

MSD approaches to programming in fragile and conflict-affected situations

Learning brief for the DCED

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The DCED is a forum for funding and inter-governmental agencies to learn about the most effective ways to create economic opportunities for the poor. The DCED supports the BEAM Exchange, a platform for knowledge exchange and learning specifically about the Market Systems Development (MSD) approach.

Background

For those working in development, fragile and conflict-affected situations (FCAS) can feel like a perilous journey across uncharted territories—the challenges are immense, the risks are real, and the path forward is often unclear. But even in this challenging and unpredictable terrain, our collective efforts can lead us towards a shared destination of peace and prosperity.

Market Systems Development (MSD) approaches - based on the idea that people are dependent on market systems for their income and livelihoods, and therefore ensuring those systems work better for the poor - offer a powerful tool for creating sustainable change in FCAS. But like any tool, these approaches are only effective if used correctly. In fragile contexts, collaboration between humanitarian and development actors is not just a nice-to-have; it's a necessity. By working together we can pool resources, expertise and networks to achieve better results as communities transition from emergency response to recovery and eventually growth.

Over two years the DCED task team on MSD in FCAS fostered collaboration through internal working groups at Sida, USAID and ILO that sought to bridge the divide between humanitarian and development actors in donor agencies. This experience culminated in several sessions at the [2024 DCED Global Seminar](#) in Nairobi, where real-world examples from implementers illuminated the practical application and nuanced challenges of MSD approaches in fragile contexts, further underlining the importance of collaboration.

This learning brief draws lessons from those experiences, providing recommendations for implementers and donors to ensure better outcomes as well as insights on how donors and implementers can work together to make progress.

Donors working in the FCAS space have noted that *“there is always friction where there is change”* (Cluster Head, Dutch Government), and an openness to flexible ways of working are a cornerstone of MSD work. But there are also many examples of how to generate alignment, foster good relationships and leverage opportunities to create transformational change through increased scale, sustainability and systemic change in fragile contexts. MSD offers a compass for navigating these challenging landscapes. However, applying MSD in FCAS requires more than just technical expertise; it demands adaptability, resilience and a deep understanding of the local context. Crucially, it relies on the ability of different actors – humanitarian and development organisations, governments and the private sector – to work together effectively.

Lessons from internal donor working groups

In different ways, unique to their internal cultures, the members of the MSD in FCAS Task Team have explored the opportunities and incentives for collaboration across internal humanitarian and development teams. They found that many of the same themes echoed across different agencies: notably the incentives to collaborate are strongest when collaboration is prioritised by leadership or when it results in additional resources for a team. This is true even though the evidence shows

that collaboration across humanitarian and development actors reduces aid costs¹ and improves outcomes². Unfortunately, most collaboration currently happens largely due to the efforts of committed individuals rather than due to institutional goals.

Challenges to collaboration

So what stands in the way of collaboration?

- **Different mandates and priorities:** Humanitarian and development actors often clash due to their differing mandates, creating a tension around the approaches to use, outcomes to prioritise, or a lack of clarity around roles and responsibilities. Both humanitarian and development actors may need to seek ways to foster sustainable outcomes, while respecting their specific roles.
- **Lack of trust:** Concerns over budgets, a lack of shared language, and territorialism can all contribute to a lack of trust between actors or teams, especially in complex contexts.
- **Funding constraints:** Funding constraints can either drive collaboration or make it more difficult to support collaboration activities.
- **Mismatched budget timelines:** The timeframes for funding and implementing humanitarian assistance and development assistance are often very different, and this can create challenges for working jointly.
- **Lack of familiarity with other team members:** A simple lack of awareness of the work being done by other teams (humanitarian or development) means they may not be familiar with each other's work, which can make it difficult to find ways to layer and sequence activities.

Opportunities for collaboration

But opportunities to increase collaboration both internally and externally (with implementing partners) can be built into activities and team structures. Below are examples of how donors attempted to build in incentives for collaboration across humanitarian and development actors working in livelihoods and market programming:

Joint assessments:

Conducting joint assessments can help to build trust and understanding between different actors. Doing this early in the planning process can help shape future collaboration so that humanitarian and development activities are sequenced and integrated appropriately. A shared exploration of the main issues and context helps establish an agreed starting point, improves future collaboration, and can clarify roles so that different approaches become complementary rather

¹ Investing in early response measures yielded average benefits of \$2.4 - 3.3 for every \$1 invested, in terms of costs savings and losses avoided.

