to factors that prevent change from occurring.

However, an observation-based approach is also more time and resource intensive than the theory-based approach and requires strong research and analytical capacity, with a good understanding of the observation-based approach from the team leading the effort.

²⁶ A process for ranking or choosing from a group of alternatives by comparing them against each other in pairs, i.e. two alternatives at a time.

Observation-based process for MSAs as applied by TMS Honduras and AFDA

Diagram of the Market Systems Diagnostic Process as carried out by the USAID Honduras Transforming Market Systems Activity (TMS) Honduras and the Feed the Future Burma Agriculture and Food Systems Development Activity (AFDA).



Source: Case Study: The Market Systems Diagnostic by Jini Kades, Dun Grover, Hayden Aaronson, Jennifer Himmelstein

TIP: Negotiate the scope of proposed MSAs

Most MSD projects have a ToC posited in the solicitation. So, for project-level MSAs based on an existing ToC (either donor's or the one proposed in the solicitation response), be sure to ask if there is flexibility to broaden the scope of implementation with your donor focal point. You may also consider doing a 'bit of both,' by adopting aspects of both approaches as it aligns to your context.

A bit of both (i.e. theory-based and observation-based approaches)

The [Practitioners' Guidance to Assessing Systems Change](#) recommends finding an appropriate balance between theory and observation:

There is no one-size-fits-all recommendation, but in general, we would emphasize the importance of observation at the outset as part of systems practice to listen and engage with the system to appreciate how it currently operates. As we discover how the system works and the effects of early interventions, we would want to shift the emphasis toward articulating more nuanced theories of

change. These theories can be incredibly useful in aligning teams and partners around a shared vision for collective change.'

TIP: Discuss the approach early on

Most donors are accustomed to theory-based approaches. If you plan an observation-based approach or a bit of both, discuss it with your donor early on, so expectations are aligned.

Section 2.1 Further reading - about observation-based approaches

- [ACDI/VOCA's Market Systems Diagnostic](#) analyzes market structures and enterprise behaviors to understand how and whether the market system as a whole is changing.
- [Market Systems Diagnostic Brief](#), methodology for MSA from ACDI/VOCA
- [Market System Diagnostic: Case Study](#) – example from TMS project, ACDI/VOCA
- [Making Sense Of Market System Change](#) - UNDP's M&E Sandbox

How participatory do you want your MSA to be?

While there is no standard definition of what it means to have a participatory approach for conducting MSAs and strategic planning and intervention design efforts, one can imagine that at the extreme ends of the participatory spectrum would be:



Based on the above reflection, **this toolkit recommends a balanced approach that leans strongly to the ‘more’ participatory side of the spectrum** (unless there is some operational constraint that makes that impossible (time, resources, political issues, etc)).

TIP: Do not make unreasonable demands on market actors’ time.

If you are considering more substantial involvement of market actors in the MSA and/or strategic planning and intervention design effort, it is important to note that we do not want to distract market actors by pulling them into our ‘development’ world. Instead we should identify instances where improved data gathering capacities would improve the ability of market actors’ to make decisions that improve their operations. In other words, ensure there is a clear incentive and benefit for the market actors to invest their time and resources into the process.

[*Shifting the Locus of Learning: Catalyzing private sector learning to drive systemic change*](#), proposes that development efforts in general should ‘*shift the locus of learning from being only program-focused to system-focused*’. This implies a shift in agency away from a program directing the learning process to strengthening the capacity of market actors (e.g., firms, organizations, government entities) and the system to better learn and adapt on their own.

The brief goes on to show that the ‘*two pathways to support learning are at (i) the market actor-level (e.g., through strengthening capacity for customer centricity and supplier insights and then applying amplification strategies) and at (ii) the systems-level (e.g., strengthening organizations that build trust and feedback loops; enhancing system performance data; and improving reach and capacity of learning service providers).*’

TIP: Bear in mind that observation-based approaches demand a lot of participation

Looking back at the previous question on theory- vs observation-based approaches, an observation-based approach at its core necessitates high levels of market actor participation.

Section 2.1 Further reading - about market actor participation

- [Participatory Methods](#) – a BEAM Exchange guidance page
- [*Shifting the Locus of Learning: Catalyzing Private Sector Learning to Drive Systemic Change*](#)
- [Participatory market system development \(PMSD\) toolkit](#) – from Practical Action

2.2 Operational planning for success

Once you have decided that an MSA is really what you need and have reflected on the foundational considerations, you can begin planning the operational aspects of the MSA.

Sub-sections

These operational aspects include everything needed to get to the point of conducting the MSA. They start as early as the solicitation document (i.e. contracts / grants), as well as the proposal and application stages (see [Section 1.3](#)).

[2.2.1 Guidance for the proposal and application stage](#) – get it right now or pay the price later

[2.2.2 Guidance for the start-up / implementation stage](#)

2.2.1 Guidance for the proposal and application stage

In the proposal and application stage it is important to correctly describe the MSA effort and at minimum provide an appropriate timeline and budget figure. Otherwise, the implementer may need to request readjustments of budget, staffing, timelines and deliverables during the start-up phase. It is much easier to get it right from the beginning.

Given the broad range of operational contexts it is not possible to provide one set of best practice recommendations at the proposal and application stage. There may be some MSD projects which do not even require an MSA effort at all. As such, the information provided below serves rather as a quick checklist and thought stimulation exercise for the proposal team to consider during the development of the proposal.

MSA strategy narrative

If there is space in the proposal narrative and the solicitation document requirements are flexible enough, consider providing a short description on how your project would approach the initial and continual MSA effort. For example, this could include noting that you plan to conduct an initial 'good enough' MSA (or intensive if the donor solicitation documents signals this), which will include inclusion, resilience, environmental and political economy considerations, and potentially system selection, followed by a rigorous and well-funded continual learning effort. This narrative description would have to be accompanied by the correct budget inputs - cost description, amount, timing, etc.

Timing

Within the boundaries of the donor solicitation requirements, this toolkit recommends planning for the initial MSA and strategic/intervention design effort to be finalized within 6-9 months, with obvious low risk pilots potentially starting before the finalization and approval of the deliverable.

Roughly plan for one month per market system, plus one month for strategic planning and intervention design. Commonly MSAs are done over three months with strategic planning and intervention design finished within four months. However, keep in mind that MSAs require a lot of preparation and are often started after three months of implementation.

Scope

Keep in mind that analyzing a larger number of market systems takes longer and costs more.

Context

Keep in mind that analyzing fragile or conflict affected contexts, or larger geographic areas, takes longer and costs more.

Deliverable format

Within the boundaries of the solicitation requirements, consider signalling the preference or plan to submit the MSA and recommendations in the form of a presentation and/or a short report not exceeding 20 - 40 pages (see [Section 3.6 Continuing market analysis during implementation](#)).

In-house vs consultant/firm

The proposal team will need to decide if the initial MSA and strategic planning and intervention design effort will be led in-house or by a consultant or firm, as this will have budget implications (see below). If the applicant is required to submit the MSA and workplan in the first three months (which means project staff are unlikely to already be hired), or if the team does not have a strong MSD capacity or MSD lead, consider hiring a consultant/firm. It is highly recommended that a consultant or firm is not left to conduct the MSA independently, but in close coordination with the project team and ideally with as many project staff members as reasonable.

Organization structure & staffing

If possible, identify who will be the MSA focal point on the project, and if you are planning to conduct the MSA in-house, identify the MSA lead. This toolkit recommends that MSD projects have someone with strong MSD capacity in the senior leadership team and that the MEL role is elevated to a senior leadership role, such as the director level. Intentional and continual learning and adaptation efforts also require sufficient MEL staff. If the budget allows, consider at least one dedicated MEL manager per market system, in addition to the MEL Director.

Budget for the initial MSA effort

Budgets can have big cost variations based on the following factors;

- Number of market system analyzed
- In-house vs consultant vs firm
- Geographic spread of market systems
- The depth of analysis
- The existing available information sources
- Level of participation from market actors
- Number of individuals on the team

However, initial MSAs commonly cost between-

- \$30,000-60,000 if using a consultant over a three- to four-month period;
- \$40,000-120,000 if using a firm (typically firms are hired for more extensive MSAs) over a three- to six-month period; or
- \$10,000-20,000 per market system being analyzed

TIP: Ensure funding is available for MSA efforts throughout the project-cycle

The Utility of Market Analyses review recommends to 'allocate funding for market analysis throughout the project's lifecycle, not only at the beginning. This reserves resources to investigate issues that emerge later in the project's lifecycle (e.g., a new market opportunity; the exclusion of women from specific functions or benefits) and to explore new sectors or value chains if it is determined that the initial selections are no longer appropriate. At minimum, programs can build an 'analysis check' component into their work planning process, having lead technical staff re-read, reflect on, and then facilitate group discussions around what from existing analyses remains the same, what changed, and what do we now need to explore more in order to properly design interventions

Budget for continual analysis and learning

These can also have major cost variations and are more complicated to budget for as the costs are not all in one line item (for more information see [Section 3.6 Continuing market analysis during implementation](#)). Costs can include:

- Market/technical studies
- Staff time and other costs associated with MEL actions
- Funding for research/analysis embedded in partnership fund/grant fund
- MSA updates or deepening (while there is no standard in terms of frequency, some rapidly evolving contexts would need more analysis cycles than a more stable context)
- Time and resources for capacity strengthening for the project team

TIP: Consider different ways to describe budget lines

If you incorporate research / analysis into grant proposals with market actors then you are using grant pool money and building local capacity for market system analysis

Section 2.2.1 Further reading - about budgeting

- [Setting up the MSA: Assessing your options](#) - Mercy Corps' MSD Resource Guide

2.2.2 Guidance for the start-up / implementation phase

Once the project has been awarded, one of the first steps in planning for an initial MSA effort is to designate an MSA focal point (if this has not already been done), who will be responsible for all of the operational considerations of the MSA and will bear overall responsibility for a quality end-product. If the implementer has in-house capacity, they can also designate the MSA lead, who will be responsible for leading the technical implementation of the MSA; in some cases the same person could also act as the MSA focal point. If the implementer is hiring a firm/consultant, the MSA lead will be the consultant or on the firm's team. For typical MSA efforts the MSA lead should be allocating 100% of their time over the duration of the MSA and strategic planning and intervention design effort, while the MSA focal point should be allocating roughly 15- 20% of their time for the duration of the MSA and strategic planning and intervention design effort.

MSA	Roles & responsibilities	Capacities & skills
Focal Point	The MSA focal point is responsible for initiating the MSA effort, as well as the early planning, which entails, 1. making the final decision on how the MSA will be conducted (i.e. in-house, with a consultant, or via a firm), including considering how staff will participate in the MSA; 2. identifying an MSA Lead (internal or external); and 3. if not conducting the MSA in-house, drafting and finalizing a ToR, moving this through internal/external approvals, and participating in the recruitment/selection process. This role is especially important when hiring a consultant or firm, as they will be the one providing direction and ensuring that the MSA and strategic planning and intervention design efforts are being done according to the expectations outlined in the ToR. The MSA focal point should be closely monitoring the MSA effort in close collaboration with the MSA lead as they will be the one responsible for a successful MSA and strategic planning and intervention design outcome. During the MSA, the focal point will also be helpful in any necessary operational aspects and approvals. In some cases, when the MSA is done in-house, the MSA focal point can also be the MSA lead.	The MSA focal point should have a good understanding of MSD and MSAs, but does not necessarily need experience conducting MSAs unless they also take on the role of MSA lead. The focal point should be senior level on the project and have a clear understanding of how the initial MSA and strategic planning and intervention design efforts fit into the broader project objectives. They should be comfortable in presenting and defending, if necessary, the findings and recommendations to other senior leadership, implementer home office/regional teams and/or the donor.
Lead	The MSA lead is in charge of conducting the MSA and strategic planning and intervention design effort, from beginning to end. This includes drafting a research plan, constructing the MSA team (in partnership with the MSA focal point), training the MSA team, delegating responsibilities to team members and managing their tasks, planning field logistics, developing interview guides or survey questionnaires, testing information gathering materials, ensuring data quality, collating/summarizing secondary sources, drafting research questions, identifying information sources, considering security issues, capturing/collating/organizing data, developing an MSA report outline, sense-making of data, leading feedback sessions, leading market actor workshops, leading strategy/design efforts/workshops, and drafting the final report/presentation/deliverables.	The MSA lead must have experience conducting successful MSAs and strategic planning and intervention design efforts. MSA leads do not necessarily need sectoral or country experience, as they can fill this gap with other MSA team members, though this knowledge would be beneficial.

Given that project start-up is typically a hectic period with tight timelines, it may be beneficial for the MSA focal point to initiate some MSA lines of effort before the onboarding of the MSA lead.

Below is listed an illustrative set of actions for the MSA focal point to consider preparing and making decisions about.

Timing

Decide on the rough start and duration of the MSA and strategic planning and intervention design effort; consider sector seasonality, is the timing conducive, or will people be too busy to have meetings with or absent? For an idea of timing, see [Sample MSA process, timing and LOE outline](#) and/or [Setting up the MSA: Assessing your options](#)

Consider cultural context and its implications on timing

- **Formal / informal** - do you need to send formal letters to request meetings or can you just call or even show up?
- **Trust** - do you need your MSA team to wear clothes showing your brand, or badges? Do you need a letter from the local/regional government providing support to your MSA effort or other introductions as appropriate?

Staffing and operational support

Based on the scope of the MSA, list the number of individuals and their roles needed to conduct it (see [Sample MSA research team list](#)). Don't forget to consider cars, drivers, and/or interpreters / translators.

Consider cultural context and its implications on team composition. Are there groups or individuals who would not or could not meet with an MSA team member because of the team member's gender, ethnicity, religion or age?

TIP: Consider the wide range of skills you need for an effective MSA team

Include sectoral technical experts and staff with good connections (a.k.a *fixers*) who can get meetings scheduled; strive for a gender-balanced team (if split into smaller sub-teams, ideally include one man and one woman); consider including thinkers and doers²⁷; including staff from the operations department can also be beneficial to help build their capacity and understanding of the market systems and MSD approach.

TIP: Avoid using external enumerators to gather data

This toolkit does not recommend hiring external enumerators to conduct the information gathering. Although this is often done for MEL surveys using quantitative methods, using tablets to record answers to close-ended pre-determined questions. MSAs typically rely on qualitative methods and open-ended questions which are not conducive to be done by lower-skilled external enumerators.

TIP: Ensure the MSA team have the time they need to commit to this work

²⁷ See the [Operational guide for the M4P approach](#), pg 54

most of the staff participating in the MSA should allocate 100% of their time for the duration of the preparation and field-work phase, and at least 50% of their time for the shorter strategic planning and intervention design phase.

Identify a physical space

Ensure MSA Teams have a location (e.g. empty office, conference room, a room at a coworking space, etc.) to use for the duration of the MSA and strategic planning and intervention design effort. This will allow the team to separate themselves from their regular day-to-day roles, establish a positive team culture, and allow the teams to hang posters with insights, questions, market maps and so on to refer to and reflect on during the MSA process.

Technical scope

Based on the available information in the donor solicitation and proposal describe the rough boundaries of the MSA effort. This would include:

- Target group profile
- High-level impact objectives
- Market systems to be analyzed
- Cross-cutting areas
- Geographic focus
- Main research questions (if possible)

Organization and secondary resources

Create folders to save all of the preparation materials and files. Collect and organize all of the existing secondary resources in one location.

Equipment/materials

Think about what materials will be needed by the MSA team and have those ready before the start of the initial MSA.

Develop a detailed budget for the MSA based on the above points.

TIP: Ensure funding is available for MSA efforts throughout the project-cycle

The Utility of Market Analyses review states that 'as programs learn more about their respective sectors, new opportunities may emerge and other previously promising sectors may fade. It is important, according to these practitioners, to have the financial resources to continue to explore new opportunities as they emerge, instead of using the entire analysis line in a program's budget early on.'

Alert leadership and operations/finance departments about the upcoming MSA and support needs (e.g. expectation-setting) - make sure to speak to programmatic country-level leadership, including the operations/finance departments in order ensure everyone understands the details of the MSA efforts as well as to be clear on the resource needs (time, budget, staff, physical space, etc.)

If in a fragile/conflict-affected context, discuss the MSA with the security team.

If you are hiring a consultant or firm, the focal point should:

- Consider conducting a pre-scoping exercise to narrow down questions/areas for exploration; this will allow the consultant/firm to be more focused in their efforts

- Conduct a secondary resources scan and organize the materials well
 - Identify information gaps and draft research questions
 - Identify strategy/intervention design ideas to be (in)validated
 - Schedule important/obvious meetings in advance of the consultant/firm arriving in-country
- (Note these steps would also be done for an in-house MSA, but are critical for good TOR shaping for a consultant or firm.)

TIP: How to choose the right consultant or firm

The best way to choose the right consultant or firm is to look for previous experience conducting an MSA with a similar scope and approach. This can be supported through the submitted deliverable (e.g. MSA report) and contextual knowledge, as well as a conversation with the person supervising the consultant or firm and overseeing the MSA effort.

Section 2.2: Tools for Operational Planning

MSA ToR Template	MSA ToR template with guidance notes for each section, from MSP Activity
Example MSA Terms of Reference (ToR)	Example ToRs from building construction and retail trade sectors in Rwanda for Promoting Decent Work in Rwanda's Informal Economy
Example MSA process, timing, and LOE outline	Excel document listing the key MSA process steps with LOE and timing estimates, including a GANTT chart
Example High-level MSA workplan templates	Example end-to-end MSA workplan, example ILO lab workplan, example national consultant workplan in Excel format
Example detailed MSA workplan template	Sample detailed MSA workplan template in excel format from Mercy Corps' RRA Nigeria project funded by USAID FTF
Example MSA research team list	Excel-based tool to help with the selection and composition of the MSA research team - source (MSA Toolkit author, Lorenz Wild)
Worksheet for Estimating Resource Requirements	Page 24 of Miehlebradt & Jones (2007) <i>Market research for value chain initiatives</i>

Section 2.2 Further reading - about operational planning

- Practical management implications of pursuing the MSD approach
[M4P Operational Guide](#) Section 6.2 (Putting it into practice) and on p 54
- Recommendations for finding the right local and international consultants
[ILO Market Systems Analysis for Decent Work: A user-friendly guide](#) - p 8
- [Market Research for Value Chain Initiatives](#)
 - Information on outsourcing market research, p15
 - Discussion of MSA resource requirements, p 15

2.3 Information needs, methods & checks

Purpose of this section

This section describes crucial insights into the MSA process. It addresses several cross-cutting topics that span several steps in [the MSA process \(see Section 3\)](#)

It discusses the critical information needs, research methods, sensemaking strategies, and feasibility checks for MSAs as standalone topics. Links to tools and further reading are provided.

Sub-sections

[2.3.1 Critical information needs](#)

[2.3.2 Research methods](#)

[2.3.3 Sense-making strategies](#)

[2.3.4 Feasibility checks](#)

2.3.1 Critical information needs

‘It is better for programs to pick and choose information they need, rather than be beholden to a framework that includes unnecessary or irrelevant parts. This may seem like an obvious recommendation, but some less experienced managers will feel pressure to simply apply a framework, without critically engaging with the analytical exercise to select those elements that are most relevant to a program and its interests.’²⁸

As discussed in [Section 1.2.1 Purpose of MSAs](#) it is vital to clearly define the purpose of each MSA at the beginning. **What will the information in the MSA report be used for?** The answer to this question will guide the critical information needs. Then consider the minimum information needed to inform the purpose of the MSA; this will help avoid ‘analysis paralysis.’

Once the MSA’s purpose is clearly defined, the next step should be a comprehensive analysis and collation of existing information, from secondary sources and team members and/or partners. This preliminary exercise should result in a description of: ‘**what we know**’ and ‘**what we don’t know but need to know**.’ This is the first step in creating the research questions for the MSA effort.

Typically we need to have answers to the following question in order to make valid strategic planning and intervention design decisions:²⁹

- What are our systemic change goals and impact objectives? What are we trying to achieve and for whom?
- Which market systems are best suited to achieve our objectives?
- How do these systems need to shift/change to better address the needs of our target group(s)?

²⁸ Fowler, Sparkman & Krueger (2016) [The Utility of Market Analyses: Key findings from a landscape review](#)

²⁹ The questions below are adapted from an internal ACDI/VOCA system assessment guidance document.

- What factors are preventing the system from changing or 'getting there'? What factors have initiated/supported change in the past?
- Which system actors initiate/support change (e.g. leverage points, influencers)?
- What are these actors' interests, incentives, and capacities?

The Process Flow in [Section 3.1 Market system analysis process](#) shows how each question correlates to a specific process step of the MSA.

While specific information needs vary for each context, [The Utility of Market Analyses](#) review (pg 21-23) lists '*an appreciation of time and the history of the system; size and growth (i.e., economic opportunities); significant influences on competitiveness (e.g. energy prices, currency swings, neighboring country competitiveness); power and gender differences; distribution of benefits (benefits accruing to different groups); level of innovation; existing business models; and common disputes between actors in the system*'.

Gender equality and women's empowerment

Gender equality and women's empowerment are key considerations in making markets more inclusive. If we fail to understand the unique barriers faced by women in a market system, such as lower ownership of assets, unequal access to resources, and disproportionate responsibility for unpaid, household work that limits their time to invest in profitable work, then we risk designing MSD programs that perpetuate the status quo and prevent half the population from equally benefitting from interventions.

TIP: Good MSAs are always gendered.

Gender considerations should be embedded in all aspects of the MSA process, not included as a separate add-on analysis. This means that there is no separate analysis done by a gender person or team which results in a distinct MSA report section or a separate report, but rather that all data points in an MSA are gender disaggregated. For example, instead of just reporting on average plot sizes for smallholder cocoa producers, average yield, or evaluating certain market functions (e.g. market information) to be appropriately provided, a gendered MSA also considers the average size of plots for women-led cocoa producer households, the average yield of those plots, and evaluates whether or not women also have access to market information in the same way men do. Beyond gender, MSAs should consider inclusiveness more broadly to include youth, and other marginalized groups as prioritized in the specific context of the development objectives.

