



# **The CRS Approach to Market Systems Development for Scale, Inclusion, Resilience, Environmental Stewardship and Social Cohesion**

**How a tailored approach to market systems development helps CRS catalyze transformational change at scale across the Humanitarian-Development-Peace Nexus**

Copyediting: Lisa Ritchie  
Layout and design: Stella Pongsitanan  
Cover photo by Elie Gardner for CRS

---

©2023 Catholic Relief Services. All Rights Reserved.

This document is protected by copyright and cannot be completely or partially reproduced without authorization. Please contact [impactinvesting@crs.org](mailto:impactinvesting@crs.org) for authorization. Any “fair use” under US rights law must contain the appropriate reference to Catholic Relief Services.

# Acknowledgments

## Cross-departmental Steering Committee

Erin Baldrige, Catalyzing Scale through Evidence, or CASCADE

Dan Barthmaier, Agriculture and Livelihoods Team, Programming Impact and Quality Assurance Department

Dina Brick, Humanitarian Response Department

Megan McGlinchy, Global Supply Chain Management

Nathan Rawe, Global Procurement

Josh Voges, Impact Investing and Private Sector Engagement

## Authors

Harald Bekkers and Alexandra Miehlsbradt

## Contributors and Reviewers

The process of developing this report benefited greatly from insightful and open discussions with more than 60 Catholic Relief Services (CRS) stakeholders participating in interviews, workshops, debriefs and reviews.

Ibrahim Adamu, Sarah Ali, Ndriana Andriamanantena, Jean Baptiste, marc bavois, Nell Bolton, Jorge Brenes, John Briggs, Myron Burkholder, Tony Castleman, Tawonga Chunda, Jolene Coachy, Beth Collins, Lara Diaconu, Chris Donahue, Emily Drummer, Shaun Ferris, Sarah Forcino, Guilia Frontini, Marlon Garcia, Sarah Gilbert, Michele Gilfillan, Gabby Gueye, Nathan Habou, Geoff Heinrick, Paul Hicks, Sara Higgins, Julie Ideh, Claudine Inamahoro, Kris Inman, Stephan Jean-Pierre, Ruth Junkin, Krishna Mohan Kallapali, Tracy Kaye, Adam Keough, Bridget Kimball, Emmanuel Kogo, Patience Komboni, Melissa Kreek, Lisa Kuennen-Asfaw, Joe Lewinsky, Nora Lindstrom, Dan Lissit, Mich Llorente, Kate Longley, Gabriel Mbokothe, Rafael Merchan, Austen Moore, Joel Mwamba, Petula Nash, Moses Ngulube, Richard Ntibrey, Sarah Page, Henry Panlibuton, Lori Pearson, Sonja Perakis, Laura Phelan, Martha Populin, Lanto Rafanomezantsoa, Anatole Rasamilala, Rado Ravonjarivelo, Mawuli Sablah, John Service, Corrie Sissons, Nodij Stringfellow, David Tsetse, Jennifer Weatherall, Caitlin Welte, Leon Zirimwabagabo.

# Table of Contents

Executive Summary .....	ix
Preface .....	xv
Introduction.....	1

## **PART I: Tailored Market Systems Development—a Key CRS Strategy**

<b>1 What is the CRS Approach to Market Systems Development? .....</b>	<b>6</b>
1.1 What is a Market System? .....	6
1.2 What is the CRS Approach to MSD? .....	9
1.3 How does the CRS Approach Work?.....	14
<b>2 Current CRS Approaches versus the Tailored MSD Approach .....</b>	<b>18</b>
2.1 Balance Market Engagement Approaches .....	19
2.2 Ensure a Shared Market Systems Vision across the HDP Nexus .....	23
2.3 Implement a Strategic Portfolio of Complementary Interventions to Achieve Scale .....	27
2.4 Use a Strategic Programmatic Perspective .....	29
<b>3 How will Adopting a Tailored MSD Approach Benefit CRS? .....</b>	<b>32</b>
3.1 MSD will enable CRS to Catalyze Humanitarian and Development Outcomes at Scale ....	33
3.2 MSD will Enable CRS to Expand and Diversify Resource Mobilization .....	35
3.3 MSD will Enable CRS to Build a more Agile, Innovative and Impactful Organization .....	38
<b>4 What Foundations does CRS have to Adopt a Tailored MSD Approach? .....</b>	<b>40</b>
4.1 An Increasing Number of Projects that Work in Markets .....	40
4.2 Unique Operational Strengths.....	44
4.3 Staff who are Enthusiastic about MSD.....	45

## **List of Tables**

Table 1 Comparing market-based and market-influencing interventions .....	21
---	----

## List of Boxes

Box 1 Revitalizing vanilla in Uganda.....	2
Box 2 The CRS approach to MSD .....	3
Box 3 Examples of market systems .....	8
Box 4 What is market systems development?.....	9
Box 5 Objectives of CRS MSD programs .....	10
Box 6 Public and private market actors work together to expand sanitation services.....	15
Box 7 Connecting humanitarian and development efforts through the Agriculture and Livelihoods Pathway to Prosperity.....	22
Box 8 CRS HDP Nexus strategy (excerpt).....	23
Box 9 Disaster preparedness in Haiti.....	27
Box 10 Blue Harvest in Honduras protects watersheds and increases incomes .....	28
Box 11 The Girma Project in Niger.....	33
Box 12 Bureau for Humanitarian Assistance (BHA) demand for market systems strengthening....	37
Box 13 Innovating and increasing sustainability in Food for Education projects.....	39
Box 14 Examples of CRS engagement with markets per Goal Area .....	41

## List of Figures

Figure 1 Visualization of market systems.....	7
Figure 2 Systems and structures form part of the CRS Integral Human Development Framework.....	8
Figure 3 How the CRS MSD approach works across the HDP Nexus.....	12
Figure 4 Seven MSD practices .....	14
Figure 5 Different CRS models to engage markets.....	19
Figure 6 Market system strengthening, resilience and social cohesion cycle .....	23
Figure 7 Upward trend of increasing resilience and social cohesion fostered through coordinated interventions across the HDP Nexus .....	26
Figure 8 CRS Vision 2030 Strategic Approaches .....	32
Figure 9 The Girma Project systems perspective.....	34
Figure 10 Five priorities to institutionalize MSD.....	47

## PART II: Operationalizing Market Systems Development Along the HDP Nexus

1	Benchmark Practices for Market Systems Development .....	50
1.1	Practice 1   Conduct an In-depth Market System Analysis .....	52
1.2	Practice 2   Develop a Vision for Systems Change and a Strategy to Implement Along the HDP Nexus .....	59
1.3	Practice 3   Co-create Innovations in Partnership with Market Actors .....	64
1.4	Practice 4   Facilitate an Agreement in which the Market Actor Leads in Implementation .....	68
1.5	Practice 5   Monitor and Apply Adaptive Management .....	75
1.6	Practice 6   Build up a Portfolio of Discrete Agreements that Support Systems Strengthening .....	79
1.7	Practice 7   Create an Empowered Local MSD Team .....	83
2	Competency Framework for Market Systems Development .....	89
	Introduction to the Framework .....	88
3	Facilitating Systemic Development Along the HDP Nexus .....	95

### List of Tables

Table 1	Market systems advisor competency framework .....	92
Table 2	Benchmark practice application across the HDP Nexus .....	98

### List of Boxes

Box 1	Key features of good market systems analysis .....	55
Box 2	How a market systems analysis can benefit CRS practice .....	58
Box 3	Key features of good market systems vision and strategy development .....	61
Box 4	Developing a market system vision and strategy .....	63
Box 5	Features of a good co-creation process .....	67
Box 6	Key features of developing partnership agreements .....	71
Box 7	Key features of good partnership modalities .....	74
Box 8	Key features of good monitoring practice .....	78
Box 9	Key features of good portfolio management .....	82
Box 10	Key features of strong, local and empowered MSD teams .....	85

### List of Figures

Figure 1	The MSD process .....	52
Figure 2	Creating an upward trend of resilience along the HDP Nexus .....	96

### Annex

Glossary .....	102
----------------	-----

# Acronyms

Ag/L	Agriculture and Livelihoods (Team)
BHA	Bureau of Humanitarian Assistance
BD	Business development
CASCADE	Catalyzing Scale through Evidence
CRS	Catholic Relief Services
DCED	Donor Committee for Enterprise Development
DRR	Disaster risk reduction
GoBF	Government of Burkina Faso
GSCM	Global supply chain management
HDP Nexus	Humanitarian-Development-Peace Nexus
HRD	Humanitarian Response Department
IDEA	Institutional Donor Engagement and Advancement
IHD	Integral Human Development
IT	Information technology
MEAL	Monitoring, evaluation, accountability and learning
MGD	McGovern-Dole Food for Education
MSD	Market systems development
MSMEs	Micro, small and medium enterprises
NGO	Non-governmental Organization
PIQA	Program Impact and Quality Assurance
PSE	Private sector engagement
RFSA	Resilience Food Security Activity
SEK	Swedish kronor
SCP	Strategic Change Platform
SIDA	Swedish International Development Cooperation Agency
USAID	United States Agency for International Development
USDA	United States Department of Agriculture
WASH	Water, sanitation and hygiene



Photo by Michael Stulman for CRS

# Executive Summary

This report explains why and how a tailored approach to market systems development (MSD) across the Humanitarian-Development-Peace (HDP) Nexus can be an engine for Catholic Relief Services (CRS) to achieve its Vision 2030 goals. A cross-departmental steering committee was formed within CRS to develop an agency-wide approach to working in markets. With input from more than 60 staff members throughout the agency, the committee decided to adopt MSD to guide CRS' work in markets and to tailor it to the unique values, priorities, strengths and operating contexts of CRS. This report is divided into two parts. Part I provides the strategic argument and direction for the CRS MSD approach. Part II explains how to operationalize the approach.