<https://reliefweb.int/report/ethiopia/economics-resilience-drought-ethiopia-analysis-january-2018>

² Systems approaches were found to be consistently more impactful than isolated humanitarian or development activities.

www.resiliencelinks.org/resources/reports/resilience-evidence-gap-analysis-rega

than conflicting. It is a useful tool for internal teams, such as humanitarian and development teams, or different technical specialties within donor agencies. A related approach that has been well received is when donor agencies facilitate humanitarian and development implementers to undertake joint assessments.

Joint proposals (leading to joint programming):

Requiring joint proposals, as the Dutch Ministry of Foreign Affairs did under the PROSPECTS programme, can help to ensure that humanitarian and development activities are coordinated by creating a clear plan from the start. Team members are empowered to move beyond coordination that is 'just talk' towards joint programming and better sequenced actions. It gives power and agency to those individuals who are motivated to collaborate, because the resources to do so are available, and discussions around short-term and long-term impact move beyond the theoretical. Not everyone loves this approach, but it can change the depth of coordination and reveal nuances in systemic approaches when multiple players are engaged from the beginning.

Internal collaboration and knowledge sharing:

Creating communities of practice, internal working groups and joint training events can also help foster a shared understanding of the context, challenges and opportunities in fragile settings. By exchanging insights, best practices and lessons learned, teams can avoid duplication of efforts, leverage complementary expertise, and ultimately achieve more sustainable and impactful outcomes. This open flow of information strengthens trust, facilitates coordinated action, and promotes a more unified approach to addressing complex crises. Sida used regular meetings between internal humanitarian and development teams to build bridges and increase familiarity with programming that demonstrated good internal coordination on market systems development work or the potential for increased coordination between teams. Individuals on various teams could ask questions of colleagues and gain insights on how and why activities were taking place. Through a similar approach, 'nodes of collaboration' were identified by several USAID Missions, and the leadership of these groups was then passed back and forth between the economic growth and the humanitarian office every six months "so that everyone is bought in and in control at some point in time during the process" (Private Enterprise Officer, USAID).



We used to blame this problem on not having the right tools or experience. Twenty years later, I think we have the tools and experience, but what we don't have is the comfort or the structures around us

Country Program Manager, ILO

Collaboration with the private sector:

For those living in fragile contexts, there is no humanitarian/development divide - there is simply the reality of life. Private sector actors have often already identified ways to address immediate needs and longer-term resilience goals. Therefore, the private sector can be a valuable partner in FCAS, providing creative solutions to seemingly intractable problems, given their deep understanding of the local market context.

Lessons from the Nairobi conference

The DCED's Global Seminar was an opportunity for development practitioners to focus on how systemic approaches can be used for economic growth, employment and resilience. In 2024, one of the conference strands looked specifically at FCAS. Sessions in this strand provided practical lessons, evidence of successful interventions, and critical analysis of potential pitfalls when working in FCAS. The seminar also provided a platform for fostering collaboration and knowledge sharing, much as the previous internal working groups had, but with a broader audience. This section highlights some of the key takeaways from the conference sessions focused on work in FCAS.

Overarching lessons

Context matters:

MSD approaches must always be tailored to the specific context, particularly in fragile environments. This includes recognising that the private sector is at times the *only* viable partner in FCAS and that existing market systems can often be surprisingly resilient, even amidst conflict.

Design in flexibility:

Both donors and implementers emphasised the need for adaptability. Internal procedures often pose greater obstacles than donor requirements, highlighting the need for organisational flexibility and open discussions about where flexibility can be provided, while staying compliant. Donors can adopt flexible monitoring and evaluation frameworks and ensure that indicators prioritise measurement of system change as well as direct outcomes.

Challenging assumptions:

The group dispelled the myth that refugees need to be shielded from the private sector. Instead, they advocated for empowering refugees to participate in the market, recognising their potential as entrepreneurs and job-seekers. However, traditional "Lead firm" approaches may not be enough when the goal is refugee integration; adaptation and tailoring of approaches as well as more hands-on support may be needed in some contexts.

Climate considerations:

Integrating climate resilience into MSD programmes from the outset is crucial. This proactive approach ensures that interventions are sustainable and contribute to long-term development goals.

Efficiency in assessment:

The 80/20 rule emerged as a valuable tool for conducting efficient market assessments. By focusing on the 20 per cent of assessment questions that address 80 per cent of the challenges faced by businesses, implementers can optimise their efforts and prioritise key interventions.

Recommendations for implementers

1. Strategic partnerships:

Implementers should seek partnerships that are driven by a shared purpose; enabling organisations to achieve what they couldn't accomplish alone. This means working with local organisations, the private sector and humanitarian actors - in particular recognising the importance of addressing basic needs without distorting local markets.