Section 2.3.1 Further reading - about gender and women's empowerment

Gendered MSA

- [The WEAMS framework: Women's empowerment and markets systems concepts](#)
Practical guidance and tools
- [WEE: Pushing the Frontiers of Inclusive Market Development](#)
- [The social norms factor: How gendered social norms influence how we empower women in MSD](#)
- [Gendered Market Analysis](#) a BEAM Exchange guidance page

- Gendered Market Research / Analysis
in MEDA's [Market Systems Project Design and Implementation](#) guide, pg 59
- Participatory gender tools for market research
in MEDA's [Market Systems Project Design and Implementation](#) guide, pg 67
- [Women-inclusive Return on Investment Framework](#)
- [Gender And MSD: Why we struggle and what can be done to tackle common challenges](#)
Vikara Institute Blog
- Increasing gender equality in market systems
in MEDA's [Market Systems Project Design and Implementation](#) guide, pg 75
- [Women and men in the informal economy](#) - ILO statistical update
- [Canopy Cut](#), a quarterly quick reference resource for market systems and private sector development and engagement practitioners interested in the practical application of current trends in Gender Equality and Social Inclusion (GESI) -
- [A rough guide to the MSD approach for youth employment in sub-Saharan Africa](#) BEAM Exchange

2.3.2 Research methods

The most common and effective research methods for initial MSAs following a 'good enough' approach (see [Section 1.3 Specific MSA guidance for donors](#)) include a literature review of secondary sources and qualitative methods for primary research, potentially followed by a focused use of simple surveys (quantitative method).

MSAs emphasize primary qualitative methods to get to the underlying factors that influence system dynamics.

Secondary and primary data gathering sources and methods

Secondary sources refer to existing data and information that has already been collected, analyzed, and published. Examples of secondary sources in market research include industry reports, market studies, government publications, academic journals, trade publications, and online databases.

Secondary methods: [The Utility of Market Analyses](#) review recommends that MSA teams

'identify and use pre-existing research materials when available and of good quality. In many countries, there is a wealth of pre-existing studies on market systems. Using these reports can dramatically reduce the time needed to complete a new study. The role of desk research in identifying such materials – often overlooked – is crucial. Adequate time needs to be allocated to the desk research phase, the team responsible for using that time effectively, and the findings used to adjust the field research plan prior to launch. Whereas desk research is usually only included prior to conducting field research, there is typically a range of relevant documentation identified during or after the field research that requires processing following the end of the field research phase.'

Primary sources refer to any data and information collected and analyzed first-hand by the MSA team. For the initial MSA, the most common and effective quantitative and qualitative **primary data gathering methods**³⁰, include:

Qualitative	Quantitative
• Key informant interviews • In-depth interviews • Workshops / stakeholder meetings • Focus groups • Observation • Action research	• Simple surveys (e.g., online surveys)

TIP: Explore various alternative qualitative and quantitative methods

[Market Research for Value Chain Initiatives](#) provides detailed descriptions and step-by-step guides for each of these research methods on pages 45 -158.

[Section 3.1.2 Developing a draft research plan](#) provides additional detail about developing research questions; identifying information needs, sources, and collection plans; sampling methodologies; research logistics and staffing; as well as data quality, security, sharing information, collating and organizing information data validation/triangulation.

[Section 1.2.5 Common MSA use-contexts and adaptations](#) provides information about specific adaptations for MSAs in **emergency contexts, conflict-affected or fragile contexts**; specific **sectors** such as employment (labor and self-employment) and tourism; and specific **development objectives** such as climate change and environment. It should be noted that gender considerations should always be mainstreamed throughout the MSA and strategic planning/intervention design effort.

TIP: Begin with secondary analysis and a few key informant interviews

First collect all secondary research materials for analysis, summary, and identification of information needs, then start your primary research by conducting a small number of key informant interviews, as well as interview or focus groups with a small sample of the target group(s), essentially gaining **birds-eye** and **ground-based views** of the market system.

The target group sample does not need to be representative, but should include the views of different target groups if there are multiple target groups. After that, reflect and refine research questions, interview guides, and data collection plans as necessary.

Alternatively, organize a **‘whole-system-in-the-room’ exercise** after the secondary materials effort. Note that secondary materials research, while best done at the very beginning, continues throughout the MSA effort as new sources are discovered.

³⁰ All data collected should be at least be gendered (disaggregated by sex), and also take into account other groups that are pertinent to the inclusion priorities of the proposed project.

TIP: Avoid large-scale quantitative surveys for the initial MSA effort.

Large-scale quantitative surveys take a long time to structure, cost a lot of money, are not easily adapted during data gathering, and are not suitable for identifying underlying causes of system outcomes. Later on, quantitative surveys may be useful during continual MSA efforts, to dig deeper in a certain area of research that requires larger sample groups and statistically significant answers which can be used by the project or the market actors for improved decision-making.

When conducting large-scale quantitative surveys it is good practice to facilitate market actors themselves collecting, analyzing and using this type of information and sharing it with the project **as long as it is in the interest of the market actors themselves** to acquire this capacity.

However, **for an observation-based approach** looking at a broadly defined market system, surveys and other quantitative methods may be necessary to provide evidence for the causal links between certain influencing factors and system outcomes (see [Section 2.1 Foundational considerations](#)).

Section 2.3.2 Further reading - about research methods

- [Market Systems Analysis for Decent Work - A user-friendly guide](#), ILO, Secondary research, on pages 12-13
Primary research (field work) and follow up research, on pages 14 - 16
- [Market Research for Value Chain Initiatives](#)
Secondary and primary research guidance, on pages 45 – 158
Choosing and sequencing market research tools, on pages 37 – 44
- [Market Systems Project Design and Implementation Guide](#), MEDA page 61

2.3.3 Sense-making strategies

One of the more difficult aspects of conducting MSAs is making sense of

1. the complexity of the system being analyzed, and
2. the large amount of diverse, and sometimes contradicting and often incomplete, information.

Sense-making constitutes the analytical tools and processes that answer the questions: 'What does all of this mean?' 'What does all of this information tell us?'

MSA leads and teams will need to apply various methods of sense-making throughout the MSA and strategic planning/intervention design process.

Organizing information

Having information organized in a coherent and intrinsically logical order supports the sense-making process for MSA teams as it facilitates the analysis and synthesis of a large quantity of information. It may be a self-evident strategy, but nonetheless, the importance of good organization of documents cannot be understated. Essential to good MSAs is a well-organized master folder (with relevant sub-

folders), accessible to all team members (with necessary restrictions to any proprietary information), where all documents are saved and which is updated regularly..

Analytical frameworks

Using analytical frameworks is probably one of the best ways to avoid information overload and keep tabs on what information one has and where important information gaps are.

The process of constructing, refining, and/or completing analytical frameworks, especially in a group setting, helps to make sense of the system being diagnosed and is also an incredible staff capacity building opportunity, for both understanding the relevant system and the MSD approach in general.

TIP: No single framework is likely to meet your needs

There is no single all-encompassing framework that can be applied to market system analysis and design. Every framework has pros and cons and can be useful for one step in the process, best used in combination with other frameworks.

TIP: Prioritise gathering the information that matters

When using analytical frameworks, don't try to fill in every empty space in every framework, focus on the most pressing information only and accept information gaps if necessary.

Analytical frameworks can be conceptual or more concrete. An example of a conceptual framework would be the market system donut or causal loop diagrams, while a more tangible framework would be a market actor list template or a market system selection tool in a spreadsheet file format. These and a host of other frameworks and tools are shared in list of [MSA Analytical Frameworks](#) and are also accessible in the specific subsections to which they pertain as shorter, curated lists.

Section 2.3.3 Further reading - about analytical frameworks

- [The Utility of Market Analyses](#)
Utility of analytical frameworks (including the MSD donut and VC map) in pages 24 - 31

Using the research plan and MSA report outline as process guides

One aspect of sense-making is focusing on what information is actually necessary and planning how to gather this information, while another aspect is being clear on the end result, meaning how the information is used and presented.

The former is ideally addressed by developing a **research plan**. A research plan can be started by the MSA focal point, but should be finalized by the MSA lead, and should be constructed or refined after the initial secondary materials review. A research plan should answer the following questions:

- What are our objectives?
- What do we need to know (i.e. research questions)?
- Why do we need this information? What will we use it for?
- Where can we find this information?

- What research methods are most viable for gathering this information?
- How do we plan to gather this information in terms of field logistics and staffing?
- How will we address data quality, security, sharing information, collating and organizing information?

Throughout the MSA, the research plan, or an associated research table, should be updated and adapted as necessary by the MSA lead.

In combination with the research plan, it is good practice to define a draft **MSA report outline**, as early as in the ToR if hiring a consultant or firm, with revision and finalization by the MSA lead at the beginning stages of the MSA effort (simultaneous with the research plan). This toolkit recommends that the report sections include the analytical frameworks (or links to them) that have been chosen, and that the report (and the analytical frameworks) are progressively populated. So, while an MSA effort is never linear, it roughly follows a process; this helps to divide it into manageable chunks/parts that feed into each other.

TIP: Use templates appropriately

An MSA report template is intended for internal use, to guide the MSA process and help capture and organize information. It is not meant to be submitted to the donor as a final deliverable, but rather to serve as a foundational document from which more succinct products can be developed for different audiences.

TIP: Do not lose sight of the ultimate purpose of MSA

MSA research plans and MSA report outlines play several important roles, one of which is sense-making. These two documents help MSA teams clarify their end goals and objectives. Defining clear research questions, outlining MSA report sections and slowly populating them with information help keep the research effort focused. Developing these two documents is typically an enlightening exercise where all team members gain a better understanding of the MSA.

However, due to the complexity of an MSA, teams often lose sight of their ultimate goal, focusing instead on following each step in hopes of reaching their destination. However, this approach usually results in a static and rigid effort, which can be too generic and frequently misses the intended goal.

The research plan and MSA report outline are discussed in more detail in [Section 3.1 Setting-up the MSA](#).

Fieldwork - daily downloads and joint internal reflections

Besides organizing documentation, using analytical frameworks, developing and using a research plan and MSA report template, it is important to use more 'immediate' sense-making strategies during the actual information gathering phase where potentially multiple small teams are working simultaneously to collect primary data.

Depending on the MSA team and the logistics, this could be done via daily downloads, a daily exchange of the most salient findings and insights, as a group or with the MSA lead, via voice recordings, or short written summaries. These daily downloads will likely lead to follow-on questions

to make sense of the incoming information. In addition to the quick daily downloads, the MSA lead could schedule more intensive internal reflections throughout the MSA data gathering phase to revisit and revise the components of the research plan.

Participatory reflections and external validation

Sense-making is not only an internal exercise, but also important to extend to external audiences.

Direct questions	The most obvious sense-making strategy is to directly ask market actors via interviews or focus groups.
Participatory workshops	Conducted with complete representation of market actors from the whole system (e.g. whole-system-in-a-room'), or from a certain subsystem/function, where participants are either 1) led through the process of answering the critical information needs outlined in Section 2.3 Information needs, methods and checks , 2) are brought together to address specific areas of confusion / information gaps, or 3) to develop solutions, strategies/intervention together based on information developed or presented to them.
Validation workshops	Used to validate an MSA team's understanding of the system, as well as draft strategies/intervention design ideas and/or system change logic. Validation workshops can be conducted before and/or after strategic planning/intervention design.
Surveys	Sometimes, making sense of incomplete or divergent information requires a larger sample and/or quantitative research methods. Conducting a survey during the initial MSA effort should only be used as a response to an important need, a plan B rather than a plan A. Otherwise, plan to do an MSA follow-up survey, ideally through market actors who will benefit from the information gathered, to validate and/or refine the information from the MSA. Conducting surveys requires different skill-sets from MSA's qualitative data gathering focus in terms of constructing questionnaires, coding tablets (if digital), collating and analyzing information.

Updating research questions and interview guides is a crucial function of the sense-making efforts during the MSA. This is discussed in more detail in [Section 3.1.2 Developing a research plan](#)

Qualitative data analysis software and AI

While most 'good enough' MSA efforts likely don't require qualitative survey software, tech-savvy MSA leads may want to consider using such a software for data coding and analysis if they are working with large sample groups to which similar sets of questions have been posed AND good quality notes, or recording transcripts (both of which would have to be translated into English), exist for those interviews. However, given that this is most often not the case, qualitative data analysis software is more useful for evaluation purposes than the exploratory 'least viable product-type' approaches for MSAs.

Artificial Intelligence (AI) solutions

While AI use for research is still a fairly recent application, MSA teams could benefit from using AI-powered tools to help with the literature review and/or analysis of qualitative data from interviews, surveys, or focus groups. At the most basic level, it is possible to upload a document onto an AI chat platform, such as ChatGPT, and ask questions about the content of the document. This function can help researchers get through a large number of secondary sources quickly, complementing good, old-fashioned desk research. The [Natural Language Processing Community of Practice](#) (NLP-CoP), among other communities, is exploring the use of AI for monitoring, evaluation, research and learning (MERL).

Section 2.3.3 Further reading - about using AI tools

Use the search term '**CAQDAS**' (**Computer Assisted Qualitative Data Analysis Software**) to identify most prominent software solutions and guides, intro videos, tips, etc.
One toolkit reviewer's go-to software is MAXQDA which includes good intro guides.

AI Solutions for Market Research

- [AI in Market Research - A Comprehensive Guide](#)
- [11 Efficient AI Research Tools for Marketers](#)
- [Best AI Tools To Empower Your Academic Research](#)

2.3.4 Feasibility checks

Checking the feasibility of the proposed strategic planning / intervention design is important to ensure that initial pilots and subsequent implementation are likely to be successful. This should happen at every major stage of the MSD project cycle:



The Springfield Centre's [Good Practice Note on intervention design feasibility checks](#) organizes feasibility checks into four groups and provides detailed questions and steps for each:

Feasibility checks for MSD interventions	
Feasibility of opportunity	• Is there really an opportunity for a change in the system that could result in improved growth or access? • How valuable is the opportunity? • Who is interested and why? • Why hasn't it happened already?

Feasibility of solution	• How will the changed business model deliver benefits to the market actor and the target group? • What are the costs of change?
Feasibility of partner	• Is your partner assessment linked to the specific business model and evidence-based?
Feasibility of measurement	• Is your basic measurement framework (theory of change and baseline data) emerging from your work to date?

Besides considering the above questions, two common practical feasibility check methods are the development of a systemic change logic for the project and validation via market actors.

Feasibility checks via a systemic change logic

Creating a systemic change logic is the process of describing how the proposed interventions are anticipated to result in certain outcomes and how those outcomes will result in an impact for the target group, in other words, the hypothesized causal links between interventions, systems change outcomes, enterprise-level outcomes, and impact at the target group level - and the accompanying set of assumptions for each causal link.

Creating a systemic change logic is useful to serve as a feasibility check during the strategic/intervention design process, as well as:

- To inform the project's monitoring and measurement efforts, i.e. MEL plan
- To ensure that project staff understand the logic of the project and how the interventions and partnerships they are implementing lead to systems change and high-level impact goals
- To serve as a common point of departure for reflection moments throughout implementation to evaluate if the project is on the right track

Creating a systemic change logic can be done (though it is not a requirement) via narrative 'If - Then' statements (including the assumptions that underpin them) and/or the construction of a theory of change and results chains.

TIP: Bear in mind that simple logic rarely captures complex dynamics

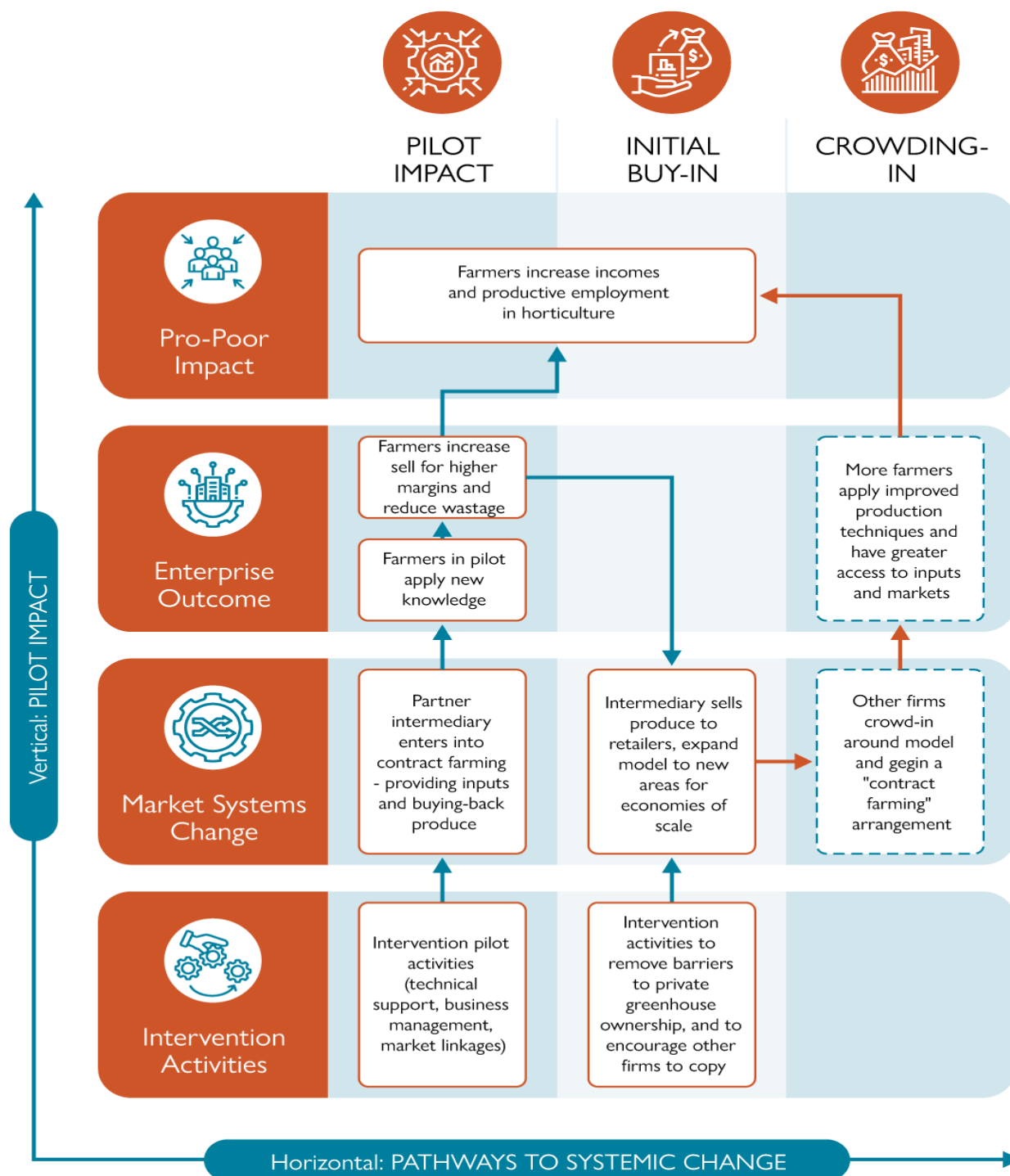
While this simplified model of the systemic change logic can be a useful tool, be sure not to lose sight of the more complex non-linear system dynamics it describes.

TIP: Remember the difference between observation- and theory-based approaches to MSA

An **observation-based** approach establishes causal links between certain factors and outcomes, for example via factor mapping or MICMAC analysis. Essentially this is about establishing evidence for the hypothesized causal links from the beginning.

A **theory-based** approach establishes a theory of change with results chains and then throughout implementation 'proves' the causal links or adapts them with new evidence or shifting assumptions.

For the purpose of the initial MSA effort, the process of creating the systemic change logic is useful as a feasibility check by examining the assumptions and potentially providing evidence for the causal links between the proposed intervention areas and the anticipated systems change, enterprise-level change, and high-level impact. Consider exploring systemic change triggers and/or reinforcing and balancing feedback loops for the hypothesized causal links in the results chains you develop.



source: The BOSS project in Timor-Leste, ILO

Section 2.3 Tools for systemic change and feasibility checking	
Sample project-level results chains	Overview of project-level results chains from BEAM Exchange. Useful to consider the feasibility of the theorized change logic.
Results chains M4P Operational Guide (p 30)	A visual to explain the change logic between interventions to system change, to pro-poor/enterprise-level change, and high-level impact. Useful as a process to evaluate the feasibility of the suggested change logic, identifying assumptions and potential evidence for suggested outcomes.
AAER Framework (Adapt, Adopt, Expand, Respond)	Springfield Centre resource on the AAER Framework. Useful to consider the feasibility of a solution. Includes a deeper exploration of the AAER with use-cases.
AAER framework M4P Operational Guide (p 27)	Useful to think about the direction and 'steps' of system change, starting with Adopt and Adapt, then Expand and Respond.
Market Systems Behavior Change Wheel	Visual guides from Vikara which can be useful to gauge the feasibility of a solution. 'The Change Wheel frameworks provide a more holistic overview and understanding of system change than a more linear results chain.'
Profitability analysis tool CRS Value Chain Toolkit (p29)	Sample profitability analysis of a farmer growing beans in Uganda. Useful to gauge the feasibility of opportunity and/or solution.

Section 2.3.4 Further reading - about system change logic and feasibility checks
Systemic change logic ▪ Theories of change explained - BEAM Exchange guidance page ▪ Developing a theory of systemic change - BEAM Exchange guidance pages ▪ Theory of Change in Systems - a short video from Systemic Innovation ▪ A different take on the theory of change and causal model development Market Systems Project Design and Implementation Guide, p 237 ▪ Contribution and influence (Causal model) - Market Systems Project Design and Implementation Guide, p 246 Feasibility checks ▪ Intervention Design Feasibility Checks - Springfield Centre ▪ Incentives and capabilities - BEAM Exchange page

Validation of feasibility, relevance, and accuracy via market actors

Like the validation of market system analysis findings, the validation of the strategy/intervention design is an important step to ensure that the MSA team is on the right track. MSA teams can take the following actions to boost their confidence in the feasibility of the intervention strategy and intervention design:

Pros and cons of different validation techniques	
Internal reflection sessions	Quickest and least resource intensive. Weakest validation results.
Validation via a few key informants	Also quite quick and easy and has stronger validation results.
Validation workshop with market actors	More time- and resource-intensive but result in the strongest validation results.