Markets are essential to provide people with access to food, products and services to survive and thrive, as well as opportunities to achieve dignified and resilient livelihoods at scale. The people who CRS serves all perform roles within, and engage with, markets. They are entrepreneurs, producers, workers and consumers. It is within the markets that they find jobs to support their families, seeds to cultivate their land, building materials to upgrade their homes, sanitation services to improve their health, and more. A growing body of evidence from around the world, including from CRS programs, shows that leveraging private and public investment and innovation, and influencing markets to become more inclusive can enable millions of people to obtain essential goods and services, production inputs and access to markets and opportunities that they could not before.

CRS recognizes the importance of markets in the development process and the agency's program interactions with markets are rich and diverse. However, CRS can further capitalize on these many market connections. By changing how country programs interact with markets and market actors, CRS can better leverage the potential of markets for transformational change that increases program scale, reaches those who are most disadvantaged, improves resilience, enhances environmental stewardship and fosters social cohesion.

## What is the CRS Approach to MSD?

A *market system* (see **Part I Section 1.1**) covers the economic interactions related to specific products and/or services. *Market systems development* (**Box 4**) influences how market systems work so that they grow and better include and benefit people who are living in poverty at scale. The CRS approach to MSD (see **Part I Section 1**) explicitly:

- Focuses on local people and communities, including the most disadvantaged.
- Informs strategies and activities across the HDP Nexus with a shared systems perspective and vision (**Figure 3**).
- Strengthens market systems so that they increase resilience, improve environmental stewardship and promote social cohesion.
- Strengthens local leadership by working with local businesses, government agencies, associations and other local market actors.

Thus, the CRS approach to MSD influences market systems to better support and serve people over the long-term.

The CRS MSD approach provides a common process and seven benchmark practices to be applied across CRS departments, regions, country programs and projects. While all steps in the process should always be followed, they should also be adapted to the context. Following the common process and steps:

- Enables CRS teams to have a *shared understanding of the market systems* in which CRS is intervening, in a country or local geographical area.
- Enables teams to analyze those market systems and articulate an *actionable vision of system change* with an agreed set of long-term objectives.
- Supports *coordination and synergy* across teams and underpins a continuous, coordinated CRS implementation process in country programs across departments and projects.
- Facilitates *transitions* from humanitarian response to recovery and development efforts in support of long-term transformation.



### The Seven MSD Benchmark Practices (Figure 4):

- Conduct an in-depth market system analysis.
- Develop a vision for system change and a strategy to implement across the HDP Nexus.
- Co-create innovations in partnership with market actors.
- Facilitate agreements in which market actors take the lead in implementation.
- Monitor and apply adaptive management.
- Build up a portfolio of discrete agreements that support system strengthening.
- Create empowered local teams to implement MSD in country programs.

The systems lens and common process in the CRS MSD approach promote a consistent perspective and coherent application across the HDP Nexus. During implementation, CRS develops partnerships with individual market actor partners—micro, small, medium and large businesses, government agencies, associations and civil society organizations that operate in or influence the relevant market system(s). With each market actor partner, CRS co-creates a business, delivery or policy model to sustainably address gaps in the market system that prevent it from operating effectively and inclusively, and a package of activities to strengthen the capacity of the market actor partner to initiate, sustain and manage the model. To address multiple gaps, CRS manages a portfolio of interventions with different market actor partners. These interventions may all be within one project, or they may be across a number of projects, but they all contribute to the systemic strategy to influence the market system.

## How will Adopting a Tailored MSD Approach Benefit CRS?

The CRS MSD approach directly responds to three of the Vision 2030 Strategic Approaches (see **Figure 8**) as follows:

- 
**Scale (Part I Section 3.1).**

Market systems already reach scale but often do not automatically achieve humanitarian and development outcomes. Catalyzing the energy, ingenuity and reach of market actors can transform how market systems work and create inclusive impact at scale.
  
- 
**Resource mobilization (Part I Section 3.2).**

Existing CRS donors, both for humanitarian response and development, are increasingly requiring systemic approaches. More and more bilateral donors consider MSD an essential part of their development agendas and MSD is proving to be an attractive approach to many emerging donors, particularly those from the private sector. Adopting a tailored approach to MSD will give CRS a unique value proposition for donors wanting to support MSD and/or systemic development more broadly.
  
- 
**Agility, innovation and impact (Part I Section 3.3).**

While building on CRS' experience and lessons, the CRS MSD approach focuses on forming new types of partnerships and catalyzing transformational changes in new ways. It is by co-creating innovative business, delivery and/or policy models with market actors that CRS can influence markets. When CRS enables market actors to improve how they serve people and work with communities in mutually beneficial relationships, market systems will continue to benefit people and communities after a project's funding ends. Working with local market actors strengthens local leadership. Market actors frequently have innovative ideas, an understanding of local context, unique expertise and networks that add value to projects. Strategically working with market actors will improve program effectiveness.

## What Foundations does CRS have to Adopt a Tailored MSD Approach?

CRS has a number of strengths that form a solid foundation from which the agency can adopt a more catalytic and transformational approach to working in markets. CRS has been successfully expanding its work in markets in all Goal Areas and across the HDP Nexus (see **Part I Section 4.1**). This represents an important shift from primarily working directly with target group members and communities, to working through markets to achieve humanitarian and development outcomes. The CRS MSD approach capitalizes on the agency's unique operational strengths: in-country presence, flexible funding, good reputation with donors and a track record of learning (see **Part I Section 4.2**). CRS staff in global and regional positions and within country teams demonstrate enthusiasm to facilitate changes in market systems so that they address humanitarian and development outcomes at scale (see **Part I Section 4.3**).

## Operationalizing the CRS MSD Approach along the HDP Nexus

A set of benchmark practices, staff competencies and guidance on developing empowered local teams has been provided to support CRS to operationalize its MSD approach.

### Benchmark Practices (Part II Section 1)

Effective engagement with market actors to facilitate transformational change at scale and strengthen market systems rests on the application of seven benchmark practices. The first six of these practices follow:

- 1 Conduct an in-depth market system analysis (Part II Section 1.1).** Systemic development is about fostering sustainable relationships in which target group members and market actors invest their own time and resources. To facilitate these relationships, the first step is to understand their priorities, how they currently address priority needs, what they can afford and what they perceive as feasible solutions to address these needs.
- 2 Develop a vision for system change and a strategy across the HDP Nexus (Part II Section 1.2).** It is important to then digest these combined insights and turn them into an actionable multiyear framework that defines a vision for system change, through which the target group's key priorities need to be addressed, the underlying constraints preventing this from happening to date, and opportunities for partnerships with market actors to change this.
- 3 Co-create innovations in partnership with market actors (Part II Section 1.3).** For each market actor, a tailored package of activities needs to be worked out that enables the market actor to create and innovate in business, delivery or policy models.
- 4 Facilitate partnership agreements in which market actors take the lead in implementation (Part II Section 1.4).** The market actor should take the lead in implementing this package and contribute in a credible manner to its costs.
- 5 Monitor and apply adaptive management (Part II Section 1.5).** Monitoring is essential to assess intervention progress, but also to update system understanding and strategies. Therefore, monitoring is a management tool for the entire implementation process.

**6 Build up a portfolio of discrete interventions that support system strengthening** (Part II Section 1.6). By applying these practices, a portfolio of discrete interventions emerges. Active management, including withdrawing from agreements that do not deliver results, is important to create impact at scale.

Importantly, the first six practices form a package (refer to **Figure 1**). When all are implemented effectively, they reinforce each other. Conversely, when a practice is left out, gaps emerge that affect how well the other practices can be executed. For this reason, the seventh benchmark practice is in place to:

**7 Create empowered local teams able to implement the benchmark practices** (Part II Section 1.7). A stable, local team with the right competencies and sufficient ‘creative freedom’ is the foundation for the successful implementation of MSD. Such a team can be supported, but not replaced, by external MSD experts.

### **What Competencies Support Operationalizing MSD Along the HDP Nexus (Part II Section 2)?**

A strong market systems practitioner will possess a number of key competencies that enable them to piece together how a system should work for a target group. These are summarized in a competency framework (refer to **Table 1**).

### **How can these Benchmark Practices be Implemented Across the HDP Nexus (Part II Section 3)?**

The application of benchmark practices should be adjusted for the development phase in which they are applied. By defining a benchmark, a local team can calibrate what it can do during an emergency or early recovery phase and how it can complete the practice when the situation permits (refer to **Table 2**).



Photo by Dooshima Tsee for CRS

# Preface

Catholic Relief Services (CRS) assists the poorest and most vulnerable members of society around the world, guided by the Integral Human Development (IHD) approach that promotes overall wellbeing through the holistic development of the whole person. CRS supports IHD by leveraging and influencing systems and structures to promote just and peaceful societies, save lives and alleviate suffering, and end poverty, hunger and preventable disease.

Achieving sustainable, transformational change at scale requires strategic and intentional intervention at the market system level. This evolution in the delivery of humanitarian and development assistance is supported by evidence and targets the full array of market actors, including individual consumers and households, private businesses, government agencies, and civil society organizations.