2. Balancing speed and depth:

When identifying start-up activities, strike a balance between “speedboats” (quick-win projects) and “cargo ships” (slower but more impactful initiatives). This ensures both immediate visibility and long-term sustainable change. The need for numbers (quantitative results) is real, even if the results are very output-oriented - they allow money to be released because they show some kind of progress. There is a shared agenda between donors and implementers to make sure the activity looks successful and does not need to be closed.

3. The power of “enough”:

Subsidies should be applied judiciously, providing just enough support to achieve the desired outcome without stifling market forces or crowding-out local actors.

4. Apply systems approaches to donor relations:

Implementers need to be strategic in their approach to donor relations. Use multiple staff to reach out to different donor staff members, know who makes the decisions up the chain, understand the pain points and the timing of reporting requirements – then help the donor address those pain points and have data for reports.

5. Manage expectations:

Following on from the previous point, it is important to have realistic expectations about what can be achieved in a fragile context. Good donor relationships will help ensure that both sides have a clear picture of what progress will look like.

Recommendations for donors

1. Provide flexible funding:

Flexibility can be stifled by staff members new to MSD programming who lack confidence in its timelines and approaches. This results in very conservative or inflexible decision-making, and sometimes micromanagement of projects. Support these staff members to have realistic expectations on the timing of results and the need for adaptation in a changing context.

2. Embracing co-creation:

Donors should actively participate in the co-creation process, providing ongoing support and guidance to implementers. Recognising and celebrating successful approaches fosters a culture of learning and innovation.

3. Support coordination:

Donors play a key role in coordinating MSD and humanitarian activities. Insist on coordination

and provide the time and resources necessary for coordination to take place. These discussions should include a discussion to ensure roles and responsibilities are clear.

4. Be patient:

It takes time to achieve meaningful results in fragile contexts.

5. Invest in capacity building:

Providing the time and resources for internal and external capacity building will improve programme quality and can strengthen local actors' ability to implement MSD approaches over time.

6. Internal continuity:

Donors need to prioritise internal continuity to minimise disruptions for implementers caused by staff turnover. This ensures consistent support and facilitates long-term programme success.

Examples of MSD approaches in FCAS

Speakers in the FCAS sessions provided three useful examples of collaboration between implementers, private sector actors and UN agencies.

Haiti:

A consortium of private sector partners worked together to provide emergency food security assistance after the 2023 conflict. Even though these private sector partners were normally competitors, because of the outreach and facilitation by CRS, they were able to work together effectively to address the crisis. <https://fsnnetwork.org/resource/impact-evaluation-ayiti-pi-djanm-resilience-food-security-activity-haiti>

Sudan:

By collaborating with agri-businesses and a microfinance institution, Mercy Corps' SAFE programme was able to continue supporting communities during the crisis. The programme's pre-existing relationships with these institutions allowed them to quickly pivot to meet the immediate needs of the affected population, providing cash assistance to those affected by the conflict and ensuring farmers had access to seeds for the planting season. <https://beamexchange.org/resources/2001/>

AIMS: Approach to Inclusive Market Systems:

AIMS was designed in collaboration with UNHCR to make livelihood interventions for refugees more sustainable and market-driven. It uses a market systems approach and applies 'push-pull' interventions to develop markets (pull) while at the same time developing the capacity of target groups to engage with the market (push). For example, employment programmes under the PROSPECTS programme create immediate employment opportunities for both skilled and unskilled workers, helping to mitigate socio economic instability and inequality while also encouraging refugees and host communities to contribute to local economic development and peace.

www.ilo.org/approach-inclusive-market-systems-aims-refugees-and-vulnerable-groups

Conclusions

Implementing MSD approaches in fragile contexts is challenging but possible. By working closely with humanitarian actors, development actors can help to build more resilient market systems in fragile contexts. Donors can support these efforts by providing flexible funding, incentivising collaboration internally and externally, and investing in capacity building.

Implementing partners should use co-creation as an opportunity to develop new partnerships and activities, leveraging diverse expertise and resources to create more impactful and sustainable interventions. Deep engagement with local communities and local private sector actors is essential to ensure contextually relevant solutions.

Finally, rigorous monitoring and evaluation of collaborative efforts are crucial to assess impact, adapt approaches, and ensure that interventions effectively contribute to positive outcomes in fragile and conflict-affected states. This includes providing incentives for collaboration, developing collaborative partnerships and sharing knowledge and best practices.



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