Section 2.3.4 Further reading - about market actor validation
▪ Running validation workshops, Value Chain Development for Decent Work, ILO, p 45 ▪ Validation workshops, Market Systems Analysis: A User-Friendly Guide, ILO, p 19

3. The MSA process

Purpose of this section

This section provides an overview of Sections 3.1 – 3.4 - the main process steps in Market System Analysis. It aims to ensure implementers have access to the best practices and tools to analyse market systems.

Sub-sections

[3.0.1 Introduction](#)

[3.0.2 The MSA process flow](#)

[3.0.3 Good practices for MSAs](#)

3.0.1 Introduction to the MSA process

Emphasize process over product

So much of the research phase is framed in terms of producing a high-quality final report for the donor. While it is certainly important to build trust and confidence with your donor, and high-quality technical analysis sometimes requires bringing in senior-level, short-term assistance, this objective can overshadow the actual learning process and alienate local staff from the information that was gathered for their use in the first place. It can ultimately undermine intervention design and implementation.

It is important to strike a better balance between the two. Where analysis timing or other factors do not permit the first analysis to heavily involve local staff, a program should ensure that local staff lead follow-on analyses. If an external consultant is used when local staff are in place, program leaders should ensure that local staff are involved in developing the research methodology, designing research tools, planning the research process, and that they work as a team throughout the data collection and analysis process. They should also be closely involved in draft review.

These steps can build the capacity of a team to understand what questions are more or less useful, when to probe, when sufficient information has been collected, and how to use the information to inform the design of pilots.³¹

As discussed in [Section 1.2 Key features of market system analyses](#), the primary purpose of market system analysis in the development field is to inform decision-making.

³¹ Fowler, Sparkman & Krueger (2016) [The Utility of Market Analyses: Key findings from a landscape review](#)

In order to appropriately inform decision-making, decision makers need to have a sufficient understanding of the market system(s) in question. This understanding is typically accumulated over time through experimentation and reflection, as well as through the sense-making of a wide range of secondary sources and program/project-specific studies that constitute an MSA.

A sufficient understanding of a market system includes understanding its past, present, and potential future.

- What is the market system like at the present moment?
- What factors and actors were instrumental in transforming the system into its current state (i.e., catalysed change or 'fixed' it into place)? How did the change occur in the past?
- Given the evolution and the present state of the market system, what is its expected trajectory³², and what is its potential for change³³?

[Section 2.3 Information needs, methods & checks](#) lists the most critical questions³⁴ that need to be answered via the initial MSA effort to make valid strategy and intervention design decisions

1. What are our systemic change and impact objectives? What are we trying to achieve, and for whom?
2. Which market systems are best suited to achieve our objectives?
3. How do these systems need to shift/change in order to better address the needs of our target group(s)?
4. What factors prevent the system from changing or 'getting there'? What factors are showing signs of changing in the present moment? What factors have initiated/supported change in the past?
5. Which system actors initiate or support change (e.g., leverage points, influencers)?
6. What are these actors' interests, incentives, and capacities?

³² Another way to describe a trajectory is a system's path dependency; given history and structure, including reinforcing and balancing feedback loops, systems tend to get 'locked into' repeating patterns.

³³ Dave Snowden calls this the '[adjacent possible](#)'

³⁴ Adapted from an internal ACIDI/VOCA system assessment guidance document.

3.0.2 The MSA Process Flow

Market system analysis, strategic planning and intervention design efforts tend to follow a general flow, which is represented in the process flow table below.

However, these stages are **rarely completed in purely linear manner**. In practice MSA teams will find that process steps blend, start and continue throughout the MSA, and that the process flows in a non-linear fashion between these steps.

MSA process flow index

MSA Process	Questions driving the research
3.1 Setting-up the MSA	What are our impact objectives? What are we trying to achieve and for whom?
3.2 Market system selection	Which market systems are best suited to achieve our objectives, and are our priorities for research?
3.3 Market system analysis 3.3.1 System overview 3.3.2 System mapping 3.3.3 Identifying underlying factors 3.3.4 Validation of findings	- How do these systems need to change in order to better address the needs of our target group(s)? - What factors are preventing the system from changing, or 'getting there'? - What factors show signs of changing at present? - What factors initiated or supported change in the past? - Which system actors initiate or support change (i.e. are potential leverage points, influencers)? - What are these actors' interests, incentives, and capacities?
3.4 Vision, strategy & intervention design 3.4.1 Envisioning system change 3.4.2 Strategy & intervention design	- What is the 'adjacent possible' in terms of systems change? - Which direction of system transformation can be realistically envisioned? - Which interventions and partnerships are most likely to trigger the envisioned system changes?
2.3.4 Feasibility checks * Throughout the MSA	Are the proposed interventions and partnership approaches feasible based on what we know (e.g., incentives, system dynamics, power / influence, history, and the system's trajectory)?

3.0.3 Good practices for MSAs

While every MSA will require a customized approach to fit the purpose, some overarching good practices typically remain true across MSA efforts. The Springfield Centre's [Good Practice Note for Market System Diagnosis](#) identifies the following good practices:

- 'Recognize market research is on-going'
- 'Avoid paralysis by analysis'
- 'Develop a theory of change and related assessment questions'
- 'Conduct market diagnosis incrementally with fast feedback loops'
- 'Be creative in determining how best to gather information'
- 'Triangulate data sources'
- 'Focused pilot interventions are part of the diagnostic process'
- 'Be involved in the market diagnosis'
- 'Involve market players – but judiciously'

Besides the above, here are additional general good practice recommendations for MSAs:

- Create a lean-start-up mentality; gather the minimum amount of information necessary in order to inform decision-making needs.
- Establish who the audience will be, who the decision makers are, and how they will use the findings when starting the report.
- Have an actionable need and a clear vision of the end result for the analysis (e.g., developing a country strategy or designing project interventions). Know the purpose behind the questions you are trying to answer and the information you are trying to gather.
- Always include gender and youth considerations to reflect the (most likely different) reality for most of the target group. Strive to go beyond this also to examine differences for other marginalized groups, such as refugees and other displaced populations, ethnic or racial minorities, persons with disabilities, etc.
- Emphasize qualitative data gathering methods over quantitative methods, as the latter will not allow you to understand the underlying factors influencing a system's dynamics.
- Don't try to make the MSA the MEL baseline; they have different needs and approaches.
- Aim to include a project's cross-cutting themes (e.g., gender, resilience, environment, etc.) as part of the initial MSA, not as separate research efforts. If necessary, more focused research efforts can be conducted later.
- Avoid confirmation bias and using the MSA to justify preconceived strategies and/or interventions. MSA can and should be used to validate or disprove ideas presented in the proposal and application or in early conversations, but make sure to stay objective. Have process checks in place to reflect on this topic.
- 'Identify new partners early and often. Recognize that analysis will not translate to impact without the right partners.... find dynamic partners, not only during implementation, but also during the capture and proposal and application preparation phases. This ensures one has

strong partners who will provide one with just as much learning, if not more, than the inception phase analysis³⁵.

- Be aware of analysis limitations and breadth vs. depth. The more aspects are being analyzed (e.g., multiple target groups, multiple sectors and geographies, multiple cross-cutting areas such as youth, environment, and/or resilience, etc.), the more complex and time-consuming the MSA will become.
- Keep in mind that market systems are not restricted by geographic borders; for example, although the project may seek impact in a certain region of a country, the MSA and interventions may have to happen outside of those regions, with actors in the capital for example.
- Establish a solid learning/hypothesis framework around how change could or should emerge. Typically, this includes a Theory of Change (ToC) and some form of more detailed pathway of change or results chain.
- Engage closely with the donor focal point throughout the MSA process, from beginning to end.

Section 3.0 Further reading - about the MSA process

Diagnosis, Vision and Intervention - [M4P Operational Guide](#) Sections 2, 3, and 4

- Diagnostic process, Figure 5, page 13
- Diagnostic tools and information sources, Figure 10, page 18
- Common traps / mistakes - pages 19-20 & 26

MSA process (i.e. Listening and Engaging) as defined by the [USAID 5R Framework](#) - pages 1-15

Simple 8-step MSA process

[Market Systems Analysis for Decent Work - A user friendly guide](#) - page 1, ILO

MSA process for the labor market analysis

[Value Chain Development for Decent Work](#) - pages 18, 20, 32, 51, ILO

MSA process for humanitarian emergencies

[EMMA Toolkit - Introduction & Overview](#), Boxes 0.12 and 0.13, pages 14 & 15

Visuals representing the market research process

- [Market Research for Value Chain Initiatives](#) - page 9
- [Market Systems Project Design and Implementation Guide](#), page 53, MEDA

³⁵ Aaronson, H. (2023) [Progress in Markets Systems](#), MSD Hub blog post

3.1 Setting-up the MSA

Purpose of this section

This section provides a description of the decisions and activities that are needed to set up the condition for a 'good enough' market system analysis.

Sub-sections

[3.1.1 Drafting an MSA report outline](#)

[3.1.2 Developing an MSA research plan](#)

- Refining the technical scope/boundaries
- Summarizing existing knowledge
- Refining research questions
- Planning data gathering and analysis

[3.1.3 Identifying the MSA research team](#)

[3.1.4. Conducting a kick-off workshop & arranging a command center](#)

- Informing the research plan
- Building capacity of the MSA research team

When does 'setting-up' begin?

MSA 'set-up' generally begins once the MSA lead has been selected and/or contracted. By then, the contract / cooperative agreement has already been awarded and the 'set-up' has already been informed by the donor solicitation documents (and any research/analyses informing these), the proposal (including the narrative, budget, and any research informing these), and the actions taken by the MSA focal point.

3.1.1 Drafting an MSA report outline

It is good practice to define a draft **MSA report outline** as early as in the ToR if hiring a consultant or firm, with revision and finalization by the MSA lead at the beginning stages of the MSA effort (simultaneously with the research plan).

This toolkit recommends that the report sections include the [analytical frameworks](#) (or links to them) that have been chosen, and that the report (and the analytical frameworks) be progressively populated as the MSA team gathers information.

While an MSA effort is never linear, it roughly follows a process that helps to divide it into manageable parts that feed into each other. For descriptions of what information to include in the main sections of the report, one can draw from the following sections: market systems [selection](#), [overview](#), [mapping](#), [underlying factors](#), [visioning](#), and [intervention design](#).

One early use of the MSA report template can be to summarize findings from a review of secondary materials and/or the kick-off workshop. This task allows the MSA team to identify the information gaps that still need to be filled via the primary data gathering or additional secondary data review.

However, a secondary data summary could also be captured in a separate document and transferred more cleanly into the MSA report template later.

TIP: Use templates appropriately

The MSA report template is intended for internal use, mostly to guide the MSA process and help capture and organize information. It is not meant to be submitted to the donor as a final deliverable but serves as a foundational document from which customized products can be developed for different audiences (see [Section 3.5 MSA report: packaging and use](#)).

TIP: Mainstream gender considerations

It is good practice to integrate gender considerations throughout the MSA template and resulting report rather than creating a separate gender report or even including a separate gender section in the MSA report. If you have a separate required deliverable, talk to your donor focal point about the value of integrating them to see if that might be changed.

Section 3.1.1 Example MSA reports outlines

Water Innovation Technologies	Example from Jordan WIT activity
Maize sector report outline	Example from Mercy Corps work in maize sector, Burkina Faso includes analysis only, design document is separate
Mercy Corps MSA report outline	Template drawn from Mercy Corps MSD resource guide
ILO MSA report template	Template published by ILO for labour market system analysis
TMS MSA report outline	Example published by the Honduras TMS activity for effort used to select market systems using an observation-based approach
IRC Secondary data table	An Excel template provided by the IRC to organize and summarize essential secondary research findings

Section 3.1.1 Further reading - about the MSA reports

- Guidance for each major section of an MSA report
Analysis & Reporting Outputs Guide from Mercy Corps' MSD Resource Guide (not yet available)
- MSA report guidance
[Market Systems Analysis for Decent Work – a user-friendly guide](#) - page 18, ILO

3.1.2 Developing an MSA research plan

A research plan can be started by the MSA focal point but should be finalized by the MSA lead and should be constructed or refined after the initial secondary materials review, kick-off workshop, and sector selection (if applicable). A research plan is a working document for much of the MSA, but especially in the beginning phases, becoming more focused as the MSA team gathers more information. A research plan at minimum, should answer the following questions:

[What are the project's objectives?](#)

[What do we need to know \(i.e., research questions\)?](#)

[Why do we need this information? What will we use it for?](#)

[Where can we find this information?](#)

[What research methods are most viable for gathering this information?](#)

[How do we plan to gather this information in terms of field logistics and staffing?](#)

[How will we address data quality and privacy, information sharing, organizing, validating, coding, and security?](#)

Throughout the MSA process, the research plan or an associated research table (see examples from Mercy Corps and UNHCR in the tools section further below) should be updated and adapted as necessary by the MSA lead.

TIP: remember 'good enough' is good enough

The goal is not to create a perfect research plan from the beginning, but to get started and build/revise the plan as you go. Mercy Corps call this an 'Adaptive Research Protocol'³⁶

TIP: start on a report outline at the same time

Simultaneously with the research plan development, it is good practice to define a draft [MSA report outline](#), which is then progressively populated.

What are the project's objectives?

Establishing the project's objectives clearly from the beginning will enable the MSA team to focus their efforts and stay on course during their analysis, strategic planning, and intervention design efforts. A [Framework for Change table](#) and/or a [Strategic framework](#) (M4P Operational Guide, page 11) are useful tools to guide this process.

³⁶ This resource may become available at a later date.

Based on the available information in the solicitation documents, the proposal, and any other information already gathered, describe the rough boundaries of the MSA effort.

These boundaries may be defined by factors such as:

- Target group
- High-level impact objectives
- Market systems to be analyzed
- Cross-cutting areas
- Geographic focus
- Main research questions (if possible)
- Strategic framework (e.g., change logic) / high-level theory of change

Defining objectives helps the MSA team create boundaries for the research plan and the MSA effort. By defining these boundaries at the beginning, system practitioners can: 1) select the systems they will work in; 2) focus the initial and ongoing effort to understand the system; and 3) design appropriate interventions. Boundaries will likely evolve with the implementation of the project and with acquired knowledge.

TIP: Focus on your objective statement

Take time to examine your objective statement in extreme detail. Create definitions for the description of the impact objectives, target group, sector, geography, etc. For example, instead of *'farmers in the maize sector'* (which makes it seem like the target is individuals and could range from small-holder to commercial-size), you may say *'smallholder farming households in the maize sector in the Boucle Mohoun region of Burkina Faso'*. Then define the factors that determine a smallholder farming household in that sector (you may want to use local government definitions if they exist - likely related to the size of the farm or the size of their maize plot).

If there are multiple objectives, such as increasing incomes, increasing resilience, and improving environmental sustainability, clarify with the donor focal point which is the most important (primary) and less important (secondary). The same goes for multiple target group segments (e.g., youth, women, marginalized, etc). These definitions may change as new information is acquired during the MSA and after.

TIP: Understand your target group

Besides a detailed definition of the target group, it is important to gain a basic understanding of how the target group thinks and makes decisions, what their capacities are, their interest/motivations, incentives, influence/power, and social connections. This may also include household income and expenditure profiles and shock profiles. This understanding will help a project evaluate the feasibility of potential intervention pilots.

Later, the MEL team will have to gain a deeper understanding of target group profiles after the initial MSA in order to measure change for the target group. During implementation, it is good practice for a project to make sure that market actors have a deep understanding of their target groups (e.g., customers or suppliers).

TIP: Don't try to cover everything

Don't throw all questions into one initial MSA; it will become unwieldy. Be aware of analysis limitations and breadth vs. depth. The more aspects being analyzed (e.g., multiple target groups, multiple sectors, and geographies, multiple cross-cutting areas such as youth, climate change, environment, and/or resilience, etc.) the more complex and time-consuming.

Section 3.1.2 Further reading - about setting development objectives

- Part 1. Bounding the System - [Practitioner's Guide to Measuring Systems Change](#) - pages 6 - 9
- [Define objectives, evaluate opportunity and feasibility, and establish an project's main parameters](#) - BEAM Exchange guidance page
- Program Design Decisions - [Market Research for Value Chain Initiatives](#), pages 7-8
- Goal development example - [Market Systems Project Design and Implementation Guide](#), Section 3.8, p 45

What do we need to know (i.e., research questions)?

Outlining research questions is an ongoing effort throughout the MSA and after, typically starting with more general questions and becoming more specific.

Initially, questions may be generic, such as:

- Which market systems are best suited to achieve our objectives? (see [section 3.2.1](#))
- How do these systems need to change to better address the needs of our target group(s)?
- What factors are preventing the system from changing or 'getting there'?
- What factors have initiated/supported change in the past?
- Which system actors initiate/support change (e.g. leverage points, influencers)?

As secondary and primary information is gathered and sector selection has been completed, more specific questions will likely arise, such as: Why hasn't a proven innovation been adopted by more people? Which of several identified influencing factors has been most important in catalyzing a specific system change in the past? Which system influencer may be most appropriate to engage with for a certain outcome?

While specific information needs will vary for each context, [The Utility of Market Analyses](#) (pg 21-23) review proposes that...

'a set of core information should be included in any good initial market analysis.... this includes an appreciation of time and the history of the system; size and growth (i.e., economic opportunities); significant influences on competitiveness (e.g. energy prices, currency swings, neighboring country competitiveness); power and gender differences; distribution of benefits (benefits accruing to different groups); level of innovation; existing business models; and common disputes between actors in the system.'

TIP: Organize the research questions from the start

Capture and organize the research questions from the beginning, starting at the secondary data gathering and kick-off workshop stage. Use a Word or Google document initially. Later a more effective table or matrix (see tools table below) can be developed which also describes:

Why do we need this information? What will we use it for? Where can we find this information (i.e., sampling strategy)? What research methods are most viable for gathering this information?

Update questions continuously; change questions, drop them, or leave them for later.

TIP: Good MSAs are always gendered.

Gender considerations should be reflected in all aspects of the MSA process, including the research questions. Beyond gender, MSAs should consider inclusiveness more broadly to include youth, and other marginalized groups. For more information on how to integrate gender considerations into the MSA, including the research questions, see the further reading resources in Section 2.2, sub-section [Critical Information Needs](#).

Section 3.1.2 Tools for defining research questions

Guiding Questions for Envisioning the 'As is' System

[The 5Rs Framework](#), p7

Useful for establishing the information needs for each of the 5Rs - Results, Roles, Relationships, Rules, Resources - which make up a system.

Guiding Questions for Envisioning the 'To be' System

[The 5Rs Framework](#), p12

Useful questions for each of the 5Rs to describe 'a desired future configuration that will produce and sustain improved results'.

Section 3.1.2 Further reading - about research questions

- Research Questions - [Market Systems Analysis for Decent Work](#) - p 10, ILO
- [Market Systems Project Design and Implementation Guide](#), MEDA
How to formulate research questions (using an early, middle and late stage approach), p 56
Key information needs, top of p 61

Why do we need this information? What will we use it for?

To prevent MSA efforts from gathering information that is not necessary, it is best practice to describe why the information is needed/what it will be used for. This is most useful when the MSA effort moves from generic to more specific questions.

For example, taking the question - *'Why hasn't a proven innovation been adopted by more people?'*

The elaboration could be - *'It is important to gain insight into this question because we believe the innovation can decrease costs and increase productivity for smallholder maize farmers, and we don't understand why more smallholder farmers have not adopted the innovation. Once we find out, we can either decide not to pursue promoting the innovation or design an intervention.'*

Where can we find this information?

Once the MSA team has defined what they need to know and why they need to know it, they need to consider where they can find this information. This could mean further secondary research or primary research, in which case the question is: which entity(ies) or individual(s) is likely to have this information?

What research methods are most viable for gathering this information?

Once the question and data source have been defined, the MSA team needs to consider the data gathering methodology: what is the best manner to gather this information? Are we planning on using a theory— or observation-based approach? (see Section 2.1.2's [discussion of the theory and observation-based approaches](#))

Secondary and primary sources of data

Secondary sources refer to data and information already collected, analyzed, and published. Secondary sources in market research include industry reports, market studies, government publications, academic journals, trade publications, and online databases. [The Utility of Market Analyses](#) review recommends that MSA teams

'identify and use pre-existing research materials when available and of good quality. In many countries, there is a wealth of pre-existing studies on market systems. Using these reports can dramatically reduce the time needed to complete a new study. The role of desk research in identifying such materials – often overlooked – is crucial. Adequate time needs to be allocated to the desk research phase, the team responsible for using that time effectively, and the findings used to adjust the field research plan prior to launch. Whereas desk research is usually only included prior to conducting field research, there is typically a range of relevant documentation identified during or after the field research that requires processing following the end of the field research phase.'

Primary sources refer to any data and information collected and analyzed firsthand by the MSA team. For the initial MSA, the most common and effective quantitative and qualitative primary data gathering methods include: Key informant interviews, In-depth interviews, Workshops / stakeholder meetings, Focus groups, Observation, Action research, and Simple surveys (e.g., online).

Primary data gathering tools

Once the MSA team has defined the question, source, and data-gathering methodology, the team can develop the data-gathering tools:

Qualitative		Quantitative	
Approach	Tools	Approach	Tools
Key informant interviews	Interview guides	Survey	Questionnaire
In-depth interviews	Interview guides		
Stakeholder meetings	Agenda and facilitation guide		
Focus groups	Question guides		
Observation	Observation logs		
Action research	Monitoring and reflection tools		

Pros / cons of different primary data-gathering methods:

Method	Advantages	Disadvantages
Key Informant Interviews	Provide in-depth insights from knowledgeable individuals with firsthand experience or expertise in the subject area. Allows for flexible questioning and follow-up probing to explore complex topics.	Rely on subjective perspectives of informants, which may introduce bias. Limited generalizability if the sample of informants is not representative of the broader population.
In-depth Interviews	Offer detailed and rich data by allowing participants to elaborate on their experiences, opinions, and perspectives. Enable rapport-building and trust between interviewer and participant.	Resource-intensive in terms of time and effort required for data collection and analysis. May be influenced by interviewer bias or participant response bias.
Workshops / stakeholder meetings	Facilitate collaboration and collective decision-making among stakeholders. Provide opportunities for diverse viewpoints to be shared and consensus to be reached.	Require careful facilitation to ensure all voices are heard and power dynamics are addressed. May be challenging to manage conflicting interests or maintain focus during discussions.
Focus groups	Generate rich data through interactions and discussions among participants, revealing shared norms, attitudes, and perceptions. Allow for exploration of group dynamics and consensus-building.	Vulnerable to groupthink or dominant personalities influencing the discussion. Limited privacy and confidentiality compared to one-on-one interviews.
Observation	Capture behaviors, interactions, and phenomena in natural settings, providing firsthand, unfiltered data. Offer insights into context and environment that may not be captured through self-report methods.	Observer bias may affect interpretation of observed behaviors. Limited ability to explore underlying motivations or perspectives without additional methods such as interviews.
Action research (i.e., intervention pilots)	Promotes collaboration between researchers and participants to identify and address real-world problems. Combines research and intervention, leading to practical solutions and positive change.	Requires careful planning and ongoing engagement with stakeholders throughout the research process. Ethical considerations regarding power dynamics and potential unintended consequences.