This report is the product of an extensive analysis of the agency's current work in markets and describes how different teams working along the Humanitarian-Development-Peace Nexus can catalyze greater and more sustainable impact if guided by a shared market systems perspective.

Contributing colleagues across the globe recognize that CRS is well positioned and has tremendous potential to systematically deploy context-adapted and nuanced strategies for market engagement. We believe managerial, technical and operational teams collaborating around a shared vision and approaches can make this potential a reality in the years to come.

This report marks the beginning of a focused and intentional effort to demystify market systems development at CRS, and outlines how CRS staff and programs can increase the agency's ability to work with and through local market systems for the benefit of CRS' most important stakeholders—the people and families that we serve.

We hope you find this report as exciting and actionable as we do. Thank you for finding ways to apply these insights in your work.

**Sincerely,**

Cross-departmental Steering Committee on the CRS Approach to  
Market Systems Development



*The CRS approach to MSD is a comprehensive approach which ensures CRS programming is not 'stove-piped' in a community, but works through local market actors and transforms their capacity to be relevant for local communities. This type of programming makes eminent sense and lends itself better to sustainability and scale.*

Sean Callahan, CEO CRS



# Introduction



*...a vibrant economy can and must put an end to poverty.*

Pope Francis 2020<sup>1</sup>

Markets are essential to provide people with access to food, products and services to survive and thrive, as well as opportunities to achieve dignified and resilient livelihoods at scale. The people who Catholic Relief Services (CRS) serves all perform roles within, and engage with, markets. They are entrepreneurs, producers, workers and consumers. It is within the markets that they find jobs to support their families, seeds to cultivate their land, building materials to upgrade their homes, sanitation services to improve their health, and more. A growing body of evidence from around the world, including from CRS programs, shows that leveraging private and public investment and innovation, and influencing markets to become more inclusive can enable millions of people to obtain essential goods and services, production inputs and access to markets and opportunities that they could not before.

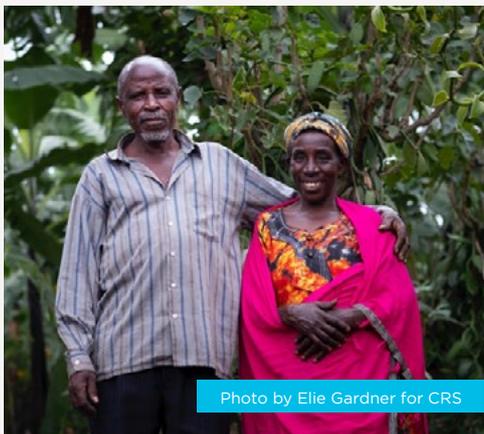
CRS recognizes the importance of markets in the development process and the agency's program interactions with markets are rich and diverse. For example:

<sup>1</sup> Taken from remarks by Pope Francis at a conference in February 2020. Quoted in O'Connell G. [Pope Francis: A vibrant economy must put an end to poverty](#). *America The Jesuit Review*, March 2, 2020 Issue.

Photo by Dooshima Tsee for CRS

Box 1

## Revitalizing vanilla in Uganda



Vanilla farmers James Bitende and Ester Nyambu

Vanilla production in Uganda can improve small-scale farmers' incomes and well-being. However, fluctuations in market prices, rampant theft and early sale of green vanilla from farmers' fields makes vanilla production an unreliable business. Since 2015, CRS has worked to strengthen farmers' capacity in vanilla production, and to influence national policy and local practices to reduce theft and ensure that only mature, high-quality vanilla is sold. To influence the government's policies, CRS works with the private sector, including the Ugandan Vanilla Exporters Association. Ultimately, CRS aims to improve the global reputation of Uganda as a producer of high-quality vanilla to sustain market demand and fair prices for all Ugandan farmers.

The country program's initial work enabled CRS to pre-position for funding that became the \$13 million Vines project, which is expected to benefit more than **16,000** farmers.



In Uganda, CRS works with the private sector along the value chain to make local vanilla competitive on the world market (see **Box 1**).



In Ghana, CRS strengthens the capacity of sanitation entrepreneurs to make better latrines, and of local government to undertake quality assurance and regulate sanitation services.



In Nepal, CRS works with government to train local builders to construct more disaster-resilient houses.



In El Salvador and Honduras, CRS strengthens the technical and managerial capacity of small, private water service providers and helps them access finance in order to improve water systems.



When providing humanitarian assistance, CRS prefers the use of cash-based assistance to channel demand to markets and minimize distortion. CRS also prefers to localize procurement whenever possible.

***However, CRS can further capitalize on these many market connections. By forging more strategic partnerships with market actors and aligning how teams interact with markets under a common vision, CRS can better leverage the potential of markets for transformational change that increases scale, reaches those who are most disadvantaged, improves resilience, enhances environmental stewardship and fosters social cohesion.***

A cross-departmental steering committee was formed within CRS to develop an agency-wide approach to working in markets. The committee agreed that the approach should catalyze transformational change at scale, increase program effectiveness, capitalize on the agency's strengths and respond to the contexts where the agency works. With input from more than 60 staff members throughout the agency, the committee decided to adopt market systems development (MSD), as the agency-wide approach to working in markets and to tailor it to the unique values, priorities, strengths and operating contexts of CRS (refer to **Box 2**).

**Box 2****The CRS approach to MSD**

A *market system* covers the economic interactions related to specific products and/or services. *Market systems development* influences how market systems work so that they grow and better include and benefit people who are living in poverty at scale. The CRS approach to MSD explicitly:

- Focuses on local people and communities, including the most disadvantaged.
- Informs strategies and activities across the Humanitarian-Development-Peace (HDP) Nexus with a shared systems perspective and vision.
- Strengthens market systems so that they increase resilience, improve environmental stewardship and promote social cohesion.

In so doing, the CRS approach to MSD creates pathways to transform market systems to better support and serve people over the long-term.

## About this Report

This report explains how different CRS departments working along the HDP Nexus can benefit from a shared market systems perspective and process, and why institutionalizing a tailored MSD approach will be valuable for CRS. It is divided into two parts.

**Part I** provides the strategic argument and direction for the CRS approach to MSD. It targets CRS managers and staff who want answers to the following questions:

- **Section 1:** What is the CRS approach to MSD?
- **Section 2:** What are the key differences between what CRS typically does and the tailored MSD approach?
- **Section 3:** How will adopting a tailored MSD approach benefit CRS?
- **Section 4:** What foundations does CRS have in place to adopt a tailored MSD approach?

**Part II** explains how to operationalize the tailored CRS approach to MSD. It is targeted at managers and staff who want to understand:

- **Section 1:** What process and benchmark practices are applied in the CRS approach to MSD?
- **Section 2:** What competencies do staff members need to effectively implement the CRS approach to MSD?
- **Section 3:** How does application of the process and benchmark practices differ in crisis, recovery and development situations?

The process to arrive at the conclusions in this report included a document review, CRS stakeholder consultations, a workshop and iterative reviews of the document, guided by the cross-departmental steering committee. A glossary with key terms and definitions is provided in **Annex 1**.



PART I

**Tailored  
Market Systems  
Development —  
a Key CRS Strategy**

1

# What is the CRS Approach to Market Systems Development?

This section provides definitions of a market system and market systems development. It explains how CRS has tailored the market systems development approach to be applied across the HDP Nexus in the contexts where CRS works and in accordance with CRS values. It concludes by summarizing how this tailored MSD approach can be applied in practice.

1.1

## What is a Market System?

A market system covers the economic interactions in a specific geographical location and related to specific products and/or services. CRS puts local people at the center of a market system and considers the products and services that are important to them as producers, consumers, workers and/or entrepreneurs. Around them are private sector businesses, government agencies and civil society organizations that offer products, services and jobs or buy products and services from others. These are collectively referred to as market actors. People that CRS aim to serve can be both target group members and market actors. Also included in market systems are the functions (e.g., information and inputs) and rules (e.g., government regulations and cultural norms), that influence transactions and market relationships. The market actors that perform these functions or establish formal rules are also included in the market system, such as associations, media, institutes and regulatory bodies.



Photo by Asad Zaidi for CRS



**Figure 1** Visualization of market systems



● Local markets    ● Regional markets    ● International/national markets

Market actors can be roughly divided into:

- 📍 **Local** (in the immediate geographical area), such as corner shops, local water suppliers, farmers groups and local government bodies.
- \_\_\_\_\_
- 📍 **Regional** (in the surrounding region of the country), such as wholesalers, regional radio stations and regional government agencies.
- \_\_\_\_\_
- 📍 **National or international**, such as exporters, importers, national associations and national government agencies.

As shown in **Figure 1** there are networks of local, regional and national/international market actors that perform different functions associated with specific products or services. **Box 3** provides some specific examples.

Box 3

Examples of market systems



The local housing market system might include:

- Local people building or upgrading houses, local builders and shops that supply building materials
- Interacting with regional electricity and water supply, brick companies and wholesalers for imported building materials
- Influenced by regional building regulations checked by engineers, information from regional government agencies and some building companies on disaster-resilient housing and prevailing norms on perceptions of risk.



The national horticulture market systems might include:

- Local farmers, farmers groups, input retailers, water suppliers and traders
- Interacting with regional government extension workers, seedling suppliers, traders, processors, transporters and cold storage suppliers, and
- National agricultural input importers, fruit and vegetable exporters, government agencies, research institutes and exporters associations
- Influenced by global prices and quality requirements, import/export regulations and prevailing norms on gender in agriculture.