Sampling methods for primary data gathering:

Sampling is identifying who the research team wants to get information from and deciding how many respondents for each group should be targeted. For the MSA, the approach should be nonprobability

sampling (or convenience sampling) rather than probability sampling, which is used for evaluations. Common nonprobability sampling techniques include:

Method	Description	Advantages	Disadvantages
Purposive sampling	Selecting individuals or cases deliberately based on specific characteristics or criteria relevant to the research objectives.	Allows researchers to select specific participants who possess characteristics relevant to the research objectives. Useful for studying unique or hard-to-reach populations. Can be cost-effective and time-efficient.	May introduce bias if the selection criteria are not well-defined or if the researcher's judgment is subjective. Generalizability to the broader population may be limited.
Modal instance sampling	Sampling the most typical or representative cases within a population, focusing on instances that are most common or prevalent.	Focuses on sampling the most typical or representative cases within a population, providing insights into common trends or characteristics. Can help identify prevalent patterns or behaviors.	May overlook diversity or variation within the population. Not suitable for capturing outliers or less common phenomena.
Quota sampling	Selecting a sample that matches predetermined quotas or proportions based on certain demographic or characteristic criteria, often to ensure representativeness.	Allows researchers to ensure that the sample reflects certain demographic or characteristic quotas, enhancing representativeness. Relatively simple to implement and can be more cost-effective than probability sampling methods.	Relies on judgmental sampling for participant selection, which may introduce bias. Requires careful definition of quotas to avoid underrepresentation or oversampling of certain groups.
Heterogeneity sampling	Sampling a diverse range of individuals or cases to capture the variability or heterogeneity within a population.	Ensures the inclusion of diverse individuals or cases, capturing the variability within the population. Useful for studying complex phenomena with multiple dimensions or factors.	Requires careful planning and sampling techniques to effectively represent the heterogeneity of the population. May be more resource-intensive compared to simpler sampling methods.
Snowball sampling	Recruiting participants through referrals from initial participants, creating a chain-like sampling process where each	Allows researchers to access hard-to-reach populations or individuals through referrals from existing participants. Can be useful for studying	Non-probabilistic sampling method that may result in biased samples, especially if initial participants share similar characteristics or networks. Limited control

Method	Description	Advantages	Disadvantages
	participant refers others who meet the criteria.	sensitive or hidden populations.	over sample composition and potential for sample size to grow uncontrollably.

Which sampling technique is chosen, who is included and how many respondents depends on each MSA's needs, context, chosen data gathering tools and logistical aspects. Keep in mind that nonprobability sampling, especially with low numbers of respondents, will need to be bolstered by other information sources, such as secondary materials, or strengthened via data triangulation (see data validation section below).

[Market Research for Value Chain Initiatives: Information to Action](#) describes every type of qualitative data-gathering method chapter by chapter.

Section 3.1.2 Further reading - about research methods

[Market Research for Value Chain Initiatives](#)

- Choosing and Sequencing Market Research Tools, pgs 38-42
- Introduction to Secondary Source Research, pg 46-49
- Detailed discussion of primary data gathering methods - pg 57-176

Qualitative Research VIDEO

- [DCED Workshop: Using Qualitative Research Methods for Deeper Insights](#)

Sampling

- Sampling and time for interviews - [Pre-crisis Market Analysis Toolkit](#), p 51
- Nonprobability Sampling Techniques - [Field Guide for Evaluation](#), pages 55-57
- [Interview preparation worksheet](#) - Springfield Centre

How do we plan to gather this information in terms of field logistics and staffing?

This step is about the logistics of collecting data, which is closely connected with the sampling methodology. The logistics will influence how many interviews, focus groups, or workshops the team can conduct within the allotted time for the MSA fieldwork.

The following questions will help you think about how to gather the information:

- Who is responsible for setting up the meeting/event?
- Who from the team is going to collect the data?
- Who will take notes? In which form (e.g., tablet, laptop, paper form, notebook, recording, photos, etc.)? When will notes be digitized and shared with the MSA lead for analysis?
- What are the travel times between the places you are going?
- How will they get there?
- How much time do we need for each interview to get the most important information? What is the realistic and acceptable time we can ask of the respondents?
- Are there gender considerations? Are there groups or individuals who would not or could not meet with an MSA team member based on the team member's gender?

- Are there security considerations?
- Any other social norms to consider? Do you need formal introductions or permissions? Do you need to send formal letters to request meetings or can you just call or even show up?
- Do you need your MSA team to wear clothes showing your brand, or badges? A clip-board can quickly add credibility to your MSA efforts.

TIP: avoid digitized forms for mobile data collection during initial MSAs

In general, it is not recommended to use digitized forms for mobile data collection unless there is specific quantitative information that is vital to collect in combination with qualitative information.

Digital data collection methods are often not flexible enough to allow for quick revisions of questions / interview guides, nor are they suitable for the investigative approach necessary to get to the underlying factors of system functioning. Use handwritten notes (which will later need to be reviewed, summarized, translated and/or typed) or typed formats that can be updated quickly. Exceptions may include very large MSA efforts with multiple teams over several geographies simultaneously, where the MSA lead may otherwise lose track of information.

Section 3.1.2 Further reading – lessons on field logistics & data gathering (*from humanitarians*)

[Pre-crisis Market Analysis Toolkit](#)

- 'Appropriate imprecision' - pg 52
- Interview tips - pg 53
- Sample questions - pg 79+

[RAM - Rapid Assessment for Markets](#)

- Tool 7: Recommendations for conducting interviews 58
- Tool 8: Discussion with market representatives or key informants 61
- Tool 9: Discussions with traders (wholesalers/retailers) 66

How will we address data quality and privacy, information sharing, organizing, validating, coding, and security?

Data quality

Gathering information for an MSA is not an exercise of checking off interviews from a list. It is all about the quality of information received to make informed and valid decisions. Incomplete or incorrect information will result in uninformed decisions/actions (i.e., 'garbage in, garbage out').

Data quality is a critical concern in qualitative research, as the findings' validity, credibility, and reliability depend heavily on the quality of the data collected. Unlike quantitative research, which relies on numerical data and statistical analysis, qualitative research explores complex social phenomena, using interviews, focus groups, observations, or document analysis. Ensuring high-quality data in qualitative research involves maintaining rigor throughout the research process, from data collection to analysis and interpretation.

Here are key aspects of data quality in qualitative research:

- **Credibility (Internal Validity)**
Credibility refers to the confidence in the truth of the data and how well the findings represent participants' realities. This could be achieved using triangulation, participant validation, or peer debriefing.
- **Transferability (External Validity)**
Transferability refers to the extent to which the findings can be applied to other contexts or groups. Providing detailed, rich descriptions of the research context and participants allows others to judge whether the findings are transferable to different settings.
- **Dependability (Reliability)**
Dependability is concerned with the stability of the data over time and the consistency of the research process. Maintaining detailed documentation of the research process, including data collection, analysis decisions, and rationale for methodological choices, helps ensure that the research can be replicated or reviewed for consistency. Researchers should be aware of their biases, perspectives, and potential influences on data collection and analysis process.
- **Confirmability (Objectivity)**
Confirmability refers to the degree to which the participants shape the findings, not the researcher's biases, motivations, or personal interests. This could be addressed via triangulation and/or keeping clear records of the research process and decisions, balanced representations ensuring that all relevant perspectives are included (especially in instances of power imbalances), and data saturation (referring to the point at which no new information or themes are emerging from the data).

Data quality efforts by the MSA lead may include the following:

- Train the MSA team in qualitative methods
- Practice with the MSA team internally and during actual data gathering. This could mean that the MSA lead initially models good qualitative methods behavior and then lets other MSA team members take the lead while the MSA lead observes and provides feedback afterward.
- Review notes/data and provide feedback; in some cases ask the MSA team to follow up with respondents to fill information gaps.
- If relevant, test and review translations.
- Clearly define the need for the information so that the MSA team understands why it is important and what level of detail it requires.
- Refine interview guides/questionnaires, etc.
- Refine data gathering methods if necessary.

Section 3.1.2 Further reading - about data quality issues

- Questionnaire testing -[Pre-crisis Market Analysis Toolkit](#) p 53

Data privacy

Always keep in mind the laws of a country and your organization's and/or donor's rules regarding data privacy. In general, MSAs do not need to record respondents' personal information. Remember not to share proprietary information from private sector actors, especially with their competitors (not in conversation nor a written report).

Sharing and organizing information

It is important to consider how information is shared and organized within the MSA team. Given the tight timeframes and the goal of gathering a minimum set of information to inform valid decision-making, real-time updates to the data-gathering effort are vital.

The following questions can help MSA teams organize data collection:

- Who will take notes? Will sessions be recorded?
- Will notes be digital or analog? When and how will notes be summarized and shared?
- Where will notes/information be saved?
- Who is responsible for reviewing notes and looking for data quality/completeness?
- Who is responsible for considering revisions to the research questions, interview guides, and questionnaires? When will this happen, and in what format?

TIP: Make use of daily downloads

Sense-making of data and potential updates to the data gathering effort can be supported via daily downloads as a group or with the MSA lead, via voice recordings, or short written summaries of the most salient findings. These daily downloads will likely lead to follow-on questions to make sense of the incoming information. In addition, the MSA lead could schedule more intensive internal reflections throughout the MSA data-gathering phase to revisit and revise the components of the research plan.

Data validation

When using qualitative methods with smaller samples, how do MSA teams know when they have reached a point of data validity?

For MSAs using a theory-based approach, MSA teams should collect the minimum amount of information in order to inform valid decision-making. How does one know when this point has been reached?

Data triangulation

One effective solution is data triangulation. For example, if smallholder rice farmers have stated that they do not have access to a certain planting machine because larger farmers, who typically rent out their equipment, are not carrying this machine, and then independently the machine distributor says the same thing, as well as the agricultural extension service, and perhaps some of the larger farmers themselves, then let's believe this is true. There is no need at this point for more proof. Of course, why (or why not) this machine is not being carried by larger farmers, is another question that would need to be addressed and triangulated. Triangulation can also include secondary data sources and observation.

CRS mentions the following methods for qualitative data validation: ³⁷

- **Mirror imaging:** repeat questions at one level in the value chain until you get a consistent response
- **Triangulation:** compare information from different levels, to validate findings
- **Observation:** look and consider if the responses match the action
- **Supervision of interviewers:** share information across survey teams'

TIP: use data triangulation to evidence causal relationships

for an observation-based approach, data triangulation as described above can be accompanied by surveys and other quantitative methods to provide evidence of causal links between certain influencing factors and system outcomes (see [discussion on the observation-based approach](#)).

Data coding

Qualitative data coding organizes and categorizes non-numerical information to identify patterns, themes, or meanings within data. Researchers assign descriptive labels, or codes, to segments of text or other qualitative elements, allowing for the systematic analysis of the underlying content. Coding aids in the extraction of insights, facilitating the interpretation and understanding of complex qualitative data. Data coding can be done in a spreadsheet or via qualitative data software.

Security

Consider aspects of the security of the research team members early and often. Take into consideration security measures outlined by the implementing partner and speak with the security team (if relevant) in preparation for the field work.

Section 3.1.2 Tools for research planning	
Research plan outline template	MSWord template with a rough outline as an example with guidance
Framework for change table	Helps establish boundaries and keep the MSA team focused during their efforts.
Strategic framework (ToC) M4P Operational Guide (p 11)	Provides a high-level description of the change logic of the project, which is useful for establishing boundaries and direction for the MSA.
IRC Secondary data table	An Excel example and template provided by the IRC to organize and summarize essential secondary research findings
Initial assessment questions and information gaps table	Excel tool used to list key information needs, why this information is important, where to find it, and how to get it. (adapted from Mercy Corps' MSD Resource Guide)

³⁷ CRS (2024) *Value Chain Toolkit* www.crs.org/our-work-overseas/research-publications/value-chain-toolkit

Joint Assessment Missions Information matrix	Sample tool for organizing and managing information during an MSA. Page 29 (UNHCR - Rapid JAM)
Market Research for Value Chain Initiatives	Worksheet #3 & 4 - Outlining Information Required and Information Sources & Organizing Information, pages 25 & 26 Worksheet # 5 Matching Tools to Information Sources and Requirements, pg 43
Sample MSA process, timing, and LOE outline	Excel document listing the key MSA process steps with LOE and timing estimates, including a Gantt chart
Sample high-level MSA work plan templates	Example end-to-end MSA workplan, example ILO lab workplan, example national consultant workplan in Excel format ILO Market Systems Analysis for Decent Work: A user-friendly guide - pg 7
Sample detailed workplan template	Sample detailed workplan template in Excel format from Mercy Corps' RRA Nigeria project funded by USAID

Section 3.1.2 Further reading - about research planning

- Staff requirements, timing and phases of MSAs
[Setting up the MSA: Assessing Your Options, MSD Resource Guide](#)
- Determining what you want to know and key information sources
[The Market Research for Value Chain Initiatives](#), pages 16-22
- 10-step guide for steps for planning and implementing market research,
[Market Systems Project Design and Implementation Guide](#), p 68

3.1.3 Identifying the MSA research team

Constructing the MSA research team is the responsibility of the MSA focal point and/or MSA lead (see [Section 2.2.2's description of MSA focal point and lead roles](#)). Ideally, the MSA research team comprises the project team members responsible for the technical implementation of the project (e.g., partnership team, MSD team, MEL team). However, where MSD experience is lacking organizationally, it can also be beneficial to include operational staff, from the grants, procurement, or finance team to enhance their understanding of the MSD approach.

In putting together your team, consider the following:

- How many team members do you need?
- What roles will you have on the MSA team?
- What skills do these roles require?
- Do you have a gender-balanced team? Any other diversity considerations?

List out the names of the staff for each role, notice gaps, and speak with the people on the list and/or their supervisors to lock in their time.

Typical roles include: MSA lead, MSD generalists, sectoral specialists, well-connected ‘fixers,’ drivers, and interpreters/translators. In some cases a sectoral specialist may also be a ‘fixer,’ and research team members may be driving themselves. A ‘fixer’ is someone well-connected in the sector or area of interest who can set up meetings through their network of contacts.

Useful skills and qualities: MSA team members should ideally have working knowledge of qualitative research methods, sectoral expertise, a good understanding of business and economics, MSD experience, and MEL experience. Moreover, they should have soft skills such as good people skills and the ability to gain the trust of target group members (e.g., being able to relate to rural smallholder farmers and ‘talk their language’), as well as the ability to make connections and meetings happen with local/regional/national government. The team should be comprised of both thinkers and doers³⁸.

TIP: Keep information gathering ‘in house’ as much as possible

This toolkit does not recommend hiring external enumerators to conduct the information gathering as is often done for MEL surveys using quantitative methods, where tablets record answers to close-ended pre-determined questions. MSAs typically rely on qualitative methods and open-ended questions, which should not be administered by lower-skilled external enumerators.

TIP: Dedicate sufficient time for the MSA activities

Most of the staff participating in the MSA should allocate 100% of their time to the preparation and field-work phase, and at least 50% to the shorter strategic planning and intervention design phase.

TIP: Invest in the skills of the MSA team

MSD understanding and skills for qualitative research methods will likely be uneven across the team, so the MSA lead should be prepared to bridge that knowledge gap. This training and the practical experience of conducting an MSA will provide a knowledge base for implementation.

Section 3.1.3 Tools for research teams

[MSA research team list](#)

Simple Excel tool to help construct the MSA research team

Section 3.1.2 Further reading - about research planning

- Choosing your Research Team [The Market Research for Value Chain Initiatives](#) pages 14 & 15
- [MSD Competency Framework](#) - BEAM Exchange

³⁸ See the [Operational guide for the M4P approach](#), pg 54

- General MSD staff competency, team composition and capacity building strategies
[M4P Operational Guide](#) - pages 52 - 54

3.1.4 Conducting a kick-off workshop & arranging a command center

Command center

Identify a physical space (e.g., empty office, conference room, a room at a coworking space,) that the MSA team can use for the duration of the MSA and strategic planning and intervention design effort. This will allow the team to separate themselves from their regular day-to-day roles, contribute to team cohesion, and hang posters with insights, questions, market maps, and so on, to refer to and reflect on during the MSA process.

Kick-off workshop

MSA kick-off workshops are conducted at the start of an MSA effort to quickly achieve several important aspects for the set-up of the MSA. The MSA focal point, lead and all MSA research team members should attend. Ideally this is an in-person event that can last 3 - 5 days, depending on content. The agenda of the workshop will differ depending on each context, but may include:

Agenda Objective	Time	Outcomes
Introduction of the project, strategic framework, and framework for change	1 hour	MSA team has a better understanding of the objectives and research boundaries
Introduction of MSA team members to each other and clarification of roles	1 hour	MSA team has a better understanding of each team members' experience, skills, and specific roles in this MSA
Basic training on MSD and qualitative research methods	1 to 3 days	MSA team has a better understanding of the purpose of the MSA and increased capacity for conducting qualitative research.
Sharing and summarizing secondary research collected to date	1 to 4 hours	This may highlight potential opportunities and/or inform a sector selection effort. MSA team is able to identify 'what we know and what we don't know but should' and where potential opportunities may lie; this marks the beginning of a sector selection process.
Initial market mapping (e.g., donut, value chains, stakeholder list)	1 to 3 days	MSA team becomes familiarized with the market system and its actors using the framing of systems thinking; this marks the starting of the process of mapping the system, its actors, and perhaps some key challenges and opportunities.
Developing and/or refining research questions	Half day to 1 day	MSA team becomes clear about what the MSA is actually trying to answer, which helps align MSA team members around the research effort. Given that developing research questions is a process from more general to more granular questions, this step typically helps define research questions at the higher level.

Agenda Objective	Time	Outcomes
Developing research tools, team delegation, and data gathering logistics	Half day to 1 day	MSA team begins to draft the data gathering plan (later feeding into a draft research plan), including the number of meetings, interviews, or focus groups; geographic focus, sub-team composition, logistics of team movement, security, etc.

3.2 Market system selection

Purpose of this section

Market system selection is the process of evaluating which market system(s) the project interventions should target to produce the greatest impact for the target group. Market system selection is an important step for MSD programs and is often addressed as part of an initial MSA effort during a project's start-up phase in the first six months.

In some cases donors and/or implementers choose market systems before the project is awarded, in which case it is best practice to review and reflect on the chosen market system selection during the start-up phase to address potential changes in context or incorporate new or more detailed information that may not have been considered previously.

Sub-sections

[3.2.1 Defining system selection criteria](#)

[3.2.2 Gathering intelligence](#)

[3.2.3 Scoring and selection](#)

[3.2.4 Validation of selection](#)

[3.2.5 Revision of research plan](#)

3.2.1 Defining system selection criteria

Selection criteria should be based on the objectives, target group, and desired outcomes, and should include some form of scoring system.

The ILO report '[New frontier or the latest buzzword? Evidence and best practice in entrepreneurship ecosystem development](#)' suggests that the key areas of consideration for market system selection lie in the impact potential and the viability of systemic change and provides questions for consideration:

Scope	Issues to consider
Impact potential	• How many from our target group could we reach and how much would they benefit? • What level of impact do we estimate for our objectives?
Viability of envisioned systemic change	• Are there any trends in the market system that are signaling movement in the direction of system change that we are aiming for? • Is there sufficient current market demand or future potential demand to drive/incentivize the change to occur? • Are there any explicit, semi-explicit or implicit factors that may keep the system static even with interventions? Are there any insurmountable policy or anti-competition barriers?

- | | |
|--|--|
| | <ul style="list-style-type: none"> • Are there any existing market actors, groups or policies that may be enablers of change with whom we could potentially partner or support? Are credible leadership and initiative clearly present? |
|--|--|

The above questions should always be gender disaggregated. You may consider including additional categories for cross-cutting areas or secondary objectives, such as:

- Inclusion potential
- Resilience potential
- Environment/climate change potential

TIP: What should be the system frame and when should I combine or divide it?

There is no exact science to answer this question. The answer will depend partly on the donor's project objectives, the proposal thus far and the flexibility to revise those objectives. Consider how **many market actors, networks, flows, rules, norms, and other system characteristics are shared by the various systems.**

For example, the umbrella system (or sector) of livestock may be too broad - as it could include live animals, meat, and dairy, further divided by cattle, small ruminants, and camels. Although these value chains (i.e., cattle, small ruminants, etc) may share some common actors and factors, they are also quite different.

On the other hand, instead of a sector or value chain, the project may choose a cross-cutting function, like financial services or agricultural inputs as a system on its own. Another way would be to analyze a cross-cutting system, like food systems (i.e., for human consumption or animal feed).

Still, projects working in service sectors could choose customer segments as categories; for example, in tourism, that could be back-packers, freelance nomads, families, high-end luxury, bird-watchers, or divers.

TIP: Labor markets / employment:

*if your project is working in labor markets/employment, 'you have to select labour market systems as a primary focus even if there isn't sufficient demand for labour in the context. This has several implications, but perhaps the most significant is that you may be looking at interventions to create demand and create opportunities rather than selecting for them.... You have to really understand, and likely segment, workers, entrepreneurs, and jobseekers.... You may be working across multiple sectors - Many young people have a portfolio of work and don't work 'in a job,' i.e., in a full-time, formal, salaried job. You are also unlikely to find sufficient opportunity for scale in any one sector - especially when value for money is considered - so you often have to look for where there are cross-cutting system changes that will genuinely be solutions that can serve multiple sectors. This makes sector selection unique and quite tricky - as demand for labor is still sector-specific (and you therefore can't abandon a sectoral lens).'*³⁹

³⁹ Advice quoted from Rachel Shah, Director of Youth Employment at Mercy Corps

Section 3.2.1 Tools for market system selection	
Market system selection table M4P Operational Guide (p 11)	A sample sector selection table with illustrative criteria and a 'traffic light' system for evaluation to help the MSA team select their market systems
Market systems selection tool from MSD Resource Guide, Mercy Corps	An Excel example of a sector selection process and table with scoring/weighting of criteria.
Value Chain prioritization tool / filter CRS Value Chain Toolkit p22	A sample value chain selection template for impact and feasibility with scoring weights to help with sector selection.
Looking forward Looking back exercise (ACDI-VOCA, TMS Honduras)	A process of guiding market actors through an exercise of reflecting on the past and potential future of a particular market system.

Section 3.2.1 Further reading - about market system selection	
▪ Sector Selection for Decent Work : tips, tricks & tools from ILO Lab, 2017 ▪ Select sector and decent work objectives- Value Chain Development for Decent Work ILO, Section 2 Strategy pages 19-30 ▪ Market System selection - BEAM Exchange guidance page ▪ Market system subsector validation Market Systems Project Design and Implementation Guide, p 117, MEDA ▪ A rough guide to the MSD approach for youth employment in sub-Saharan Africa pages 6 - 10 - ▪ Selecting sectors to support refugee livelihoods A systemic approach to creating more and better jobs, pg 8, ILO Lab policy brief	

3.2.2 Gathering intelligence

Information gathered for system selection will provide a useful foundation for a deeper dive into the selected market system(s). While most market system selection efforts are rapid and not in-depth, it is best practice to agree about the expected level of detail with your donor focal point.

Many market system selection efforts draw heavily on secondary resources, supported by a few select primary research efforts to fill important data gaps. For tips on secondary data gathering and analysis, see [Section 2.3.2 Research methods](#) and [Section 3.1.2 Developing a research plan](#).

Primary research efforts to inform market system selection should be focused on filling any information gaps not addressed by the secondary research to answer selection criteria questions.

If secondary data and key informant inputs are insufficient, you may consider conducting a **rapid market assessment** (discussed in more detail in the [List of existing MSA toolkits](#)). While these are typically designed for emergency contexts, they can be useful to inform initial sector selection. A good source of information for such methods is the [Markets in Crises](#) website.

TIP: Start primary research with just a few key informants

Initial primary research efforts for system selection can focus on a few select key informants plus conversations with the target group(s) - essentially providing a **'top and bottom'** view of the system. Key informants could include: lead firms, chamber of commerce or relevant government representatives, industry associations, financial service providers active in the market system, major importers/ aggregators/ processors/ distributors, and/or technical experts.

3.2.3 Scoring and selection

Once the criteria for market system selection have been finalized, a system must be developed to score those criteria. Scoring can be done using a simple traffic light system, as suggested in the [M4P Operational Guide](#), or numerical scoring (with or without weighting the criteria), as shown in the CRS and Mercy Corps tools above.

It is important to note that market system selection should not be 'written in stone' for the entirety of the project (the extent of this flexibility would be determined by the project's contract or agreement). As the project gathers more data and experiences probing interventions, it may be necessary to pivot market systems (i.e., adding or eliminating).

TIP: Do not overlook cross-cutting market functions when selecting 'systems' to analyse

System selection does not have to be limited to common economic sectors, commodities, or services. They could also be cross-cutting market functions such as transportation, finance, agricultural inputs, etc. Systems may also be combined, such as in the TMS Honduras project where business services and the ICT / financial services sectors were combined into one 'entrepreneurship ecosystem.'

3.2.4 Validation of selection

It is good practice to validate the selected market system(s) (including the logic behind the selection) with key stakeholders such as the donor, host government institutions, and/or representatives from the private sector. This could be done via:

- Meetings with a few key informants
(e.g., donors, local government officials, private sector actors, industry / sector experts)
- A workshop with market actors

It is important to note that even a validated selection may change as a result of the deeper market system analysis or during implementation.

3.2.5 Revision of research plan

The initial rapid analysis informing market system selection builds the foundation for the subsequent deeper dive into the selected market systems. The information gathered for this purpose should be used to update the research plan (see [Section 3.1.2 Developing a research plan](#)).

3.3 Market system analysis

Purpose of this section

This section supports MSA teams to dive into a deeper analysis of a selected market system. The aim of analysis is to provide a ‘sufficient’ or good-enough understanding of the market system to inform valid intervention design.

This process only takes place once [market system selection](#) with its preliminary information-gathering efforts, has been concluded. To keep the market system analysis focused and organized, MSA teams should draw on [Section 2.3.3’s Analytical frameworks](#), [Section 3.1.1 Drafting an MSA report outline](#) and [Section 3.1.2 Developing a research plan](#),

Sub-sections

While never linear, the market system analysis process generally includes these four key steps (albeit with considerable overlap between them):

[3.3.1 Market system overview](#)

[3.3.2 Market system mapping](#)

[3.3.3 Identification of underlying factors that enable or inhibit change](#)

[3.3.4 Validation of findings](#)

TIP: MSA are not one-off exercises

MSAs typically do not consist of a single study, but rather a collection of diverse research efforts over time through experimentation and reflection. This may include sense-making of a wide range of secondary sources and project-specific studies that together constitute an ‘MSA.’

For examples of what types of analyses an MSA may include see [Section 1.2.3 How do MSAs differ from other market analyses?](#)

TIP: Beware of confirmation bias

Avoid using the MSA to justify preconceived strategies and/or interventions. MSAs can and should be used to validate or disprove ideas presented in the proposal and application or early conversations, to stay objective. You should have process checks in place to reflect on this topic. For more about this, read [Mitigating confirmation bias](#)

TIP: Avoid data saturation

Never forget you are collecting the minimum level of information required to make valid initial strategic planning and intervention design decisions. These initial pilots are only the beginning of the learning and adaptation process. This helps avoid analysis paralysis. Consider the reason behind every question to ensure that you are gathering information with a clear purpose.

3.3.1 Market system overview

A market system overview consists of a summary of the more obvious explicit factors⁴⁰ that in the iceberg model would be events and trends above or just below the surface. In contrast see [Section 3.3.3](#) regarding identification of underlying factors that enable or inhibit change.

Developing an overview of the market system(s) is the first step in gaining a sufficient understanding of the market system. The information in the overview depends on the specific information needed for your MSA effort and the agreement with your donor counterpart. Rather than getting stuck in analysis paralysis, keep in mind the guiding principle of gathering the minimum amount of information necessary to inform a valid strategy/intervention design. Creating clear boundaries is vital for effectively analyzing a system (see '[What are the project's objectives](#)')

Ideally the MSA lead has already collected and summarized much of this overview (see [Section 2.3.1 Critical information needs](#) and [Section 3.1.2 Developing a research plan](#)) and refined it in preparation for and after the kick-off workshop (see [Section 3.1.4 Conducting a kick-off workshop](#)).

Possible information to include in the market system overview:

- **Country context**
- **Sector overview**
 - Geographic considerations
 - Relation to other sectors - inter-dependence
 - Products/services
 - Common business models and / or business practices
 - Production quantity/quality (supply)
 - Prices and fluctuations
 - Demand and end-markets
 - Trade flows
 - Historical development
 - Current trends
 - Seasonality considerations
 - Inclusion aspects
 - Political economy considerations (legal, political, policy contexts)
 - Recurring shocks and stresses
 - Conflict considerations
 - Environment & climate change aspects

TIP: You do not need to know everything

Much of this information can often be found using existing secondary sources. It is not necessary to include everything or have complete information at this point. Information gaps can be filled throughout the MSA effort, but **only if necessary**.

TIP: Consider risk mitigation planning

When operating in contexts where specific shocks are likely, and the project does not have a resilience objective⁴¹, it is best practice to include some type of risk mitigation planning. An example can be found in the scenario planning approach outlined on page 26 of the [EMMA toolkit](#).

⁴⁰ See [Section 1.1](#) for an explanation of the term 'explicit factors'

⁴¹ Activities with resilience objectives would have risk mitigation embedded in their resilience interventions.

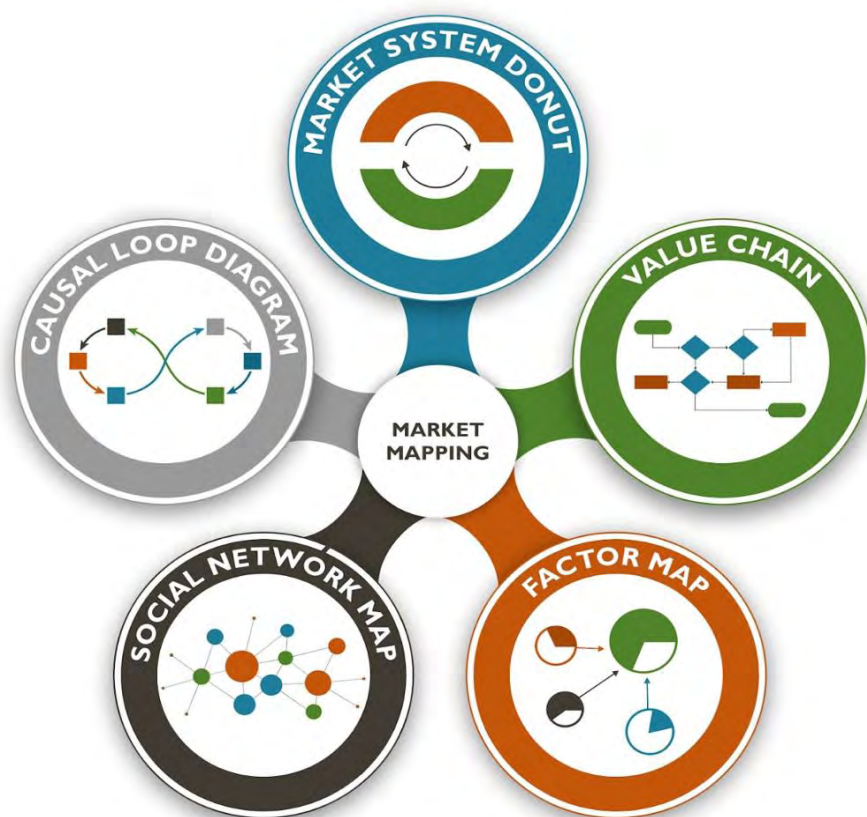
Section 3.3.1 Tools for developing a market system overview	
Sample seasonal calendars	EMMA Toolkit pages 22-24
Market actor shock profiles and resilience framework	Process document to identify the most likely shocks or stresses and shock profiles of market actors, adapted from Mercy Corps' RRA Nigeria project
Scenario Analysis Matrix	Pre-crisis Market Analysis (PCMA) Toolkit, pg 28
FEWS NET Data https://fews.net/services https://fdw.fews.net/	FEWS NET Services Directory and separately, the Data Explorer include links to a long list of data sources, like 'Livelihood Zone Maps,' which could be used to feed into the market system overview.

Section 3.3.1 Further reading – about aspects of market system overviews
- Strengths and constraints Market Systems Project Design and Implementation Guide, p 175 End-market analysis End-market analysis toolkit- ACDI/VOCA guidance (2021) End-market research toolkit – USAID guidance (2008) Political economy analysis Thinking and working politically (TWP) through applied political economy analysis (PEA) - USAID - Applied PEA framework, Thinking & working politically through applied political economy analysis Political economy analysis - BEAM Exchange guidance page Everyday Political Analysis – Developmental Leadership Programme, 7 page brief Pre-crisis planning - Define Your Crisis Scenario - Pre-crisis market analysis (PCMA) toolkit, page 26+

3.3.2 Market system mapping

Given the complexity of market systems, market system mapping is an important sense-making step. It is a process typically culminating in handy visualizations of the market system being analyzed. The process of creating these visualizations can be just as valuable as the visualizations themselves; it helps identify information gaps and enhances the MSA team members' understanding of market system dynamics and actors.

Market system mapping visualizes important functions, rules, norms, system actors, and aspects of the relationships and interconnectivity between system actors and system factors. However, the mapping may also include information such as leverage points, geography, volumes, margins, numbers of actors, constraints, issues, causal factors, key gaps, processes, social dynamics, reinforcing or balancing feedback loops, or feedback delays. Mappings should always highlight differences for women and/or other marginalized groups.



Market system mapping and identifying underlying system factors often 'happen simultaneously - as you start to map the market system, you will inevitably identify some of the underlying system factors' (even though this toolkit splits these into separate sub-process steps).

Market system mapping can be as simple as an exercise with MSA team members during an MSA kick-off workshop (see [Section 3.1.4 Conducting a kick-off workshop](#)). Alternatively, later in the MSA process mapping can either be a participatory exercise with a 'whole-system-in-the-room' approach or a more complex research effort using social network analysis, causal loop diagramming, or ethnographic data collection methods with a large number of participants. Whichever method is most appropriate for your needs, recognise that the process is iterative and not a one-off exercise.

Common methods of market system mapping (detailed in the tools and further resource links below) include the following:

Mapping Method	What it is and why to use it	Pros and cons
Populating the market system donut combined with a value chain map.	The combined use of a market system donut and a value chain (VC) visual, where the VC represents the core function of the donut in more detail. A <u>market system donut</u> is a visual tool that maps out the core functions, supporting functions, and rules within a market system, highlighting areas that	Pros: A market system donut is a very simple tool, easy to understand by individuals of all levels of experience in MSD, that can be a very good entry point for MSA teams to start the MSA process.

Mapping Method	What it is and why to use it	Pros and cons
	affect market performance and inclusiveness. A <u>value chain map</u> visually represents the sequential activities and actors involved in producing and delivering a product or service, from raw materials to end consumers. Why we would do it: A market system donut can be more useful for framing the system in terms of functions rather than market actors. It can also be expanded to include market actors and key challenges. A value chain map is very useful as a visual to summarize important information about the core value chain function. It is also useful as a process to undertake with the MSA team. A lot of other information can be overlaid into the VC map, such as volumes of trade flows, strength of relationships, or areas of participation of the target group. These tools need to be combined with other system analysis frameworks/tools that dive deeper into underlying factors. More details and examples of this approach can be found in the further reading section below.	- A value chain map can be very useful in visualizing the core function, especially for non-service markets. It begins to describe connections between core function actors (though only through the lens of the movement of product) and can be overlaid with additional data points to provide an easy-to-grasp visual map. Cons: - Many people use the market system donut framework incorrectly, assuming that it represents all the factors of a complex adaptive system rather than a simplified model that serves as a starting point only. The donut needs to be combined with other system analysis frameworks/tools which dive deeper into underlying factors. - A value chain may overlook broader market dynamics and interdependencies, focusing too narrowly on the connections between core market actors (framed only via the movement of product) and missing external influences that impact the value chain. It is not very useful for service markets. It doesn't include some important market system factors (e.g., power dynamics, past trends).
Populating a market system actor / stakeholder list	A process resulting in an excel list of market system actors, organized by the roles/functions they perform in the system. Why we would do it: It is an essential step in the MSA process, initially informing the research plan (e.g., helping identify who to talk to and how many interviews or focus groups to conduct), but also feeding into a value chain map and	Pros: Helps organize market actors by functions/roles they perform in the system. It is an essential tool for several steps in the MSA process. Cons: This tool is often misinterpreted and misused. MSA teams must have a good idea of the different market system functions. It should not be used as a contact list.

Mapping Method	What it is and why to use it	Pros and cons
	providing a overview of the system from the frame of the actors in the system. Including descriptions of actors' power/influence in the system and/or their motivations/incentives can be especially useful to help inform leverage point/partner identification. It should be used with another tool that shows the relationships between actors/factors (e.g., VC map, value network mapping, or SNA).	More details and examples of this approach can be found in the further reading section below.
Value network mapping	A process resulting in a visual representation of the relationships, exchanges, and interactions between different stakeholders within a system, illustrating how value flows and is created, shared, and exchanged among participants. Why we would do it: Value network mapping helps to understand and optimize relationships, identify key stakeholders, and uncover opportunities for collaboration and value creation, ultimately enhancing strategic decision-making and system resilience. It is useful especially for service sectors where no tangible product 'flows' through a value chain.	Pros: Provides a visual representation of relationships and interactions between various entities within a system. Helps identify key stakeholders, dependencies, and value exchanges. Cons: May oversimplify complex relationships or overlook non-economic factors. Requires careful interpretation to avoid misrepresentation of network dynamics. More details and examples of this approach can be found in the further reading section below.
Factor mapping	Factor mapping is a systemic approach to visually identifying and organizing the key factors and their interrelationships that influence a particular issue or system. Why we would do it: It helps clarify complex causal relationships, prioritize intervention points, and understand the root causes and dynamics driving systemic behaviors. However, it needs to be combined with other system analysis frameworks/tools that dive deeper into underlying factors.	Cons: May struggle to capture the dynamic nature of complex systems or the feedback loops between factors. Requires expertise in system dynamics and data analysis. More details and examples of this approach can be found in the further reading section below.
Social network analysis (SNA)	Social network analysis is a technique used to visually and (sometimes) mathematically examine the connections and interactions within a network, focusing on nodes (people, groups, or organizations) and the ties	Pros: Quantifies relationships and interactions between actors within a social system. Provides insights into network structure, centrality, and information flows. Can be done in

Mapping Method	What it is and why to use it	Pros and cons
	(relationships or exchanges) between them. By analyzing these patterns, SNA reveals insights about the network's structure, such as clusters, influential nodes, and flow of information or resources. Why we would do it: MSA teams can use SNAs to identify central or influential actors, uncover bottlenecks, and understand how information or behaviors spread through a network. This can be valuable for optimizing communication, enhancing collaboration, and informing strategies for influence or intervention.	simple, low-tech, or more complex manners, resulting in real-time online network maps. Cons: Limited to observable interactions and may not capture underlying motivations or informal connections. Vulnerable to biases in data collection and analysis. More details and examples of this approach can be found in the further reading section below.
Causal loop diagram-ming	Causal loop diagramming is a method used to visualize and analyze the cause-and-effect relationships within a system, representing feedback loops that either reinforce or balance specific dynamics over time. By identifying these feedback loops, causal loop diagrams help illustrate how different variables interact to create complex system behaviors. Why we would do it: Causal loop diagrams can enable MSA teams to understand systemic drivers, identify leverage points for intervention, and predict potential outcomes of changes within the system, making them valuable tools for strategic planning and problem-solving in complex environments.	Pros: Causal loop diagrams clearly visualize complex interdependencies and feedback loops, making it easier to identify root causes and leverage points for systemic change. Cons: They can oversimplify or miss nuances in complex systems, and accurately constructing them requires time, expertise, and a thorough understanding of the system dynamics. More details and examples of this approach can be found in the further reading section below.
Structural analysis	Structural analysis maps factors to system outcomes, desired and actual. Structural analysis combines factor mapping, causal loop diagramming and a MICMAC analysis, which allows one to determine interactions between factors and group factors into clusters. Why we would do it: MSA teams using an observation-based approach may find structural analysis	Pros: Breaks down the analysis process into logical digestible steps and offers a more scientific approach to identifying and prioritizing underlying cases than the other approaches. Cons: Structural analysis requires a very participatory approach and some of these analytical methods may not be easy for less experienced practitioners

Mapping Method	What it is and why to use it	Pros and cons
	especially useful because it helps by identifying observed outcomes, which are then refined, prioritized, and validated, leading to the intervention areas.	(eg., MICMAC, causal loop diagramming). More details and examples of this approach can be found in the further reading section below.

TIP: most MSA efforts will benefit from using a combination of mapping tools.

For example, one could use the market system donut in conjunction with a value chain map and a stakeholder list, followed by factor mapping or causal loop diagramming. Using these tools will give the MSA an understanding of who the relevant and influential market system actors are and how they are connected, as well as key functions and the most influential factors of system challenges.

The [Analytical Frameworks—long list](#) further discusses these and other frameworks and tools, including their pros and cons.

TIP: concentrate on prioritizing the aspects of the system that deserve deeper analysis

As the MSA team gains a better understanding of the market system, it is useful to prioritize and de-prioritize certain factors, functions, and/or rules and norms in the market system. The goal is to focus on certain key areas and dive deep to understand the underlying dynamics holding the system in place or moving it forward. A prioritization table is linked in the tools below.

TIP: when thinking about system actors, get beyond the usual suspects

Sometimes some actors are more hidden in a system than others (e.g., women, youth, informal market actors, smaller businesses). Also, organize the market actor/stakeholder list by market system functions; you will notice that many actors play multiple functions. Expanding the list of market actors could be done by conducting a simple social network analysis, an enterprise survey or by asking interview respondents to share the names of competitors, service providers, buyers, and clients.

TIP: try to find an appropriate balance between layers of detail and 'paralysis by an analysis'

The most common approach to market mapping combines a market system donut ([M4P Operational Guide](#)) with some form of value chain diagram. The [Utility of Market Analyses](#) review noted this may miss some 'lenses that are important in understanding a market system and therefore determining where and how to intervene. These missing lenses include power dynamics, gender, past trends.... And because most attention in a doughnut is often paid to support services – which are where most interventions focus – it can be easy to gather insufficient detail about informal norms.'