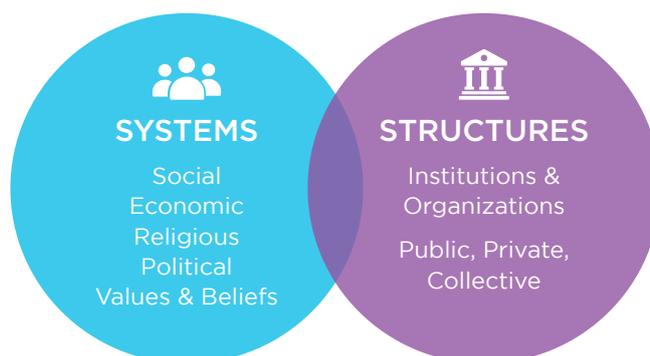


The local and regional school system might intersect with markets in several ways, such as:

- Farmers groups supplying vegetables for school meals,
- Mobile banking services to pay school fees, and
- Links to universities and businesses for technical and vocational training support.

CRS works with other types of systems besides market systems, for example public health systems or religious systems (refer to **Figure 2**). These systems often overlap or intersect with market systems. For example, public health systems intersect with the market-based provision of health services and products. Some market systems include products and services that are offered on a full-fee basis as well as a subsidized basis, particularly for the most disadvantaged.

**Figure 2** Systems and structures form part of the CRS Integral Human Development Framework (CRS and HDP Nexus 2022)



1.2

## What is the CRS Approach to MSD?

MSD explicitly aims to influence how market systems work so that they better include and benefit people who are living in poverty (refer to **Box 4**). MSD is increasingly being adopted by

donors and agencies to increase scale, enhance sustainability and leverage market actors' ideas, resources and expertise.<sup>2</sup>

### Box 4

#### What is market systems development?

The discussion on a systemic approach to (market) development started in the 1990s when the importance of enterprise development for poverty reduction was increasingly recognized. However, a method to stimulate enterprise development, beyond working with enterprises one by one, was missing. First steps toward a more systemic approach were taken when the focus shifted to value chain development and business development services as a means to support small producers and micro, small and medium enterprises (MSMEs). This evolved into a more versatile approach that, after several name changes, became MSD. The approach is informed by the following key principles:

- 1 Poor and vulnerable households are often (self) employed in MSMEs. MSMEs frequently supply poor and vulnerable households with essential products and services.
- 2 The productivity and resilience of MSMEs, and thus also how they can offer essential products and services and opportunities, is shaped by their access to appropriate production inputs, services, and a supportive (regulatory and normative) environment—a market system. All market systems have gaps. As a result, MSMEs may have inadequate access to relevant inputs, services and a supportive environment. Poor and vulnerable households may have inadequate access to essential goods and services.

- 3 The most effective way to improve the inclusion of targeted households in markets and influence MSME performance is to facilitate and strengthen how diverse public and private market actors can develop, produce and make more accessible the required products, services, production inputs and supportive environment.
- 4 The interactions and exchanges between market actors and target households and/or MSMEs should be sustainable with adequate incentives, interest and capacities on both sides to further develop. Facilitative support from a development actor is temporary and should not undermine or subsidize the interactions and exchanges between market actors and targeted MSMEs; an exit strategy is defined from the start.
- 5 The systemic development process encompasses a portfolio of time-bound partnerships with market actors that are mutually reinforcing. The composition of partnerships in the portfolio supports development objectives such as scale, inclusion, social cohesion, environmental stewardship, climate change mitigation, and adaptation and resilience.

**Part II** describes the benchmark practices that support MSD and how CRS can apply them in a tailored way.

<sup>2</sup> Note that Private Sector Engagement overlaps with MSD. Engaging with private sector enterprises is a key part of developing market systems, although not all work with private sector enterprises develops market systems (see **Table 2** for the difference between market-based and market-influencing interventions). For USAID's perspective see [Towards Transformational Impact: Synergies of Private Sector Engagement and Market Systems Development](#).

Box 5

## Objectives of CRS MSD programs

Through its MSD programs, CRS aims to partner with relevant market actors, including target group members, to introduce models that strengthen market systems in order to:

- Provide beneficial, in-demand products, services and opportunities to target group members at scale.
- Engage and benefit all people including those who are disadvantaged or vulnerable.
- Enable people to prepare for and recover from short and long-term crises.
- Enhance environmental stewardship.
- Promote social cohesion among people.



The tailored CRS approach to MSD responds to the agency’s ambition to work, where possible, in a catalytic manner. It is designed to facilitate change in how market actors operate and strengthen their capacity to offer more appropriate products, services, jobs and opportunities, or to develop and implement more appropriate policies. By influencing market systems, CRS can reach greater scale and ensure sustainability of benefits for the communities it serves. **Box 5** outlines a shared objective for MSD in CRS country programs. How the CRS approach to MSD is tailored in several ways is outlined below.

**The approach puts local people at the center of strategies.** It then works with different types of market actors, including: public, private and civil society; micro, small, medium and large enterprises; local, regional and national/international enterprises and organizations as relevant to local people and the products, services, opportunities and jobs that matter to them.

**The approach works across the HDP Nexus.** It specifically incorporates the CRS market-based humanitarian response and localized procurement as well as facilitative development interventions. Under the CRS MSD approach, all three work together using a shared systems perspective. They are guided by a context-specific vision and strategy for strengthening market systems so that they support people through crises and enable them to thrive in just and peaceful societies.

The CRS MSD approach focuses on key issues at the core of CRS’ global strategy, specifically it focuses on the following:

### Scale

It works through market systems so that programs reach the people that CRS aims to serve on a much wider scale than direct interventions.

### Inclusion

It focuses on including those who are disadvantaged in communities by understanding their priorities, developing imaginative business and delivery models with market actors that cater to those priorities, embracing hybrid models with a government-subsidized component where appropriate, and explicitly looking at the intersection between public service and market-based models.



In the economic sphere, *social cohesion* encompasses:

The strength, quality and diversity of economic relationships.

Equity in the sharing, distribution and management of resources (financial, natural, physical).

Equal opportunity in the access of basic social services, economic and livelihood opportunities and advancement in life.

**The Mini-Social Cohesion Barometer (CRS, 2019)**



### Resilience

It fosters an upward resilience trend through coordinated efforts across the HDP Nexus.<sup>3</sup>



### Environmental stewardship

It improves environmental stewardship and mitigates climate change in economic activities and interactions, and enables market actors and people to adapt to climate change.



### Social cohesion

It enhances social cohesion by pursuing opportunities to strengthen understanding and relationships among market actors, partnering with market actors with shared values, influencing business, delivery and policy models to become more equitable, and fostering productive competition that meets diverse demands for products, services and opportunities.



Photo by Sam Phelps for CRS

<sup>3</sup> With particular reference to the [USAID Market Systems Resilience Framework and resources](#).

**Figure 3** How the CRS MSD approach works across the HDP Nexus



**Figure 3** visualizes how the CRS MSD approach informs efforts across the HDP Nexus to strengthen market systems. At the bottom it shows procurement, humanitarian assistance and development efforts, each informed by a shared objective and process for influencing specific market systems. The arrows pointing toward the right indicate that, as the situation permits, CRS favors a facilitative approach to work in markets. For example, CRS will use cash-based assistance in humanitarian response rather than direct procurement wherever possible. CRS will also partner with market actors to influence and strengthen markets rather than using direct approaches as early as possible in recovery contexts, and as much as possible in development contexts. This does not mean that CRS only starts MSD in crisis situations. As visualized in the diagram, when MSD does start the CRS MSD approach in a crisis, it informs the choices in each situation. It also highlights that, in development situations, CRS influences market actors to prepare for crises and become more resilient as well as investing in better products, services and opportunities that will improve people's lives immediately.

The middle section of the diagram shows that, as a result of CRS' coordinated work across humanitarian and development contexts, market actors better support people to recover from crises, bounce back more quickly from shocks, and invest in offering better products, services and opportunities for people. The cogs represent the interaction between these processes and how, iteratively, these processes produce an upward trend that makes the market system stronger, more inclusive, more resilient, and better able to promote environmental stewardship and social cohesion.