At the same time, the review also noted that *'the emphasis on interconnected systems and identifying root constraints often led to 'analysis paralysis', in which users would create increasing numbers of maps but continue to feel that there was more to uncover.*

Section 3.3.1 Tools for market system mapping	
Market system donut M4P Operational Guide (pgs 3, 14, 16)	A visual (derived via a process of reflection and analysis) used to provide a rough description of a market system. Useful for training purposes or at the start of an MSA effort to get the team aligned around a common vision. Can be expanded to include key system constraints and key influential actors.
Market systems donut template	PPT template of the MSD donut (with example) , which MSA teams can download and customize. See the description above for the benefit of use.
Value chain map Value chain toolkit CRS, p 35)	Visuals (derived via a process of reflection and analysis) describing the flow of goods from producers to end-consumers, typically including some supporting functions, rules, and norms. Can also include information such as volumes and number of actors. Helps MSA teams understand the system by using a simplified visual.
Emergency value-chain map, EMMA Toolkit Introduction pages 26- 27)	
Value chain template	PPT template of a value chain (with examples), which MSA teams can download and customize. See the description above for benefit of use.
System iceberg	A visual describing the events, trends, structure, and mental models of systems that can be used to brainstorm factors at each level for specific market systems
Factor mapping	A tool and process that helps identify underlying factors of challenges Plots factors on a matrix to identify factors in the system that are most influential and least dependent on other factors.
Prioritized / deprioritized market system functions table	A table describing which market system functions or rules/norms have been prioritized to delve deeper into via the MSA, and which have not, and why. (adapted from Mercy Corps' MSD Resource Guide)
Market actor categories table (adapted from Mercy Corps' MSD Resource Guide)	An Excel template useful for listing the key market actor categories and subcategories for the prioritized functions in a market system, including a description, their power/influence in the system, their number and location. Filling out the table is useful for understanding the market system and also guiding sampling strategies in primary research.
System Mapping Toolkit System Mapping Academy	A Miro-based tool that takes the user through a step-by-step process of mapping systems

Visual relationship map software	Online services, some of which are open-source, provide relationship mapping tools. https://kumu.io/ , others (ex. draw.io, MindMeister, Coggle, Lucidchart, Miro)
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Section 3.3.2 Further reading – about market system mapping

General market mapping

- Mapping (MSD donut) - [M4P Operational Guide](#), step 2 pg 14-15,
- [Mapping the market system](#) - BEAM Exchange guidance page
- Market system mapping - [Market Systems Project Design and Implementation Guide](#), pg 149
- Production and market flow map and market systems maps during emergencies - [Rapid Assessment of Markets - Tool 4](#), pg 52-55 -
- Market mapping in [Greening MSD in Agriculture](#), page16-22
- **Videos** from Systems Innovation Network
 - [When to build a systems map](#)
 - [What are system maps?](#)
 - [Systems mapping](#)
 - [Leverage points explained](#)
 - [Stakeholder mapping](#)
 - [Incentive mapping](#)

Factor mapping

- [Market Systems Diagnostics: A Structural Analysis](#), LINC

Structural analysis

- [Systems Diagnostic Tool](#), ACDI/VOCA

Value network mapping

- [Value Network mapping](#), Climate-KIC
- [Value Mapping](#), Systems Innovation, video animation

Social network analysis

- [Local Systems Practice: User's Guide](#), from the LSP consortium, pages 6 - 25

Causal Loop Diagramming

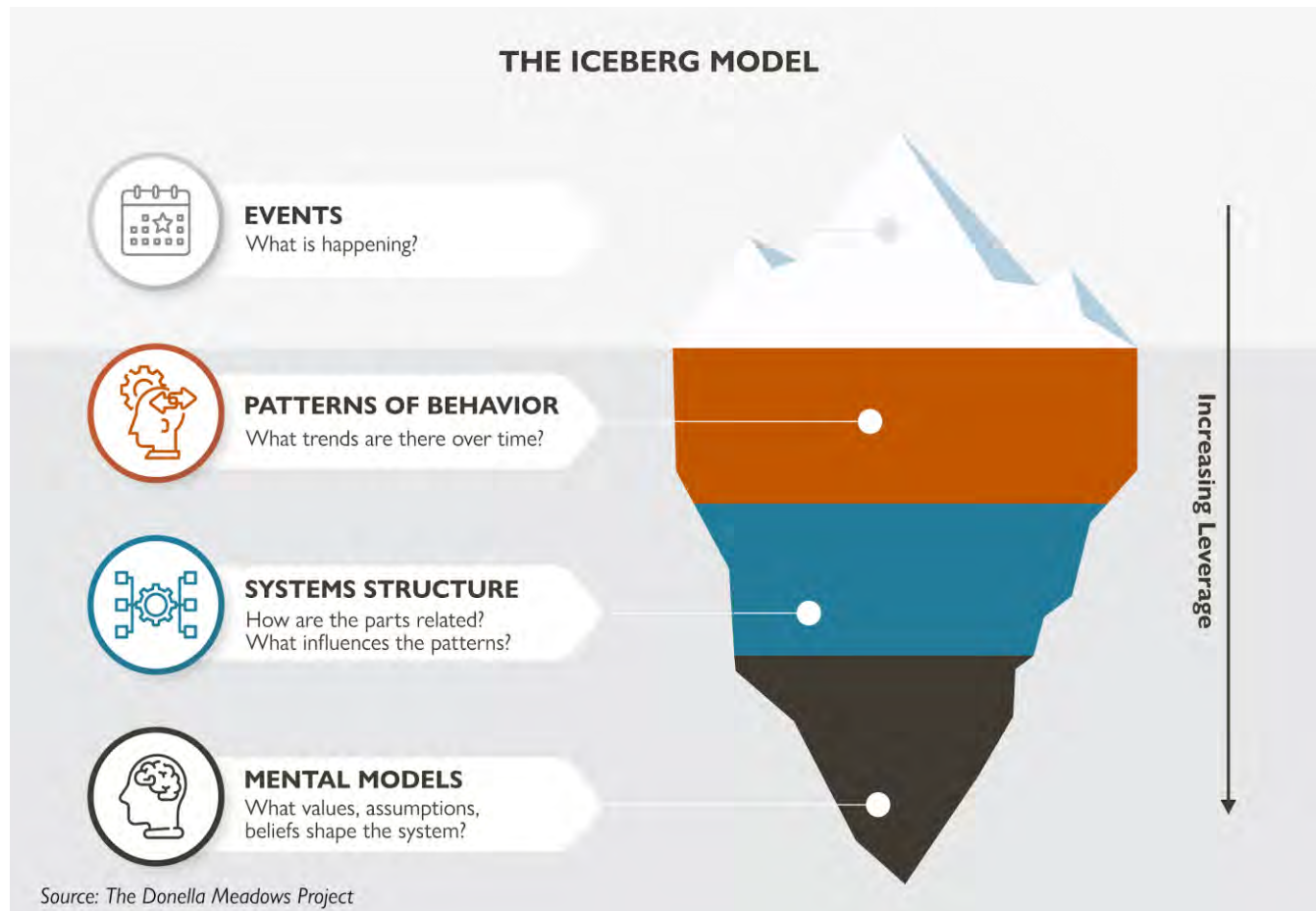
- [Local Systems Practice: User's Guide](#), from the LSP consortium, pages 26 - 41

3.3.3 Identifying underlying factors that enable or inhibit the desired change

After more **explicit** aspects of the market system under investigation have been collected (e.g. thru [Section 3.3.1 market system overview](#) and [Section 3.3.2 market system mapping](#)) and organized (e.g. in a [Section 3.1.1 MSA report template](#)) the MSA team can focus more of attention on underlying **semi-implicit and implicit factors** that are preventing or propelling the system to shift to a more desirable state.

- Examples of explicit factors: policies, practices, and resource flows.
- Examples of semi-explicit factors: relationships, power dynamics, and trends.
- Examples of implicit factors: beliefs and mental models.

The [Donella Meadows Project](#) describes these factors using an iceberg comparison, organizing them into four levels: events (explicit), patterns of behavior (semi-explicit), system structure (semi-explicit/implicit), and mental models (implicit).



The process of identifying and making sense of the underlying system factors, forces, and behaviors is arguably the most difficult and important step in an MSA and can be characterized by questions such as 'why' and 'how.'

To help focus the research effort, the questions 'why' and 'how' should be bounded by the project's objectives (also called 'framing boundaries', defined in [Section 3.1 Setting Up](#) phase).

For example, a project's objectives typically include a development outcome, target group, sector, and/or geography. So, if exploring financial services in a country, rather than exploring the underlying structure of the entire financial services system, one can focus on asking, 'What are the factors, forces, and behaviors that are influencing smallholder rice farmers' (sector and target group) ability to access financing (outcome)?'

There are four steps to identify and make sense of underlying system factors:

1. 'Defining the potential opportunities, ie, the framing boundaries step

2. Identifying the underlying factors
3. Identifying potential agents of change
4. Prioritizing underlying factors

The table below summarizes the most relevant questions for each step and provides links to subsections that explain each step further.

System Analysis Steps	Relevant questions
1. Defining the potential opportunities for system change	• What are the project's development objectives? • What opportunities exist to influence a shift in the market system so that it more effectively addresses the needs of our target group(s)? • Given the evolution and the present state of the market system, what is its expected trajectory⁴² and its potential for change⁴³?
2. Identifying the underlying factors / forces	• What are the underlying factors/forces causing the system to continue in its current path/trajectory, or causing emerging changes (i.e., positive deviants) in the system that can be bolstered? • What factors or actors were instrumental in transforming the system into its current state? How did the change occur in the past?
3. Identifying potential agents of change	• Which underlying factors can feasibly be influenced by the project? How and which market actor(s) may be best placed to catalyze the change(s)? • Which market actors or factors seem to be important influencers or leverage points, for good or bad? • Which market system actors or factors seem to initiate or support change in the desired direction? • Which market system actors or factors seem to be blocking change in the desired direction? • What are these actors' interests, incentives, and capacities?
4. Prioritization of the underlying factors	• Which factors are feasible to change? Which will be sustainable and have a bigger impact? Is there any need to sequence interventions?

Tools and further reading in identifying underlying factors are listed at the bottom of this subsection.

TIP: System dynamics are often products of lower level factors in the iceberg

Factors influencing market system dynamics are often found in the lower levels of the iceberg: in what the market system donut calls 'supporting functions' and 'rules or norms'. These factors are often part

⁴² Another way to describe a trajectory is a system's path dependency.

⁴³ Dave Snowden calls this the '[adjacent possible](#)'

of, and feed into, reinforcing or balancing feedback loops, which determine certain repeating behavior patterns, most often preventing the system from changing. Some of these behavior patterns may fall into system archetypes, which are common categories of system behavior for which there are common potential solution approaches; these are very useful to consider (for information on **system archetypes**, see the further reading section below).

TIP: institutional theory can be a useful framework when addressing systemic challenges.

Institutional theory organizes itself into three levels: regulative, normative, and cognitive⁴⁴.

Emphasizing normative aspects may expand our understanding of how individuals and other entities make decisions beyond purely economic incentives. Social norms are often not considered enough in MSAs, which tend to focus on economic incentives or cost-benefit analysis of new business models. For example, maintaining a large herd size in some pastoral communities is an important signal of status and power, which may be more important than financial rewards.

Other social norms may be driven at the cognitive level by potential outcomes of honor, pride, guilt, or shame. Further, institutional theory uses the framing of small-group vs large-group behavior to understand better why (and predict somewhat how) people or entities make certain decisions.

Defining the potential opportunities for system change

MSA teams should ask the following questions to help define the potential opportunities for system change:

- What are the project's development objectives?
- What opportunities exist to influence a shift in the market system so that it more effectively addresses the needs of our target group(s)?
- Given the market system's evolution and present state, what is its expected trajectory, and what is its potential for change (or [adjacent possible](#))?

Or simply, **what could be happening but is not?** This is where MSA teams can investigate to understand the underlying dynamics and ascertain where and how a project could intervene.

For example, If our objective is to increase incomes for smallholder rice farming households, one may begin by looking at the standard income streams for rice farming households. Let's assume the donor

⁴⁴ **Regulative:** Formal rules, laws, and regulations that govern behavior, ensuring compliance through enforcement mechanisms such as sanctions or incentives. Organizations adhere to these to gain legitimacy and avoid penalties.

Normative: The values, norms, and expectations within a society or industry that define appropriate behavior. They guide how organizations should operate, based on social obligations or professional standards, often driven by moral and ethical considerations.

Cognitive: Refers to shared beliefs, cultural frameworks, and mental models that shape how individuals perceive and understand their environment. They influence what is considered 'normal' or taken for granted, affecting how organizations interpret their roles and make decisions.

has focused the project on agricultural sectors, and the MSA team finds that rice production is the biggest income source. In this case they can explore the opportunity to increase income from rice production, which opens several avenues at the production level: decrease production costs, increase production volumes, or increase the price of goods sold. As part of the market system overview, the MSA team learns about the general mechanization trend (partly due to the high cost of agricultural labor) and various rice planting equipment that seem to result in decreased input costs, increased volumes, and potentially improved quality. A few farmers are already using this equipment with good results. With this in mind, the MSA team can define a **potential opportunity ‘the expanded use of such rice planting machines.’**

As a next step, the MSA team asks:

- Why aren't more farmers using this equipment when some existing farmers are already successfully using it?
- Why don't farm equipment leasing services, which seems to be the main modality through which smallholder farmers gain access to farm equipment, offer the particular rice planting machine?

TIP: At this stage, market analysis needs to go beyond a descriptive exercise

Whereas the market system overview is mostly a descriptive exercise, mapping and efforts to identify underlying factors must be conducted in a way that keeps in mind the next step of the process, intervention design. Information gathering moves from a descriptive exercise towards testing, validating or disproving budding ideas (i.e., those brought in by market actors themselves, the secondary research, or from the MSA team based on past experience, and/or the donor solicitation documents and the proposal and application). The analysis should not be kept separate from the intervention design step for a 'good enough' project strategic planning and intervention design effort.

TIP: Always keep feasibility in mind

Dave Snowden, creator of the [Cynefin Framework](#) encourages system builders to aim for the 'adjacent possible,' based on the system's potential given its trajectory and current dynamics. Considering feasibility prevents system builders from developing unrealistic visions of change.

Identifying the underlying factors / forces

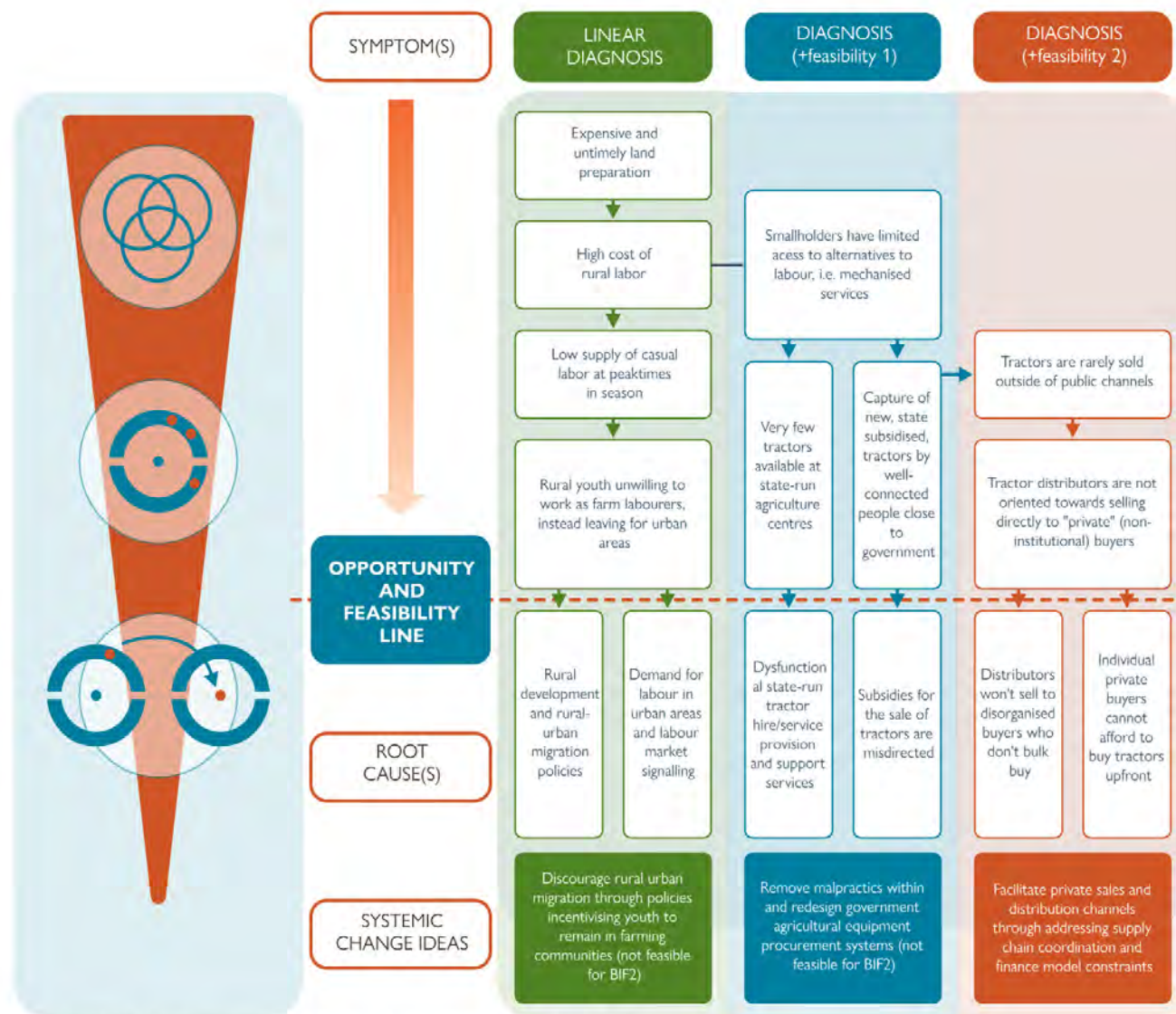
Once the MSA team has identified opportunities for change (i.e., changing what's not working or enabling what could be working better for the target group), the team can dive deeper into the underlying causes or factors, asking the following questions:

- What are the underlying factors/forces causing the system to continue on its current path or trajectory or causing emerging changes in the system that can be bolstered?
- What factors or actors were instrumental in transforming the system into its current state?
How did the change occur in the past?

Common approaches to identifying the underlying causes are factor mapping, causal loop diagramming, and the [‘5 whys technique’](#).

Note that there are typically multiple underlying causes at each level of underlying causes. Constructing a visual causal loop diagram or a problem/causality tree diagram can help keep the analysis organized, identify information gaps, and later to identify the level, or underlying cause, which the project can realistically tackle.

Causality tree example



Source: Guidelines for Country Programme Market Selection, Diagnosis and Intervention Planning, BIF

Keep in mind that complex adaptive systems operate nonlinearly. In practice, that means that there are always multiple influencing factors that work together to result in an outcome; it cannot be boiled down to just one factor with a purely linear relationship. For a more detailed discussion of these and other tools, their uses, and limitations (see this [List of common analytical frameworks](#)) and/ or the tools and further reading at the bottom of this section.

TIP: What's different about an observation-based approach?

The observation-based approach would define desired outcomes first, and then use factor mapping (see [Section 3.3.2 market system mapping](#)) to identify causal links between underlying influencing factors and the desired outcomes.

TIP: How 'far' does one go?

Underlying causes often extend into interconnected systems. For example, an underlying cause of low livestock sales may be connected to poor animal health, partly caused by inadequate access to feed and fodder, which is connected to rangeland management, and so on. *'....there should probably never be a market analysis that features only one doughnut unless the analysis focuses exclusively on one point of transaction.'*⁴⁵ **But how far should one go down the rabbit hole?**

Here it is useful to think about system hierarchies, the concept of a [sphere of influence](#), or binding constraints⁴⁶. System hierarchies, systems nestled in other systems with flows in between them, create natural boundaries for systems thinkers, AND, often the most influential factors that one can affect are within the system's boundaries or nearby. One's sphere of influence is often no more than two or three steps away from a system outcome.⁴⁷

The ILO's [Value Chain Development for Decent Work Guide](#) notes...

'... there are no clear limits in this diagnostic process of moving from one system to another in order to understand the more systemic constraints; however, as mentioned before, it is advised to take the project's capacities and resources into account and reconsider the project's ambitions in the research. This is important to avoid 'paralysis by analysis' where an project spends too much time behind a desk researching, at the expense of real-world implementation. Often projects learn fastest through their own experience - using the 'do-measure-learn-adjust' mantra of adaptive management.... This means doing a 'good enough' initial analysis, then running small interventions, and then revising them based on evidence of what is working and what is not.' (page 43).

Identifying potential agents of change

Once the underlying factors have been identified, MSA teams can ask themselves:

- Which underlying factors can feasibly be influenced by the project?
- How and which market actor(s) may be best placed to catalyze the change(s)?

The bulk of MSD activity is done via facilitation in partnership with market system actors (see [drafting potential intervention pilots and partnerships](#) in Section 3.4.2. This means it is vital that MSA plans not only propose **the how** (i.e. potential interventions) but also **the who** (i.e. potential market actors to partner with). This could mean identifying a general market actor group (e.g. irrigation equipment suppliers) or it could mean specific companies or entities. An example of when it would make sense to identify specific companies or entities to partner with during the diagnostic stage is when there are

⁴⁵ Fowler, Sparkman & Krueger (2016) [The Utility of Market Analyses: Key findings from a landscape review](#)

⁴⁶ Grover et al. (2023) [Practitioner's Guide to Measuring Systems Change](#), Pages 7, 8 & 31

⁴⁷ Eric Berlow (2010) [Simplifying complexity](#), TED Talk video

few or very influential market actors, such as a large brewery, two large retailers, or five chambers of commerce or other industry membership entities.

A more detailed discernment of potential partners will be take place in the ‘intervention design’ step ([Section 3.4.2 Strategic planning and intervention design](#)), and during implementation. But the market system analysis effort sets the groundwork and takes some initial steps in gathering this information.

Guiding questions for the MSA team to identify potential market actors to explore in more detail include:

- Which market actors seem to be important influencers or leverage points, for good or for bad?
- Which market system actors seem to initiate or support change in the desired direction?
- Which market system actors seem to be blocking change in the desired direction?
- What are these actors’ interests, incentives, and capacities?

TIP: Identify new partners early and often.

It is vital to recognize that analysis only translates to impact with the right partners⁴⁸. Start identifying potential partners during the MSA, not just during implementation. If your contract or agreement allows, and in conversation with your donor focal point, you may even consider launching a few low-risk interventions and/or partnerships during the MSA or before the design/annual work plan has been approved (e.g., the [Orora Wihaze project in Rwanda](#) project did so effectively).

Prioritization of the underlying factors

At this point, the MSA team will have probably identified a long list of underlying factors to be prioritized in anticipation of the strategic planning and intervention design effort ([Section 3.4.2 Strategic planning and intervention design](#)).