Photo by Andrew McConnell for CRS

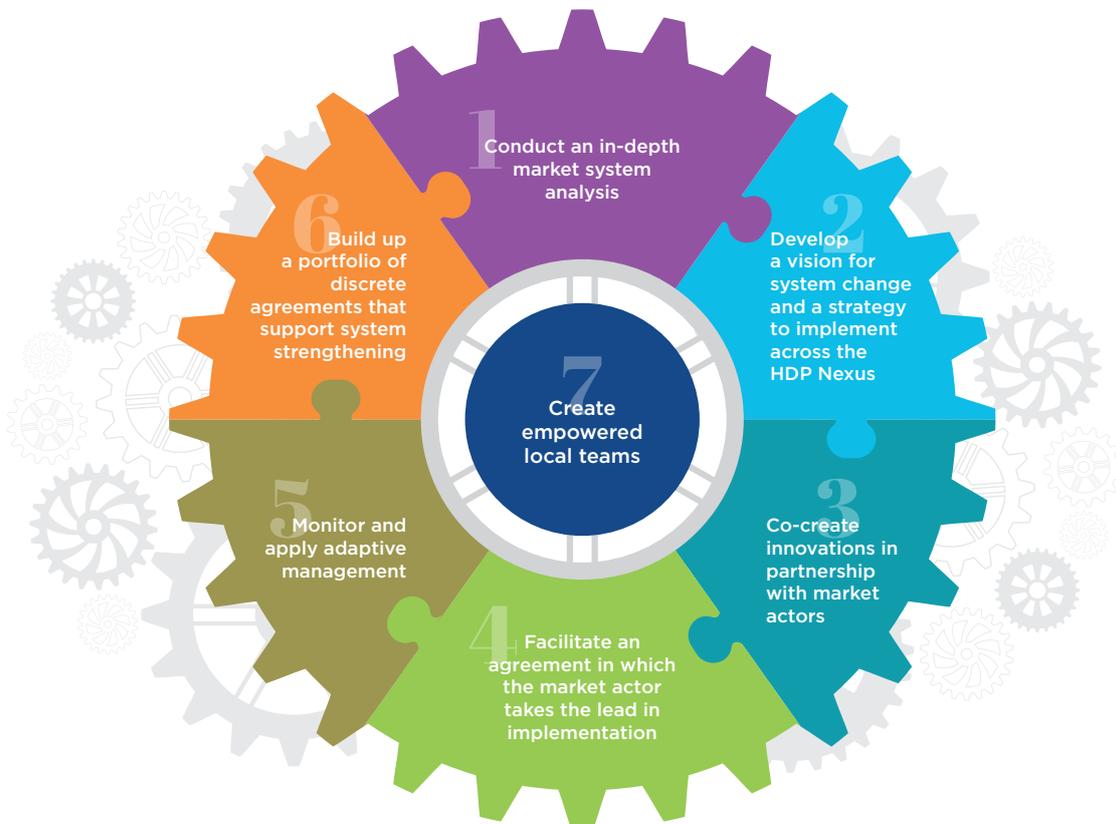
1.3

## How does the CRS Approach Work?

The CRS MSD approach provides a common process and seven benchmark practices (detailed in **Part II Section 1**) that are applied across CRS departments, regions, country programs and projects. The practices, outlined in **Figure 4**, reinforce each other, enabling CRS to effectively strengthen market systems. While all steps in the process are always followed, they are adapted to the context. The common process and steps:

- Enable CRS teams to have a *shared understanding of the market systems* in which CRS is intervening, in a country or local geographical area.
- Enable teams to analyze those market systems and articulate an *actionable vision of system change* with an agreed set of long-term objectives.
- *Support coordination and synergy* across teams and underpin a continuous, coordinated CRS implementation process in country programs, across departments and projects.
- Facilitate *transitions* from humanitarian response to recovery and development efforts *in support of long-term transformation*.

**Figure 4** Seven MSD benchmark practices



The systems lens and common process in the CRS MSD approach promote a consistent perspective and coherent application across the HDP Nexus, even when some programs only operate in a development context and others may only operate in a humanitarian context.

In any particular context, CRS will not work in all market systems relevant to the people and communities it aims to serve. Instead, the country program team will decide which market systems to influence based on the priorities of the target

group members and program objectives. For example, in a Resilience Food Security Activity (RFSA), CRS might include multiple products and services relevant to food and nutrition. In a development context, CRS might implement a national program focused on a single agricultural crop to increase the incomes of small-scale farmers. In this context CRS would ensure that permanent market functions are performed by market actors that are not sustained by donors. This better ensures that improvements in market systems are sustainable.

**Box 6**

**Public and private market actors work together to expand sanitation services**

The CRS Ghana country program worked with both public and private market actors to increase sanitation services in urban and rural areas. The program assisted a network of market actors to develop an improved system for sanitation services and strengthened the capacity of market actors to play different roles within it. Specific roles of the market actors included:



Local government coordinated the network of private and public market actors, regulated sanitation services, conducted a social marketing and behavior change campaign on sanitation, provided quality control of installed latrines and offered subsidies to the poorest households to purchase latrines.



Small, local private 'sanitation entrepreneurs' built, sold and installed a range of appropriate latrines for households.



A cadre of local private sales agents marketed latrines and financing services to households.



CRS Savings and Internal Lending Communities and microfinance institutions provided financing for latrines; some sanitation entrepreneurs offered flexible payment schemes.



A large company provided fecal sludge management services to communities, supported by local latrine emptiers.

In humanitarian response, CRS must adapt MSD principles to shorter-term contexts, and to projects that have specific aims of saving lives and livelihoods; still, the aim remains to work with and in support of market systems, with a view to longer-term sustainability and market resilience. CRS may work with a range of market actors during crisis and recovery.

The systems lens in MSD is important because it enables CRS teams to understand the multiple gaps that prevent a market system from working effectively. With this understanding, a team can develop a systemic strategy to address those multiple gaps (see **Part II Section 1.2**). These gaps may include, but not exclusively, lack of appropriate services for target group members, lack of efficient ways to purchase products from target group members, market actors' lack of information, and inappropriate regulations and policies. In effective market systems, public, private and civil society market actors work together. Using MSD, CRS works with multiple market actors to address gaps in market systems that are preventing them from including and benefiting people both in stable contexts and when crises occur (see **Box 6**).

During implementation, CRS develops partnerships with individual *market actor partners*—businesses, government agencies or other market actors interested in addressing one or more market gaps. With each market actor partner, CRS co-creates a model to sustainably address the gap(s). This may be a business model for the commercial provision of specific products and/or services, a delivery model where products and/or services are provided free of charge by a government agency, or a policy model where the government develops and implements a specific policy or set of regulations. CRS then co-creates a package of activities to strengthen the capacity of the market actor partner to initiate, sustain and manage the model. This package of activities is called an *intervention*. To address multiple gaps, CRS manages a *portfolio* of interventions with different market actor partners. These interventions may all be within one project, or they may be across a number of projects, but they all contribute to the systemic strategy to transform the market system.





Photo by Rick D'Elia for CRS

2

# Current CRS Approaches versus the Tailored MSD Approach

To grasp the opportunity for transformational change at scale through markets, CRS' engagement with market systems needs to become more strategic and intentional. CRS is well-placed to make the transition to a more systemic way of working, in which different projects across the HDP Nexus are increasingly informed by a shared market systems perspective and vision for change, and practices are increasingly aligned with those supporting facilitated, systemic development. This chapter outlines how typical CRS engagement with markets differs from the tailored approach to MSD. It also outlines a series of changes that CRS will need to adopt to effectively influence market systems. These changes reinforce each other to ensure a coherent transition toward the CRS MSD approach.



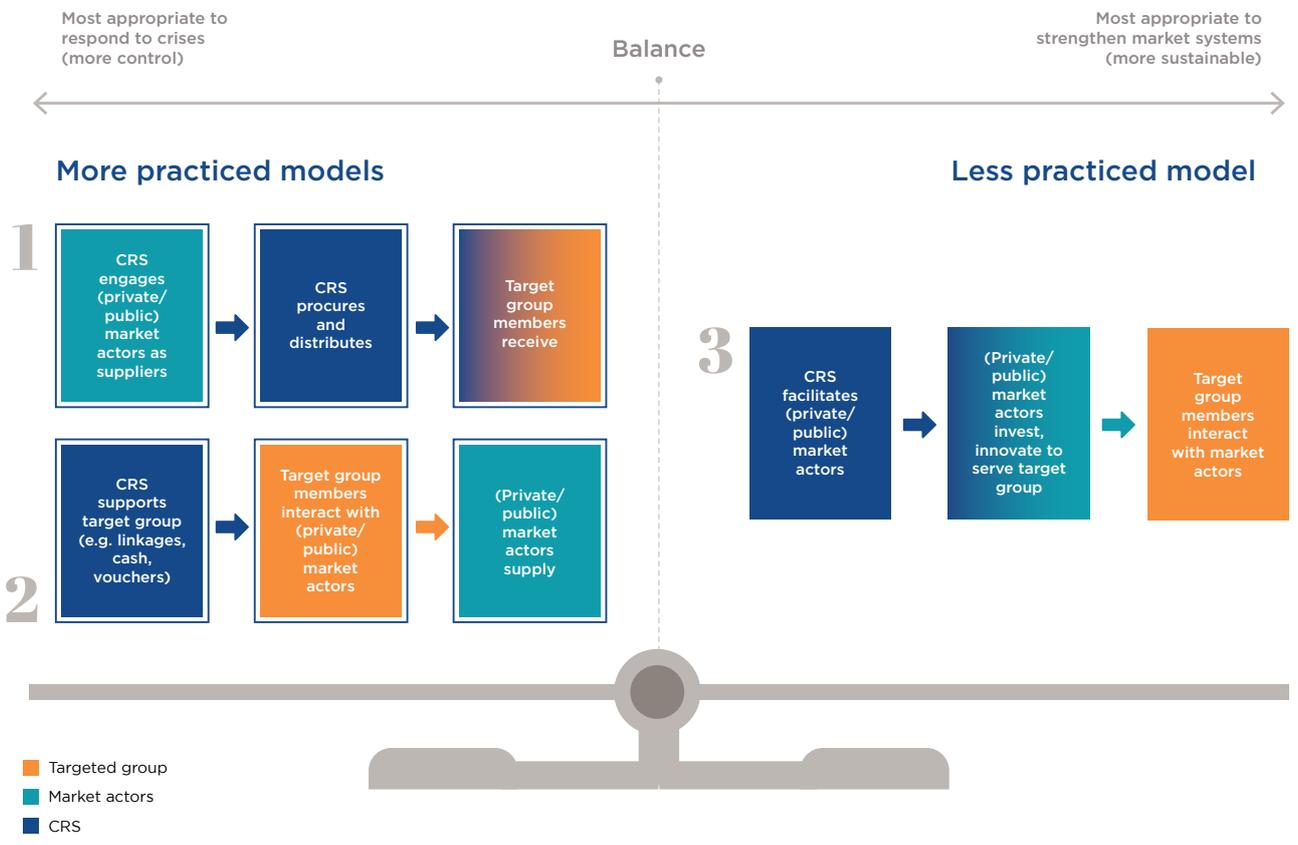
2.1

## Balance Market Engagement Approaches

CRS often engages market actors, but less often facilitates changes in the way they operate or their capacity to deliver humanitarian and development outcomes. **Figure 5** illustrates the models that CRS

uses to engage with markets. These models are not mutually exclusive as some programs use a hybrid mix, however there are key differences between the three models.

**Figure 5** Different CRS models to engage markets



In the first two models, CRS plays a leading role in generating market transactions relevant to development outcomes and ‘uses’ markets and market actors for this purpose.<sup>4</sup> CRS does

not fundamentally change how markets and market actors function. Their capacity to play a role in achieving development outcomes does not change. These models can be appropriate

<sup>4</sup> For more information on using and supporting markets in humanitarian contexts, see the [Updated Market-Based Programming Framework](#).

in responding to crises, with Model 1 relevant when markets no longer function, and Model 2 when markets are functioning sufficiently and people need immediate access to products and services. However, both Model 1 and Model 2 raise questions of the longer-term sustainability, scale, inclusion and resilience of development outcomes and a recurring dependence on CRS or other humanitarian organizations.

Model 3 represents a fundamentally different way of working. Here CRS influences the way in which markets work by facilitating market actors to change the way they operate so that they maintain improved practices after external funding ends. CRS does not lead, but plays a temporary, catalytic role, leaving behind a market that functions more effectively and more inclusively over the long-term. **Table 2** summarizes the difference between the market-based approaches of Models 1 and 2 and the market-influencing approaches of Model 3.

One model is not better than another. Instead, they are appropriate in different contexts. When CRS needs more control, such as during a crisis, either Model 1 or Model 2 presented in **Figure 5** may be more appropriate. As per Model 2, CRS prefers to provide demand-side support in this context in the form of cash and/or vouchers, supplemented with supply-side support to market actors when needed (e.g., grants to help them restock). CRS may also ship in goods from elsewhere for distribution, supplemented with procuring goods locally (Model 1). These responses provide households with quick access to needed products and help local market activity recover. However, when a situation is more stable and CRS aims to influence market systems to become stronger, more inclusive and resilient, then Model 3 is more appropriate as demonstrated in **Box 7**.

Under the CRS MSD approach, teams will still use all three models. However, they will find a better balance and alignment between the three models, resulting in Model 3 being used more frequently and more rigorously. Market systems in stable contexts are typically better developed than in a humanitarian context. In other words, there are fewer gaps where critical market functions, such as access to finance or information or equipment, are poorly performed or not performed at all. In this context, more rigorous adherence to facilitative MSD practices, as in Model 3, will strengthen the transformative nature of CRS' outcomes.

The CRS MSD approach will help teams to create smoother, faster transitions between Model 1 and Model 2 (CRS leading implementation) and Model 3 (CRS taking a step back and facilitating). Furthermore, work with market actors across all three models will be informed by a shared market system understanding and vision for system change so that all models support market transformation to the extent possible. While CRS will not be able to take a fully facilitative approach in all contexts, using a tailored MSD approach will help CRS move toward using a facilitative, rather than a direct approach more often and more effectively. This balance will enable CRS to strengthen market systems more intentionally and strategically.



**Table 1** Comparing market-based and market-influencing interventions

Strategy	Market-based	Market-influencing
<b>Goal</b>	<ul style="list-style-type: none"> <li>• <i>Use</i> markets to achieve humanitarian and development outcomes.</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Strengthen</i> markets to sustainably drive humanitarian and development outcomes.</li> </ul>
<b>Objective of partnerships with market actors</b>	<ul style="list-style-type: none"> <li>• Market actor partners and target group members develop trusted relationships or linkages and transact.</li> <li>• Focus on a few key activities in support of linkages and transactions.</li> </ul>	<ul style="list-style-type: none"> <li>• Market actor partners change the way they operate to better include and benefit target group members.</li> <li>• Focus on a range of market actor investments and (new) activities to strengthen market actor capacity.</li> </ul>
<b>Type of innovation or change(s)</b>	<ul style="list-style-type: none"> <li>• Market actors expand stock or outreach to new target group members.</li> <li>• No significant transformation of how the market actor operates and thus can support system strengthening.</li> </ul>	<ul style="list-style-type: none"> <li>• Market actors acquire new capabilities to develop, produce or source, market or deliver, newly demanded products and services at greater scale and/or more inclusively; or to develop more supportive policies and regulations.</li> </ul>
<b>Nature of relationship with market actors</b>	<ul style="list-style-type: none"> <li>• CRS leads implementation, offering specific roles to market actor partners.</li> </ul>	<ul style="list-style-type: none"> <li>• CRS and market actor partners co-create innovations.</li> <li>• Market actor partners lead implementation.</li> </ul>
<b>Facilitation tactics</b>	<ul style="list-style-type: none"> <li>• Link market actors and target group members; training, workshops.</li> <li>• Provide cash-based assistance to target group members to increase access to products and services.</li> <li>• Procure from local market actors.</li> </ul>	<ul style="list-style-type: none"> <li>• Provide technical assistance to market actor partners to change business/delivery models or policies and regulations.</li> <li>• Strengthen capacity of market actor partners to start and sustain new or adapted business/delivery models or implement new policies and regulations.</li> <li>• Work with private and public market actors to devise a range of sustainable payment approaches (and subsidies if required) to reach different segments of people.</li> </ul>
<b>Scope</b>	<ul style="list-style-type: none"> <li>• Typically focuses on one 'market', i.e., individual market actors or types of market actors (e.g., vendors providing emergency supplies) and a specific target group.</li> </ul>	<ul style="list-style-type: none"> <li>• Builds a portfolio of complementary interventions with different types of market actor partners to transform the market system (which consist of many interconnected markets e.g. a crop, inputs, information, water, equipment, transport).</li> </ul>
<b>Scale and scalability</b>	<ul style="list-style-type: none"> <li>• Modest, for instance one vendor typically supplies hundreds of target group members.</li> </ul>	<ul style="list-style-type: none"> <li>• Large, for instance when the facilitator supports several market actors to introduce more appropriate products or services via hundreds of vendors.</li> </ul>
<b>Sustainability</b>	<ul style="list-style-type: none"> <li>• Will vary as transactions may depend on CRS cash-based support or procurement.</li> </ul>	<ul style="list-style-type: none"> <li>• Good, as the innovation is subsidized but not the transactions between market actors and target group members.</li> </ul>

Box 7

## Connecting humanitarian and development efforts through the Agriculture and Livelihoods Pathway to Prosperity

The [Agriculture and Livelihoods Pathway to Prosperity](#) outlines different approaches to supporting small-scale farmers in crisis, recovery and development situations. For example, after emergencies, CRS may organize seed fairs and provide farmers with cash or vouchers to purchase needed seeds and other agricultural inputs to restart production (Model 1). In stable situations, CRS may provide training to farmers and connect them with markets (Model 2). These are effective ways to use markets and to connect small-scale farmers into growing value chains.

In development contexts, CRS has, in some cases, also influenced the way value chains work so that they more effectively include and benefit small-scale farmers (Model 3). For example, in Madagascar CRS worked with private sector buyers for agricultural produce to change the way they interacted with farmers. These buyers started guaranteeing markets, providing seeds on credit and providing farmers with complementary technical assistance in production and post-harvest processing.

[Private Sector Engagement Playbook](#) (CRS, 2020)



Photo by Dooshima Tsee for CRS

2.2

## Ensure a Shared Market Systems Vision across the HDP Nexus

CRS' ability to work across the HDP Nexus and maintain a long-term, in-country presence offers potential to catalyze increasing resilience and social cohesion over time, as per the [CRS HDP Nexus strategy](#) (see **Box 8**). Conversely, the CRS mix of approaches and long-term presence can represent a risk if projects are disjointed, as one approach may undermine another and a long-term presence can create dependency. However, different approaches can be turned into an asset if interventions are guided by a shared vision and long-term strategy for building the strength, inclusivity and resilience of market systems.