Selecting which factors to prioritize is an important step, which can be guided by questions such as:

- Which factors are feasible to change?
- Which will be sustainable and have a bigger impact?
- Is there any need to sequence interventions?

To facilitate this prioritization effort, MSA teams can refer to a list of underlying system challenges, a problem tree, or a constraints heatmap (see links in tools below), AND decide on the criteria they want to use. Illustrative criteria for prioritizing underlying factors are presented here:

- **Feasibility of change** - is it realistic to believe this underlying factor can be changed?
- **Sustainability of change** - is it realistic to believe that a change in this underlying factor is sustainable (i.e., will continue on its own)?
- **Impact of change** - would addressing this underlying factor give the project the most significant return on investment (ROI) in achieving its objective compared to the other underlying factors?
- **Sequence** - are there any underlying factors that would have to be addressed before or simultaneously ?

⁴⁸ Aaronson, H. (2023) [Progress in Markets Systems](#), MSD Hub blog post

TIP: MSA teams should expect to get some part of this wrong.

Remember that understanding of the underlying causes and their relation to each other will inevitably be incomplete. MSA teams will also not be able to predict the feasibility, sustainability, and impact of change with certainty. This should not discourage MSA teams but rather reinforce the idea that the initial assessment must be revisited and changed as the team learns more during implementation.

TIP: Underlying factors tend to emerge from lower levels of the 'iceberg'

A problem or causality tree usually identifies a web of underlying factors. Like the roots of a tree these are often interconnected and sequential. The initial problem or issue identified at the top of a problem tree is often at the 'event' or 'trends' levels of the system iceberg, but the underlying factors generally emerge from further down in the structural and mental models levels.

Section 3.3.3 Tools to help identification of underlying factors

The Iceberg Model Video	Video explaining the iceberg model by System Innovation and the Donella Meadows Project
Tree roots (or ant nest) model	A more detailed visual evolved from the iceberg model
Factor mapping	A tool and process that helps identify underlying factors of challenges. Plots factors on a matrix to identify factors in the system that are most influential and least dependent on other factors.
Market system functionality / performance template	Template used to summarize the constraints, capacities, and incentives of key market actor groups. (adapted from Mercy Corps' MSD Resource Guide)
Market systems behavior change wheel	Vikara Institute tools, useful as a reference during system analysis to explore potential blind spots in the assessment.
Problem tree exercise (UN Habitat)	Tool to visually summarize underlying causes of problems/challenges
Causality tree example	Tool to help identify the feasibility of addressing root causes
Constraints tree example	Tool from MEDA's Market Systems Project Design and Implementation Guide, page 196
Constraints heatmap and prioritization	Template for developing a constraint heatmap and prioritizing constraints following certain criteria. (adapted from Mercy Corps' MSD Resource Guide)

Section 3.3.3 Further reading – about underlying factors

- [The 'Five Whys' technique](#) – from the Better Evaluation website
- [Diagnosing Root Causes](#) (5 Whys and Problem trees) – a BEAM Exchange guidance page

Constraints tree, maps, and prioritization

- [Market Systems Project Design and Implementation Guide](#), pg 195, MEDA

Factor mapping

- [Market Systems Diagnostics: A Structural Analysis](#) LINC

Structural analysis

- [Systems Diagnostic Tool](#), ACIDI/VOCA

Value network mapping

- [Value network mapping](#) EIT Climate-KIC toolkit

Causal Loop Diagramming

- [Causal Loop Construction: the Basics](#) – from The Systems Thinker website

Ethnographic data collection

- [Local Systems Practice: User Guide](#) pages 42 - 64

System archetypes -

- [Systems Archetypes Basics](#) – from The Systems Thinker website
- [Systems Archetypes](#) – A video explainer from Systems Innovation network

3.3.4 Validation of findings

Validation of the findings and insights of the overview, mapping, and system performance analysis is an important step before strategic planning and the intervention design process begins. While some data validation happens throughout the analysis process (see [Section 3.1.2 Developing an MSA research plan](#)), MSA teams should also undertake validation activities to gain further confidence in their findings and insights:

- Internal reflection session (i.e., peer review)
- Validation via a few key informants (i.e., member checking)
- Validation workshop with market actors (i.e., member checking)

Some findings may prove invalid or may need further nuance (i.e. warrant additional explanation). In this case, the MSA team may make the adjustments recommended by their peers, key informants, or market actors, decide to collect more information, or conduct additional analysis to revise findings.

For example, an initial assessment finds that smallholder farmers struggle with high input costs, assuming limited purchasing power is their main barrier. However, validation feedback from local stakeholders reveals that logistical issues, such as unreliable transportation, are the actual primary challenge. This discovery spurs the MSA team to conduct a rapid analysis of supply chain inefficiencies, offering a more comprehensive understanding of the farmers' constraints and a more targeted approach to interventions.

Section 3.3.3 Further reading - about validation

- Running validation workshops, [Value Chain Development for Decent Work](#), p45, ILO

3.4 Vision, strategy & intervention design

Purpose of this section

This section provides guidance to MSA teams on how to use the information gathered during the market system analysis process (Section 3.3) to inform strategic planning and intervention design efforts. It embodies two questions:

- ‘What does success look like?’ (envisioning system change)
- ‘How do we get there?’ (strategy and intervention design)

Note: Analysis (Section 3.3) and Design (Section 3.4) stages often overlap, so are not strictly linear.

As the MSA team designs strategies / interventions, invariably more questions will arise, some of which are important enough to require the MSA team to go back and gather more information, whether secondary or primary, to have confidence in design decisions.

Sub-sections

[3.4.1 Envisioning system change](#)

[3.4.2 Strategy and intervention design](#)

TIP: Establish learning & hypothesis frameworks

Good practice includes establishing solid learning and hypothesis frameworks around how change could/should emerge. Typically, this includes a Theory of Change (ToC) and some form of more detailed pathway of change or results chain.

TIP: Observation-based approaches adopt a different logic

For an observation-based approach, an MSA team would still undergo a process of visioning and subsequent strategy and intervention design, but they would not necessarily do this using a theory of change and results chains. As detailed in [Section 2.1 Foundational considerations](#), an observation-based approach establishes a change logic using structural analysis.

TIP: Consider the likely impact of recurring shocks in the analysis

It is good practice to monitor the risk of the most likely recurring shocks in the market system, and assess how they may impact the project’s work. An example can be found in the scenario planning approach outlined in the [EMMA toolkit](#) (page 26) or explained by Systems Innovation video about [Scenarios Building](#).

3.4.1 Envisioning system change

Envisioning change is the process of imagining and foreseeing how a market system could function differently to produce desired objectives. This envisioning process starts during the market system analysis step (see [Section 3.3 Market system analysis](#)) and is advanced and refined during the strategic planning and intervention design step.

Steps in envisioning system change	
1	List the underlying factors that were prioritized by the analysis, and the market functions, rules / norms, and/or other market system characteristics to which they correspond.
2	Describe what would have to change for each underlying factor so that the system would function differently in order to achieve the desired outcomes. Include which entities, or 'who,' could catalyze / influence this change (potential partners) or block it. Think about the 'tipping point,'; the critical threshold at which a small change or action leads to a significant and often irreversible shift or outcome in a system.
3	Reflect on whether your vision is realistic and attainable, given your 'sphere of influence' and what you know about the system trajectory, nonlinearity, historical changes and their catalysts, the current system regime, trends, feedback loops, incentives, capacities, interests and power/influence.

TIP: Focus first on achieving 'adjacent possible' changes in the system

It can be useful to roughly hold an ideal long-term vision for the market system. But, when it comes to informing your strategy and intervention design it is often more helpful to identify the immediate evolutionary potential, or [adjacent possible](#). In this way, intervention pilots catalyze viable shifts / changes in the system from which a new evolutionary potential, or adjacent possible, arises. This is akin to a step-by-step way-finding to head in the direction of or arrive somewhere close to the ideal long-term vision. The [backcasting canvas](#) (see tools below) can be helpful to consider the steps toward a long-term vision.

When undertaking the system envisioning process, it is useful to note the common conditions that can lead to systemic change. The [Practitioners' Guidance to Assessing Systems Change](#) shares the following example outcome areas important in systems change:

- Changes in relationships between actors, that is, how actors coordinate and collaborate [or compete].
- Changes in how power is distributed and exercised to coerce or reward others.
- Changes in voice and agency to express opinions, make decisions... act on them [and influence how the system evolves].
- Changes in the rules, including formal laws or informal norms that govern behaviors.
- Changes in diversity and composition of the actors or elements in a system.
- Changes in access to resources by actors within the system.

- Changes in mental models or subconscious values or beliefs of actors in the system [that tend to be more influential on how systems evolve].

New business models, which are popular and often effective areas of work for market system programs, can catalyze several of the above outcome areas for systems change. The M4P Who Does/Who Pays table, the [business model canvas](#), and Vikara's [Behavior Change Wheels](#) (among others) are some effective tools to address business model work.

When considering potential futures and interventions, it can be useful to reflect on system archetypes and typical systemic behaviors for which there are common potential solution approaches. Typical archetypes described by Meadows include 'Seeking the wrong goal,' 'Shifting the burden to the intervenor,' 'Escalation,' 'Success to the Successful,' 'Drift to low performance,' and 'Tragedy of the Commons.'⁴⁹

For example, with the system archetype 'Escalation,' one might see an unproductive cycle of more and louder advertising by competing firms. A potential balancing factor for this system archetype could be industry regulations or standards or better enforcement of those. For more information on **system archetypes** read [System Archetypes: Diagnosing systemic issues and designing high-leverage interventions](#)

Lastly, leverage points, actors or factors in the system which have power / influence over the system behavior and outcomes, are good places to intervene in a system. Although most MSD practitioners think about market actors when considering leverage points, MSA teams should also consider a system's balancing or reinforcing feedback loops (see [causal loop diagramming](#)), information flows, rules and norms, the ability of the system to self-organize, system goals, or beliefs and mental models. Addressing factors and leverage points situated lower on the system iceberg can result in a more profound change in the system's outcomes.

Section 3.4.1 Tools for envisioning system change	
Who does/ who pays table M4P Operational Guide (page 21)	Example table summarizing key functions in the system as they are currently offered (with evaluation of their effectiveness), and the vision for that function in the market system, describing who performs and pays for the functions now and in the future.
Will / Skill table M4P Operational Guide (page 24)	Matrix used to think about, identify, and evaluate potential partnerships and partnership strategies.
Business model canvas	Tool used to summarize a business model. Can be used to look at current business models and design/explore new business models.
Market Systems Behavior Change Wheels Vikara Institute	Guides users to consider potential pathways of change. 'Can be used to better understand the relationship between different interventions on market systems, to identify the areas to work on, and to assess which stage of change could be targeted to create a more inclusive market system'.

⁴⁹ Meadows, D. (2008) *Thinking in Systems: a Primer*

AAER Framework M4P Operational Guide (page 27)	Framework used to envision sustainability and scale of systems changes
Guiding questions for envisioning the 'To be' system 5Rs Framework pages 6 - 12	Can be used to think about the 'to be' system
Disrupting System Dynamics: A framework for understanding systemic changes	Guides users to envision how their work with individual system actors, which create system disruptions, can ultimately create deeper changes in how a system's networks and norms function. Such changes will enable more sustainable impact. Identifies indications of systemic change that users can look to facilitate. The framework can be used during initial visioning and then revisited periodically to assess evolution of the focus system.
Uncertainty cone template	Template on future levels of uncertainty, useful when considering visioning - in PDF and Miro formats
Backcasting template	Short guide from Systems Innovation Network explaining the process of back-casting from a future vision

Section 3.4.1 Further reading – about envisaging system change

Envisioning futures

- Vision: how will the system continue to work better after you exit?
Chapter 3 in [M4P Operational Guide](#) pages 21-26
- [Vision](#) – a BEAM Exchange guidance page
- [Market Systems Project Design and Implementation Guide](#), page 205, MEDA
- Is your vision credible? - [Value Chain Development for Decent Work](#), page 46, ILO
- Are you considering economic, social, AND environmental sustainability?
[Greening the MSD approach in agriculture](#), pages 23 & 24

Videos on futuring and scenario building from Systems Innovation Network

- [What is Futuring?](#)
- [Scenarios Building](#)

Adopt, Adapt, Expand, Respond Framework (AAER)

- [Market Systems Project Design and Implementation Guide](#), page 225, MEDA
- Moving from narrative to analysis, [AAER revisited](#)

Considerations regarding the scale of systems change

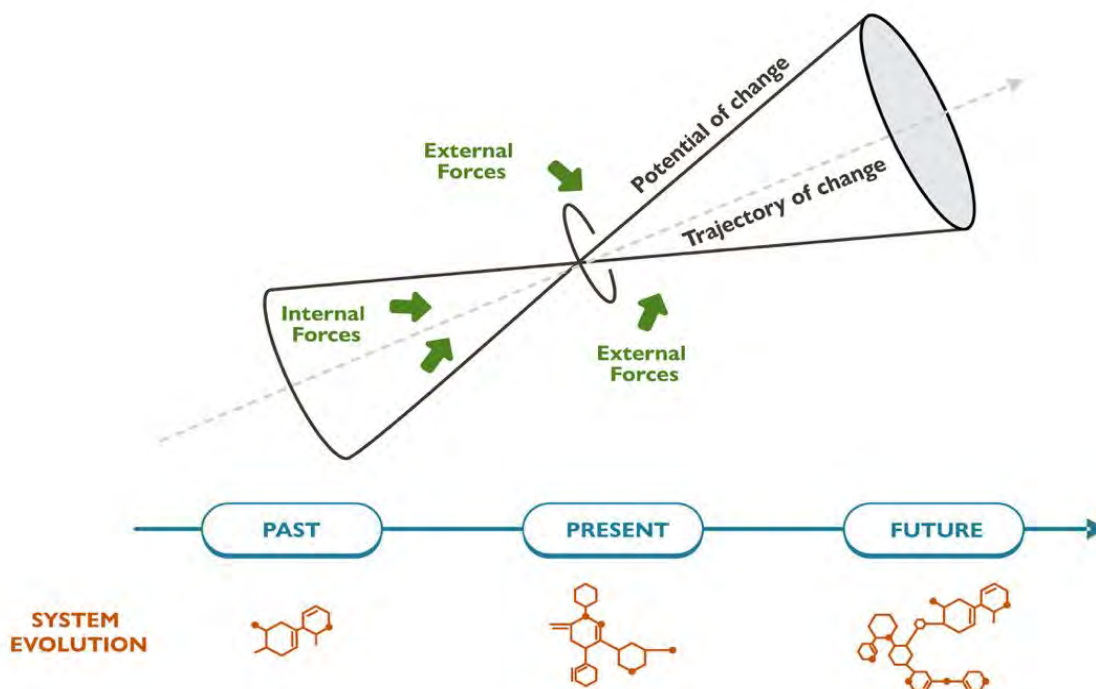
- [Practitioner's Guide to Assessing Systems Change](#), pg14, figure 6
- [System Archetypes: Diagnosing systemic issues and designing high-leverage interventions](#)

3.4.2 Strategic planning and intervention design

Strategy and intervention design is the process of formulating the specific actions that the project can take to influence a shift of the market system from its current trajectory to a new trajectory, hopefully resulting in the desired objectives for the target group. It is how you work to achieve your vision of the system, which was ideated in the System visioning step.

The intervention design process involves two steps:

1. [Prioritization of intervention areas](#)
2. [Drafting potential intervention pilots and partnerships](#)



Source: Dun Grover, based on several diagrams, such as the "futures cone", including by Charles Taylor, Trevor Hancock and Clement Bezold

Prioritization of intervention areas

The first step is to reflect on each of the underlying factors from the [envisioning system change](#) step using the following criteria. Keep in mind that some of these questions will be difficult to answer before implementation, so educated best-guesses will likely be needed:

Criteria	Prioritization considerations
Feasibility	• Is it realistic to believe that our interventions can change the system's current state to our envisioned future state? • Do we have the necessary resources, including time, to experience the change?
Importance / impact	• How important is the potential change for the target group? • What impact do we estimate will be achieved with this change?

Sustainability	- Do we have reason to believe that the system will sustain the change without project intervention? - Are incentives aligned with the vision?
Scale	Do we have reason to believe that the change will scale?
Tipping point	What is the critical threshold at which a small change or action will lead to a significant shift or outcome in our system?
Phasing	Is it necessary to first change other influencing factors in a phased approach?
Unintended consequences	What are potential unintended consequences of the envisioned change?

Based on the result of this exercise, prioritize the intervention areas the project will focus on for the initial pilots and drafting detailed intervention/partnership ideas.

For example, one MSD tourism system project⁵⁰ prioritized the following intervention areas:

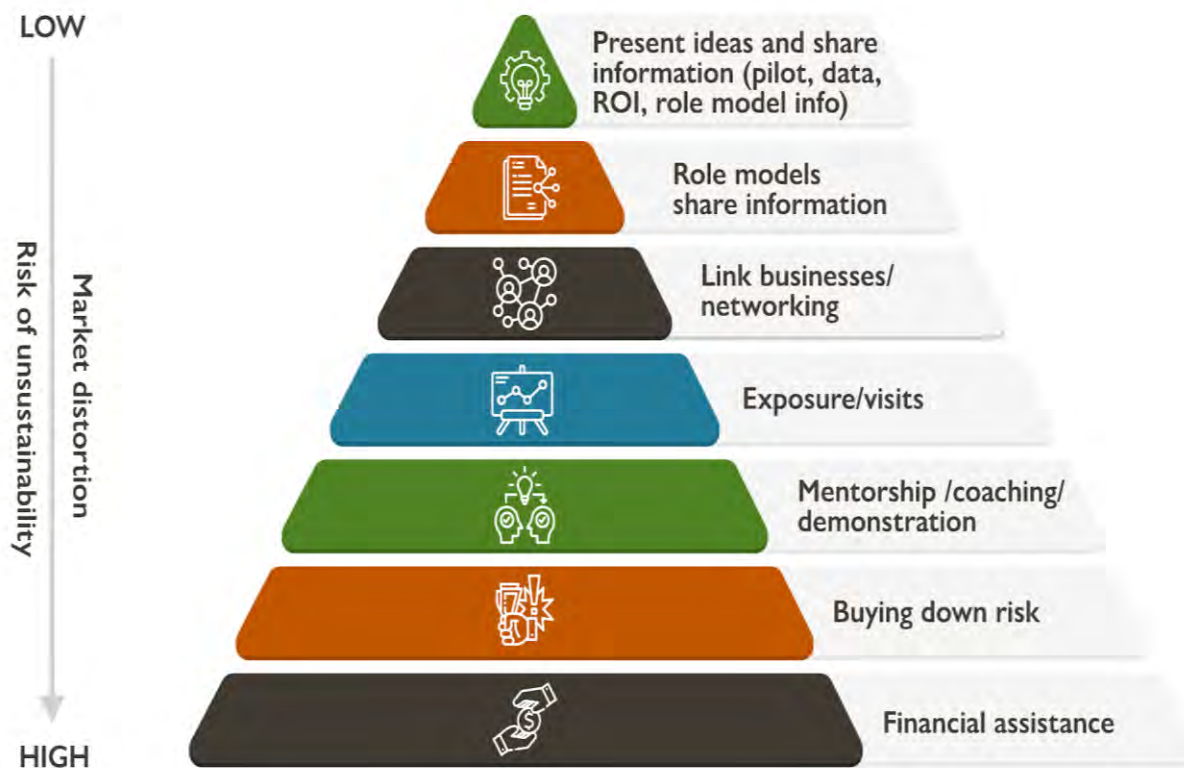
1	Improving tourism stakeholders' decision-making through the provision of and access to tourism market research and intelligence;
2	Increasing potential visitors' awareness of XYZ as a destination through improved visibility (especially online);
3	Improving potential visitors' decision-making thanks to better provision of and access to destination travel planning information;
4	Improving visitors' experience of XYZ as a result of improved quality, quantity and value for money of tourism products/services; improved provision of tourism-specific training services; and more coordination and collaboration of tourism stakeholders.'

Drafting potential intervention pilots and partnerships

Following prioritization, under each prioritized intervention area, describe in detail the action(s) the project could take and with which potential partners. Draw on common market system facilitation tactics as appropriate to the context, to address the underlying factors identified in the previous steps (see [Section 3.3.3 identifying underlying factors that enable or inhibit change](#) and [Section 3.4.1 Envisioning system change](#)).

⁵⁰ DFAT, Strongim Bisnis, *Annual Plan 2019*

Common facilitation tactics



Source: Tactics of facilitation, Pollen Group

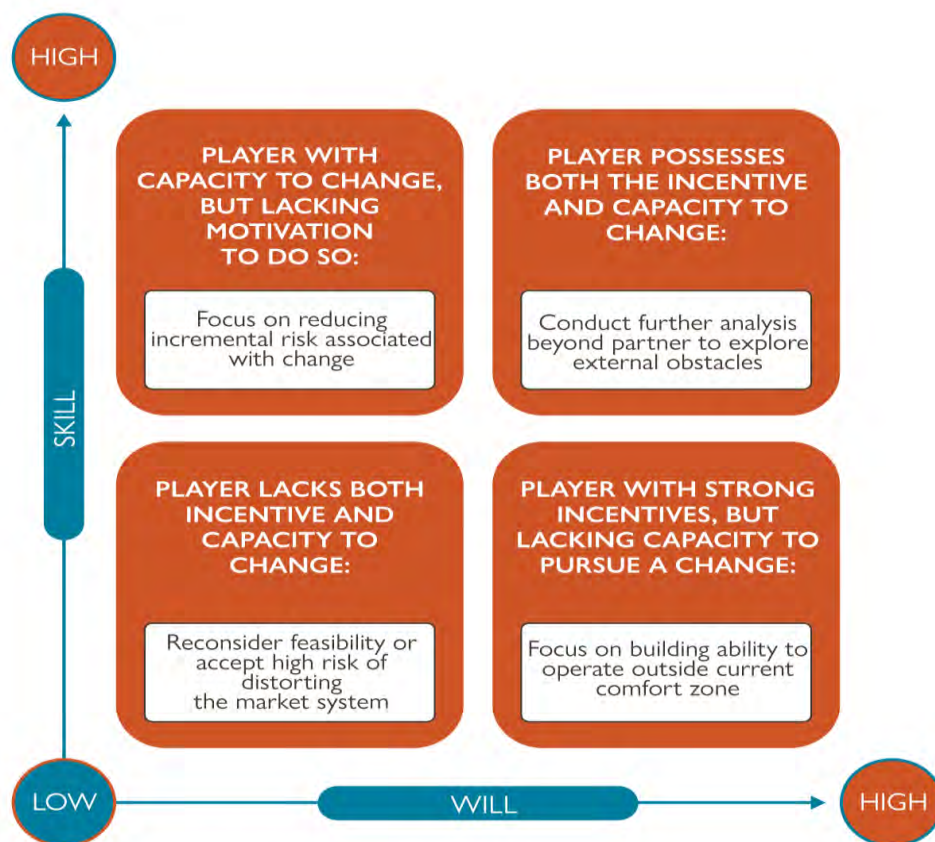
Potential partners may either be particular types of market actors, such as irrigation equipment retailers, or they may be specific entities, such as a chamber of commerce, a ministry, or large corporate partner.