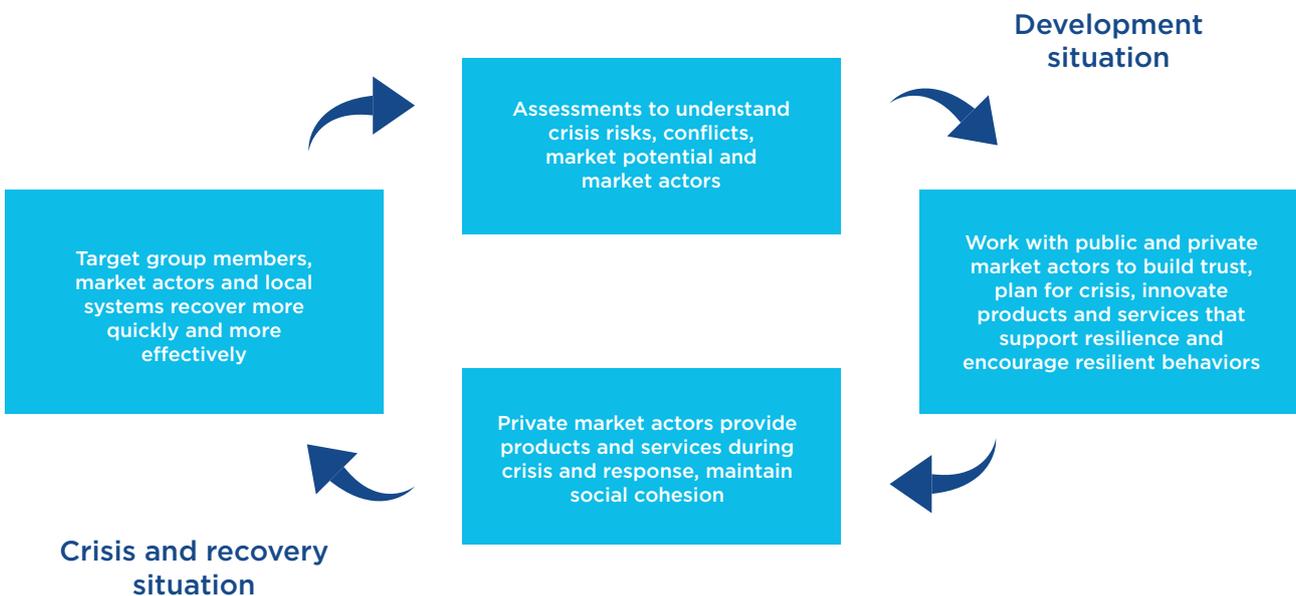
Many communities are likely to experience recurring shocks or long-term crises. Therefore, CRS may need to transition back and forth between humanitarian and development programming, integrating peacebuilding during both to rebuild trust and foster fair economic interactions. The CRS MSD approach provides the process and steps needed to develop a shared system vision and strategy relevant across the HDP Nexus. The strategy can guide coordinated interventions in crisis, recovery and development situations, integrating peacebuilding in the same location over time. **Figure 6** shows how this cycle works.

**Box 8**

### CRS HDP Nexus strategy (excerpt)

CRS works in a deliberate, coordinated and synergistic manner across the Humanitarian-Development-Peace Nexus to address the holistic priorities of the people we serve. Humanitarian and development interventions are strategically sequenced, layered and integrated to move beyond instability and out of persistent poverty. Whether responding to protracted emergencies or emerging crises, bridging from relief to development, or working in post-conflict societies, CRS incorporates peacebuilding approaches throughout the humanitarian-development continuum. (p. 4)

**Figure 6** Market system strengthening, resilience and social cohesion cycle



Over time, this cycle can create an upward trend; the market actors assisted in their recovery and further development following a crisis become the bedrock to withstand the next crisis. Increased resilience stems from better-adapted business or service delivery models, stronger public-private cooperation and more diversity and redundancy within market systems. Increased social cohesion stems from equal access to public infrastructure and resources, economic interactions free from prejudice and consistent, fair opportunities to pursue livelihoods. When these improvements occur, humanitarian programs have more local partners to work with and the assistance provided can be less distortive and better able to support social cohesion. This will enable CRS to restore demand through functioning and fair market systems instead of bypassing them. This benefits the cost-effectiveness and sustainability of the recovery process. Finally, stronger market actors also support the localization of procurement. More capable local market actors operating fairly will be better able to submit competitive proposals and manage the supply of essential products. These improvements further support an upward trend of resilience and social cohesion.

For target group members, this means access to essential products, services and opportunities is fairer and more consistent, and includes those who are vulnerable, disadvantaged or excluded. Quicker access to more appropriate products and services after disasters increases the resilience of target group members. Beneficial exchange among people previously in conflict builds social cohesion. **Figure 7** illustrates this process in alignment with the CRS HDP Nexus strategy. It shows that humanitarian and peacebuilding activities can be part of strengthening market systems, as well as development activities. It also shows that market influencing activities during development should consider risk mitigation and preparedness.

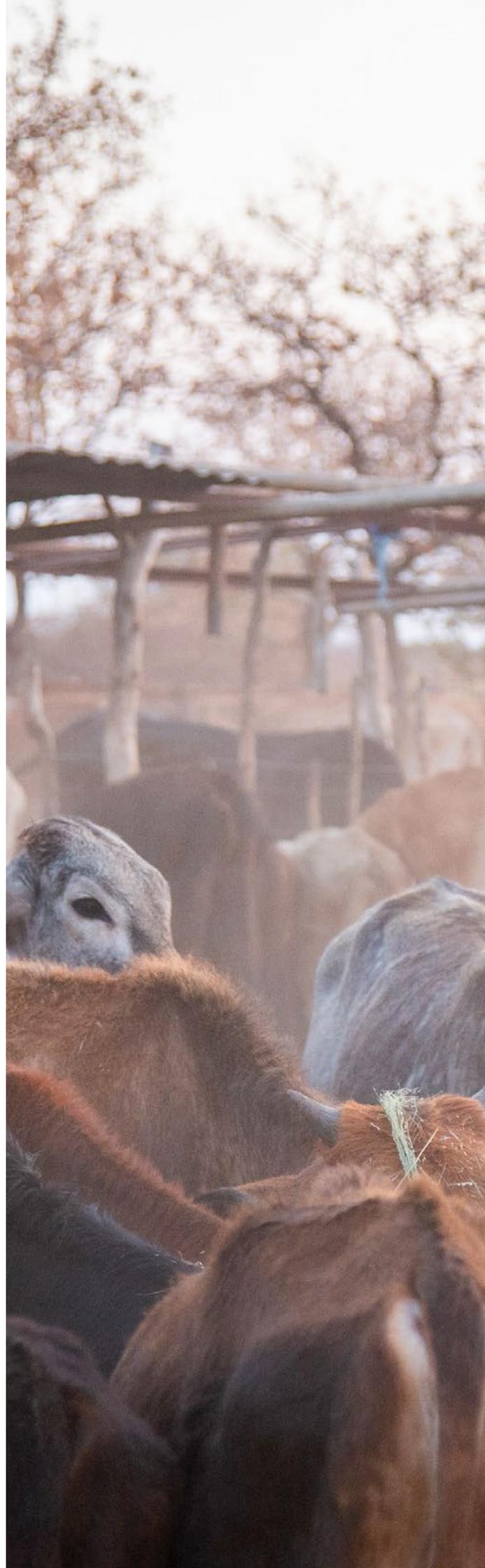
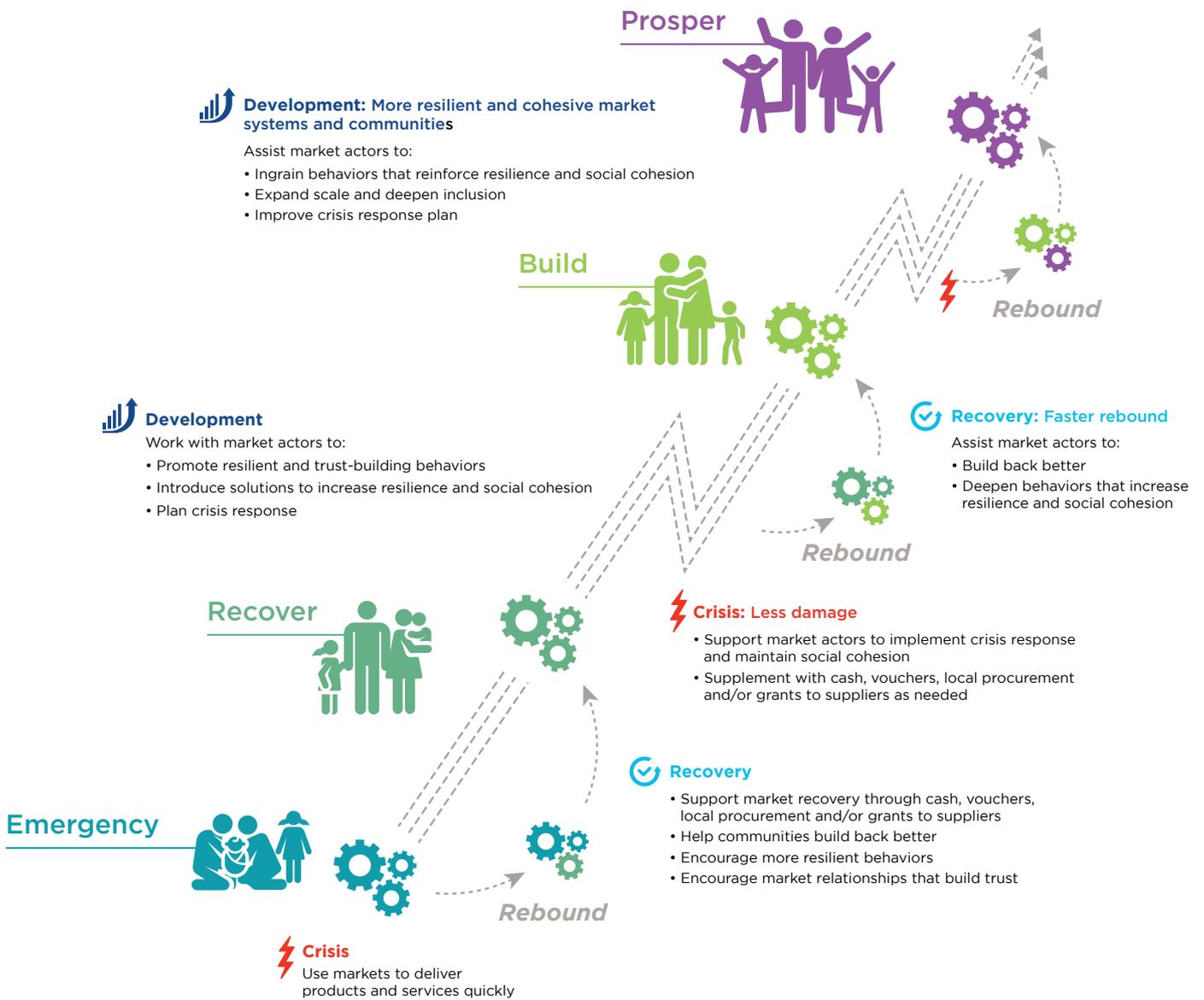




Photo by Dooshima Tsee for CRS

**Figure 7** Upward trend of increasing resilience and social cohesion fostered through coordinated interventions across the HDP Nexus



A practical example is provided in **Box 9** and **Part II** outlines in detail how CRS teams can apply a tailored approach to MSD across the HDP Nexus. Overall, the more CRS activities across the HDP Nexus work through and strengthen market actors and systems, the more these activities will promote transformational change.