Evaluate their suitability for partnership using these three criteria:

Criteria	Considerations for partnership
Power / influence	Is this potential partner (or are these market actors) a leverage point? Is this partner (or are these market actors) influential in the market system?
Reinforcement of inequitable market system structures	Would the envisioned potential partnership(s) reinforce inequitable power structures in the market system?
Incentives	Does the market actor group or specific partner have incentives to change?

For potential partner market actor groups or individual entities, consider their potential interest in the envisioned change and their capacity to change (e.g. using the [Will / Skill Matrix](#)). These considerations will inform the partnership approach.

For example, for partners with high interest in the change but low capacity, the project will need capacity strengthening support, while for partners with high capacity but low interest, the project will need to identify incentives for the partner.



Source: M4P Operational Guide (2015)

TIP: How to write a good intervention description

- Keep it brief - a more detailed design will have to be done later for each intervention probe. Describe the intervention logic and outcomes for the target groups.
- List multiple potential options in terms of facilitation tactics and partner groups or specific partners, and describe the pros and cons.
- Describe how interventions are focused on gender outcomes or are gendered in their approach and how the intervention will impact the environment.

The [5Rs Framework](#) document shares the following thoughts about the practice of facilitating change in market systems:

The changes that matter take place at the system level: changes in systems interactions that result in better and more sustainable results. However, those interactions cannot be altered directly by outside actors. They can only be changed by the systems actors themselves through the ways they interact with one another. The situation is much like a musical performance. The director may have an understanding of how the piece should sound. However, the director cannot realize that result directly. Instead, the performance is a product of how the individual musicians interact as they play their various parts.

*The way to promote system change is indirectly, through a set of interventions designed to affect key aspects of the system such as: **improving the performance of a role, promoting relationships where they did not exist, modifying incentives through a change in a rule, or increasing the level of available budgetary resources.***

*A single intervention engages a specific aspect of the system and should not be expected to elicit the type of system change needed to produce the target result. Rather, systems change usually requires the **combined efforts of a number of interventions...**, each engaging a discrete part of the system but together initiating more profound change in the way the system functions.*

An important design task is to determine which of the identified interventions to include within the project as it is unlikely that a project will be able to incorporate them all.'

However, even a facilitative effort in partnership with a market actor can be unsustainable and one can argue that facilitation is 'directly' doing something in the system that the system should be doing itself. So, beyond semantics, it is important to keep in mind that **the more a project owns and drives change, the less likely that a change will last** beyond the project since the incentives are temporary and external to the system.

Section 3.4.2 Tools for intervention design	
Will / Skill Matrix M4P Operational Guide p 24	Matrix used to think about, identify, and evaluate, potential partnerships and partnership strategies.
Identifying leverage points The 5Rs Framework , pages 15 & 17	Causal loop diagramming and network analysis
Leverage points canvas System Innovation Network	Short guidance on how to identify leverage points at the different levels of the system iceberg
Intervention design canvas	Tool adapted from the business model canvas for intervention design needs.

Section 3.4.2 Further reading - about intervention design

Designing interventions

- [Value Chain Development for Decent Work](#)
 - Designing interventions, pages 50 - 55
 - Integrating environmental objectives into intervention design, page 55
 - Finding and engaging partners, pages 56 - 58
- Intervention design, [Greening the MSD approach in Agriculture](#), page 26+

Sustainability and scale of interventions

- [Sustainability, effectiveness, scale](#) - BEAM Exchange guidance page
- Three Criteria to Assess Degree of Systems Change
[Practitioner's Guide to Assessing Systems Change](#), page 20, figure 9
- [Designing for Emergence](#) - Systems Innovation video

Facilitation

- [Facilitation](#) - BEAM Exchange guidance page
- [Intervention Tactics](#) - BEAM Exchange guidance page
- [The Art of Market Facilitation](#) - Springfield Centre

Leverage points

- [Market Systems Project Design & Implementation Guide](#), page 223, MEDA
- [Leverage Points](#) - Systems Innovation video
- [Leverage Points: Places to Intervene in a system](#), by Donella Meadows

Partnerships

- Building effective partnerships - [Private sector engagement to advance climate adaptation and resilience](#):
- Identifying appropriate partners - [Market Systems Project Design & Implementation Guide](#), page 212, MEDA
- Business model analysis - [Market Systems Project Design & Implementation Guide](#), page 218. MEDA
- Partner Identification and Engagement - [Private Sector Engagement Toolkit](#) ACIDI/VOCA

3.5 Report packaging & use

Purpose of this section

The purpose of this section is to provide guidance to the MSA team on the format and content of the final MSA report deliverables for different audiences.

It is important to distinguish between the internal MSA report and customized external report outputs for specific audiences.

The MSA **internal report** ([Section 3.1.1. Drafting an MSA report outline](#)) is useful to guide the MSA and strategic planning and intervention design process. It captures all of the detailed information in a summarized form. However it often becomes a very lengthy report (e.g., more than 100 pages). It may also include sensitive or confidential information about the political economy or about specific firms, which is unsuitable for general public dissemination.

Adapting such a long report so it is suitable for a donor - e.g. citing sources, editing, writing, and designing the aesthetic appearance - is a long and expensive process which likely will result in a product that few people will read in its entirety. Therefore it is advisable to only use the internal MSA report as a rough working document to which project staff can refer for details of the MSA findings and strategy / intervention logic. [The Utility of Market Analyses](#) review found that its main use is as a **knowledge management tool** that helps staff gain a basic understanding of market systems. It should put them in position to begin implementing, and by formally capturing key lessons from the initial research phase it can mitigate the institutional memory losses caused by staff turnover.'

The review goes on to recommend that the internal MSA report is packaged into different forms for different audiences for ongoing use:

- **'Adjust the research output to the learning style of the local team.'**
One of the key findings is that standard research outputs may not be a good fit for the learning style of the local team. There is a real need to adjust the output format (e.g. minimize writing, easy to update) so that it becomes valuable to and usable by local teams.
- **'Use modular outputs.'**
Instead of putting all of the captured information into a single, narrative based report that is daunting to revise, test the use of simple tools to capture information that can be reviewed and updated periodically, such as prior to team meetings. These could include a stakeholder mapping tool, simple tables, a one-page key takeaway, or a summary of key norms and biases observed in the system. Programs are experimenting with various formats including modular outputs using PowerPoint and Excel.
- **'Produce separate outputs for each audience where necessary'**
Do not create the same output for donors and for staff. What is useful for a donor is not always suitable for the program team. Think through the different information requirements and produce separate outputs that are tailored to the different audiences. This requires having a clear understanding of what each stakeholder wants, which should be confirmed upfront rather than being assumed.'

To illustrate the idea, imagine an MSA effort investigating three sectors: cacao, agroforestry products, and nature-based tourism. The full internal MSA report will include a description of the methodology and potentially three sub-reports for each main area of investigation, each with a market system overview section, mapping section, underlying cause section, validation and prioritization sections, future visioning, and strategy and intervention design sections.

Rather than editing this mega-report for external consumption, our hypothetical MSA team may decide to produce different outputs for different audiences. As an important step, the MSA focal point must identify important audiences and their information needs. This step may require meetings with these audiences to clarify what information and format would be useful to them.

For our example above, the team decided on the following audiences and outputs:

Audience	Report Format	Report Content
Donor focal point	Short report	Project-level Theory of Change (ToC) For each market system: ▪ Sector-level results chains ▪ Sector overview, including constraints, opportunities ▪ Map ▪ Vision ▪ Areas of intervention ▪ Description of interventions
	Presentation	Same as the report, but also responding to any questions and more detailed information requests by the donor after they review the short report
Other donors and projects operating in the same market systems	Presentation during donor/sector coordination meeting	▪ Project-level ToC ▪ Sector overviews including key constraints and opportunities ▪ Areas of intervention for each sector
Ministry of Agriculture and industry associations	PPT slides in PDF format	Fine cacao and agroforestry contents: ▪ Sector-level results chains ▪ Sector overview, including key constraints and opportunities ▪ Areas of intervention
Ministry of Tourism, visitor bureau and industry assocs.	PPT slides in PDF format	Tourism content: ▪ Same as above but concerning the tourism sector
Environmental working group	Short report	Summaries of how the project is envisioned to impact the environment across all three key market systems.
General public (whoever visits the project website)	1-page infographic and short video	▪ Main project objectives ▪ Key sector information and statistics ▪ Areas of intervention

Preparing modular outputs does not necessarily mean that these customized resources only include information summaries. Some modular outputs may include much detail, but on more focused technical areas.

An example of this could be a customized short report detailing the project's gender or environment findings and plans.

TIP: Agree expected deliverables with your donor focal point, before the MSA effort starts

This could be a presentation and PPT slides or a short report summarizing each market system's key analysis and design aspects. If the donor focal point envisions a broader use of the report from the beginning, perhaps to influence strategies and actions of certain stakeholders (e.g., other donors and their project teams, private or public sector entities), they may then request a full-length detailed report. Brainstorming with the donor-specific audiences and their respective needs could help the team determine which modular outputs to pursue.

TIP: Share findings with other practitioners working in similar spaces

An intentional effort to share report findings by implementers and donors with the community of practice will support existing and future program and project design so there is less duplication and re-learning by other development initiatives in the same space.

3.6 Continuing analysis during implementation

Purpose of this section

This section provides guidance to MSA teams on why and how to continue on-going market system analyses throughout project implementation. It discusses initial intervention pilots and additional analysis to augment initial MSA findings undertaken immediately or soon after initial MSA; and also ongoing learning efforts throughout project implementation.

Sub-sections

[3.6.1 Learning frameworks](#)

[3.6.2 Initial intervention pilots & additional analysis](#)

[3.6.3 Ongoing learning](#)

3.6.1 Learning frameworks

The initial MSA and strategic planning / intervention design efforts are only the beginning of continual learning and adaptation. For learning and adapting, it is important to develop a learning framework that includes a solid hypothesis around how change could emerge. Typically, this includes a Theory of Change (ToC) and some form of more detailed pathway of change or results chain.

Following the initial MSA and strategic planning / intervention design effort, analysing the market system(s) continues to inform pilots / adaptations.

Continuing Analysis – explained

Continual market system analysis does not mean simply repeating the initial MSA, strategic planning and intervention design efforts every couple of years into a project as a repeat of the initial MSA effort⁵¹. Instead, it is the evolution of a single initial MSA and strategic planning / intervention design effort into several avenues of continual learning and adaptation efforts throughout implementation. Together these constitute the continual MSA effort, which can be periodically reviewed, collated, and analyzed as a team.

A learning framework with a solid hypothesis around how change could emerge will allow projects to learn from pilots and adapt more effectively. A strong learning culture ensures that ongoing analysis is part of every project decision.

A project's technical lead, in coordination with the Monitoring, Evaluation and Learning (MEL) team lead (or vice versa), would be best placed to take on the designation of 'continual MSA focal point.' However, any one person or function must never be perceived as fully responsible for learning, which must be conducted, organized, synthesized, and shared by everyone in the team. Of course, this requires the project to be intentional about and well-resourced for continual learning.

The pivots and adaptations informed by the continual MSA, in agreement with the donor, should be captured in change logs and summarized in quarterly or annual plans, or separate learning reports.

⁵¹ 'Keeping the analysis up to date'- as suggested by [PCMA Toolkit](#) and [The Utility of Market Analyses](#)

For detailed information on how teams can use new learning to inform management or technical design decisions see the [CLA Playbook](#) sections **Adapting, Culture, and Processes**.

TIP: MEL is not separate from the continual MSA effort

Continual MSA effort includes MEL. In coordination with the technical team, the MEL team is tasked with identifying changes in the system and evaluating the project's contribution to those changes.

As part of this effort, the MEL and the technical implementation teams can include an intentional effort to identify and understand changes in the system that are not influenced by the project, a.k.a [wider changes in the system](#) or a [helicopter lens](#). Monitoring and responding to these wider system changes ensures that a project's strategy/intervention design continues to be valid and effective throughout implementation.

TIP: When using an observation-based approach, the initial MSA serves as the baseline.

Annual enterprise surveys can be used to validate causal factors, as well as system changes and contributions serving both MEL and continual MSA functions. For more information on this approach see the [Market Systems Diagnostic](#) from the TMS project.

TIP: Four ways to effectively conduct continual market system analysis:

1. Elevate MEL to a senior leadership role;
2. Resource MEL sufficiently, including staff and learning efforts;
3. Foster a culture of learning in the entire project (i.e., it is everyone's job);
4. Integrate MEL / CLA into management systems for decision-making.

TIP: Continual learning is a critical function within the market system itself

Don't think of ongoing learning as only a function conducted by and for the benefit of the project and its funder(s). Learning is a system function critical for the competitiveness, resilience, and inclusiveness of market actors and the systems in which they operate.

For more information on strategies to facilitate effective partner and system learning, read ['Shifting the Locus of Learning: catalyzing private sector learning to drive systemic change.'](#)

3.6.2 Initial intervention pilots & additional analysis

Initial intervention pilots

The [Cynefin Framework](#) explains that the best approach to working in complex adaptive systems, where one does not have certainty of causal links between inputs and outcomes, is to 'probe, sense, and respond.' The initial intervention pilots and partnerships of MSD programs, which are the result of the MSA-informed strategic planning/intervention design effort, accomplish exactly this. It is certain

that some of the value of intervention pilots is the learning one gathers from unsuccessful experiences, which leads to project pivots.

Ideal intervention pilots start relatively small and get started quickly. The goal is to succeed or fail quickly, without using too many resources so that the next iteration of interventions can be adapted or scaled.

Additional in-depth studies

Focused technical topics to augment initial MSA findings to provide information for initial intervention pilots (ideally via an action research probe led by market actors)

In some cases, because of time or resource limitations, an initial MSA does not provide enough information to make valid decisions on the design of initial pilots for one or more objectives of a project. [Section 1.2.2 What is 'good enough'?](#) describes what constitutes a sufficient amount of information and what does not, during the initial MSA effort.

In the case that there isn't sufficient information during the initial MSA, the project may conduct a focused follow-on assessment soon after the MSA. This might dive deeper into a specific area of concern with a qualitative effort, or alternatively, go broad (i.e., large number of data points) via a quantitative survey effort to validate important assumptions.

For example, a follow-on assessment might explore more deeply the underlying dynamics of exclusion of a certain marginalized group (e.g., exclusion of women in the entrepreneurial ecosystem). Or it might more broadly seek to understand the decision-making processes of certain target group segments (e.g., household purchase decisions of water savings technologies). Ideally such follow-on assessments should be highly focused on gathering essential information to design an intervention probe and not take much time.

Where possible, it is good practice that any follow-on assessments are led or supported by the market system actors who could benefit from gathering this information for their own decision-making purposes. For example, retailers who might benefit from a better understanding of household purchase decisions of particular technologies. This turns the intervention probe into a form of action research.

Section 3.6.2 Further reading – about 'probing'

- [Market Research for Value Chain Initiatives](#)
 - Action Research, pages 157 - 176
 - Market research in the Program life cycle, page 178
- [Piloting interventions](#) – BEAM guidance page
- [Starting strong: Getting inception right in projects using the MSD approach](#) - ILO

3.6.3 On-going learning

Activities have many ongoing learning opportunities throughout their lifetime. The resulting understanding of the market system should be captured, recorded, and collated to inform design pivots. This section briefly discusses some of the most common learning efforts.

Rolling baselines (ideally in collaboration with partners for some information)

It is a good practice for MSD projects to conduct rolling baselines⁵² tied to the initiation of each intervention probe instead of one large project baseline at the beginning of the project (though the MEL team may need to conduct baseline efforts at the beginning not tied to one specific intervention but cover multiple interventions). The information gathered for the baselines can and should be used to reflect, learn, and if necessary, adapt interventions AND may enhance and/or change the project's understanding of the market system. Any enhanced understanding of the market system should be captured, recorded, and collated to inform design pivots.

Additional in-depth studies

Focused technical topics to provide information for partnerships and interventions (ideally via market actors)

MSD projects often include support to partners to conduct additional assessments with the aim of helping partners validate strategic decisions, such as the design or commercialization of a new product or service, a business model adaptation, or new markets and market segments. Ideally these assessments will be conducted by the partner or a local service provider. The findings from these assessments may enhance or change the project's understanding of the market system.

Collaborating, Learning, and Adapting, focused on interventions and partnerships

'Collaborating, learning, and adapting (CLA) is a set of practices that help USAID and partners improve development effectiveness. The systematic application of CLA approaches enables USAID - and its partners! - to be an effective learning organization and thereby a more effective development organization.'

The [CLA Playbook](#) provides detailed guidance for Collaborating, Learning and Adapting throughout the program cycle, as well as the enabling conditions, including culture, process, and resources.

As learning and adapting in MSD projects is often **intervention- or partnership-focused**, it is recommended that we learn further by taking a step back to see the broader market system picture (described below).

Monitoring wider system change trends

Monitoring changes at the market system level is important to ensure that the project strategy/intervention design continues to be valid and effective throughout implementation. This is especially important for longer projects. In projects with strong learning cultures, it is likely that system-level changes (including unintended and/or unexpected ones) will be identified and analyzed as part of the regular ongoing learning of the project at the intervention- or partnership-level.

⁵² In short, rolling baselines are baselines efforts that are undertaken in pieces, as interventions are being designed and implemented, instead of one big general baseline at the beginning phases of the project.

However, MSD projects often lose touch with wider system changes due to their focus on implementation, successful partnerships and interventions, and measuring contribution to narrower system changes and impacts.

Monitoring wider system changes and trends has been termed an '[outward-in](#)' approach or using a '[helicopter lens](#).'

The following actions can support MSD teams in monitoring wider system changes:

- Appoint a person or team responsible for the uptake of this practice in the project
- Include capturing and reporting of wider system changes and trends in job descriptions
- Include it in a learning/adaptation plan
- Schedule reflection sessions to discuss this topic or include it with existing reflection points
- Take time to stay up to date with new secondary resources
- If necessary, conduct primary research to explore interesting new market signals
- Use observation logs, system health checks, repeated market system assessments, or enterprise surveys (see details below in tools and further reading)

All team members can capture wider systems changes or trends via the practice of 'scanning' the market system. The practice of scanning includes actions such as:

- Regularly reading sector news at the local, regional and international spheres.
- Regularly watching and analyzing market/sector trends, threats, opportunities, customer preferences and new technologies.
- Attending sector events and networking with market actors
- Reflecting on firm or sector performance in relation to wider industry trends
- Sharing market insights and intelligence routinely with teams

TIP: Always consider the risks from likely shocks to the system

It is good practice to monitor the risk of the most likely recurring shocks in the market system and continually assess how they may impact the project's work.

Section 3.6.3 Tools for assessing wider system change	
Practical survey for measuring system health	A set of basic and easily used tools for monitoring system dynamics or system health
Three Horizons Framework	ILO tool developed to help implementers identify and make sense of emerging changes in systems
Operationalising system change assessment	Contains an Excel template for assessing wider system changes using the 'helicopter lens' approach with an example
Observation logs / diaries	Excel sheet used to capture observed instances of change in the market system. The medium could also be a Whatsapp group where photos, voice recordings, or text are used to capture and share observations by the project team.

Section 3.6.3 Further reading - about on-going learning

Collaborate, Learn & Adapt (CLA)

- Methods of monitoring systems change, [The 5Rs Framework](#) pages 16 18
- Integrating MEL & CLA into management systems - [M4P Operational Guide](#) - p 40

Monitoring wider system trends

- [Assessing wider system change](#), BEAM Exchange guidance page
- [Operationalizing system change assessment](#)- a practitioner brief
- [Capturing wider change in the system](#) – recording of a DCED Workshop
- [Practical survey for measuring system health](#) a LEO brief (2016)
- [Market Systems Diagnostic](#) a system health survey case study from TMS Honduras
- [Horizon Scanning](#) - Systems Innovation Video
- Using the helicopter lens to identify outcomes
[Practitioner's Guide to Assessing Systems Change](#), page 12
- Systems Change Frameworks
[Practitioner's Guide to Assessing Systems Change](#), page 36, Annex 1
- Case study of repeating initial MSA effort - [Recycling in Jordan activity MSA](#)

Monitoring and measuring intervention success

- [Practitioner's Guidance to Assessing Systems Change](#), page 10
- [Disrupting System Dynamics: A framework for understanding systemic changes](#) – LEO report
- [Assessing Systemic Change](#) – Implementation guidelines for the DCED Standard
- [Guiding programmes to assess systemic change](#) - DCED Donor Brief
- [A pragmatic approach to assessing system change](#)
- Measurement - [M4P Operational Guide](#) Chapter 5 pages 39 - 47
- Measure, learn, and adapt - [Value Chain Development for Decent Work](#), step 5 page 64+
- [Monitoring guidance](#) - BEAM Exchange guidance page

Qualitative monitoring and measurement methods

- Outcome harvesting - [Testing tools for assessing systemic change: outcome harvesting](#)
- Most significant change – [Designs, tools & techniques for monitoring](#), BEAM Exchange
- [The Most Significant Change technique: A manual for M&E staff](#)
- [A Guide to Participatory Outcome-Focused Monitoring with Most Significant Change, Outcome Harvesting, and Outcome Mapping](#)