Box 9

## Disaster preparedness in Haiti



Photo by Robyn Fieser for CRS

In 2015, Haiti ranked 15th in the world in terms of disaster risk with an estimated 600,000 people at risk in the event of a natural disaster. With funding from U.S. Agency for International Development (USAID)/Office of US Foreign Disaster Assistance, CRS collaborated with the local Directorate of Civil Protection to conduct a **Pre-Crisis Market Mapping and Analysis** to gain a better understanding of market systems and their ability to supply essential non-food products after disasters, particularly hurricanes. The analysis fed into a

preparedness and response plan to reduce natural disaster response time, save more lives, preserve the dignity of the most vulnerable disaster victims, and increase the resilience of affected communities during the 2015 hurricane season. The planning process engaged local authorities in joint emergency preparedness and response activities with a focus on market-based approaches. The strategy aimed to restore dignity to people who lost their essential belongings through access to non-food items via local markets, when functioning. It also aimed to stimulate the local economy by working with a network of local non-food item suppliers and engaging CRS resources to deploy pre-positioned non-food items to areas unsuitable to cash transfers.

### 2.3

## Implement a Strategic Portfolio of Complementary Interventions to Achieve Scale

CRS models for achieving scale have often been based piloting approaches based on piloting approaches through direct delivery, identifying those that were most effective and scalable, and then finding and influencing individual institutions to adopt the approaches. However, CASCADE, a GHR Foundation-funded project that has collected and curated case studies from across geographical and programmatic areas on how CRS achieves scale, shows that scale was rarely achieved this way. Instead, projects shown to be achieving scale more often used a systems perspective and facilitated

change by developing approaches with a network of public and private organizations from the start. The country program teams who worked in this way considered how different market actors and functions can better interact and complement each other so that the whole system works more effectively. They cultivated relationships with different market actors and institutions and worked on several interventions at the same time. Together the portfolio of interventions enabled the network to reach people at scale. See **Box 10** for an example.

This finding is in line with broader experience that shows that scale emerges from a strategic portfolio of interventions with different market actors over time. Implementing a portfolio of complementary interventions addresses the multiple and diverse gaps that are usually found in a market system, often including gaps in private sector provision of products, services and opportunities and public sector policies,

regulations and programs. The CRS MSD approach starts with a practical, yet in-depth, market system analysis and derives a clear vision and strategy from this. The vision and strategy guide the program team to develop a coherent portfolio of mutually-reinforcing partnerships with market actors within a single project and/or across projects.

Box 10

### Blue Harvest in Honduras protects watersheds and increases incomes



Photo by Oscar Leiva/Silverlight for CRS

In Honduras, CRS aimed to protect critical watersheds that supplied drinking water to thousands of people while simultaneously increasing farmer incomes. Improved coffee production practices were essential to both. CRS analyzed the coffee market system to develop a vision for how coffee production could be better for small-scale farmers and the environment. CRS then implemented a portfolio of interventions

with different stakeholders including communities, local governments, private enterprises (e.g., agro-input suppliers), banks, TV and radio stations, the Honduran Coffee Institute and the Honduran Forestry Institute to work toward the vision. As a result, the coffee market system became more environmentally friendly and farmers earned more income by reaching high-value coffee markets. Examples of changes included:

- New regulations for watershed protection and management.
- Improved government services for farmers.
- Sustainable soil testing and agro-input suppliers tailoring fertilizer recommendations to soil needs.
- Better public/private/community interactions to manage water resources.

**Blue Harvest** engaged with more than 80 stakeholder organizations, improved watershed management on more than 65,000 hectares and benefited more than 200,000 people. Blue Harvest is now being scaled up in more countries in Central America.

Using a systems perspective enabled CRS to engage with the multiple, interlocking systems involved in watershed management and coffee production so that improvements were sustainable and benefited people over the long-term. Engaging with a variety of different stakeholders, guided by an overall vision for how local systems could work better, ensured improvements reinforced each other and became entrenched, resulting in transformational change that will last.

**CASCADE** (2021)

2.4

## Use a Strategic Programmatic Perspective

Building up a coherent portfolio of interventions to achieve scale, inclusion, resilience and social cohesion takes time and consistency across projects and development phases. Currently, CRS more often uses a project perspective, creating teams and strategies for individual projects. Transforming market systems requires a strategic, programmatic perspective, with a longer time horizon than many projects. To influence market systems in a particular geographical area, CRS needs a shared vision and overarching strategy based on a practical market assessment. With updates, this strategy can guide CRS to develop a market system over a four-to-eight-year time horizon, or longer. If a project is at least four years long and has sufficient resources to build a portfolio of complementary interventions, CRS can effectively influence market systems within that single project. However, where projects are shorter or have more modest resources, interventions under an overarching MSD vision and strategy will be implemented across different projects. This will frequently be the case where humanitarian and development projects contribute to the same strategy, as they are typically funded separately. Even with larger and longer projects, coordination is likely to be useful so that strategies to strengthen different market systems complement each other to better include and benefit communities and people over time.

There are a number of implications of using a programmatic perspective to strengthen market systems.



### **A shared systems perspective and common MSD process and practices** are two sides of the same coin.

The systems perspective identifies what needs to change to make a system more inclusive and resilient, and better promote environmental stewardship and social cohesion. This understanding, in turn, guides partnership development with market actors as well as any more direct implementation of humanitarian and peace building activities that preceded these. It is important for CRS to have a shared systems perspective and common process and set of practices for MSD across departments, sectors and the HDP Nexus to facilitate coordination and improve effectiveness across projects. A market analysis and strategy can then inform many projects, and a single approach to monitoring can inform revisions to the strategy.



*In addition, the principles of subsidiarity and localization in CRS typically focus on church and NGO partners, rather than also including market actors.*

Adopting a tailored MSD approach will fill the current void and represent a shared agency market systems perspective and process that informs work in all sectors, procurement and across the HDP Nexus. It will also allow room to tailor efforts to specific contexts and sectors.

---



**Creating empowered local country teams** is essential to effectively strengthening market systems over time. Experience in MSD programs shows that the more teams understand the market system they are working in and the overarching strategy to strengthen it, the more effective they are at developing interventions to influence that market system. The best way for teams to gain this understanding is to be involved in each step of the MSD process, from market assessment and strategy design to monitoring and adaptive management of the intervention portfolio. Local teams that have this understanding and experience are more effective than external managers at finding appropriate market actor partners, co-creating innovations and developing and managing agreements with them, and monitoring what is and is not working. When staff are hired only for specific projects, they will have less understanding of the market system and strategy and it is harder for them to make effective decisions about partnerships with market actors. When taking a programmatic approach, a country program should create and retain a team that strengthens markets across projects.

---



**The use of flexible funding** is important to maintain a programmatic approach guided by an overarching strategy. Flexible funds can be used to:

- Conduct or supplement market assessments and develop a vision and strategy that positions CRS for multiple awards to strengthen market systems, including both humanitarian response and development programming.
  - Support CRS staff members to initiate and maintain relationships with market actors so that partnerships can be developed quickly once funding opportunities have been identified.
  - Start interventions with market actors on a modest scale to test strategies and show proof of concept.
  - Retain staff members between projects who have acquired the skills and experience to effectively facilitate the development of market systems.
- 



**MEAL** provides an avenue to assess progress toward the vision for an inclusive market system. Adjusting the MEAL system so that it allows program teams to assess progress across projects will enable them to better analyze what is working well and identify remaining gaps in inclusivity, resilience, environmental stewardship and social cohesion in a market system. This analysis can inform interventions within current or subsequent projects.



3

# How will Adopting a Tailored MSD Approach Benefit CRS?

The CRS MSD approach directly responds to three of the **Vision 2030** Strategic Approaches (Refer to **Figure 8**). It is catalytic, harnessing the power of markets to achieve humanitarian and development outcomes at scale. It provides opportunities for new and expanded resources focused on humanitarian and development needs. Adopting a tailored MSD approach across the agency will help to build a more agile, innovative and impactful organization. This section summarizes how a tailored MSD approach across CRS will address the three Strategic Approaches.

In Vision 2030, CRS expresses the ambition to “catalyze transformational change at scale” and acknowledges that this entails breaking out of old paradigms, changing practices and partnerships in the process. Adopting a shared market systems perspective and process represents a critical shift in this direction. For CRS, a focus on strengthening market systems can be an engine across the agency for realizing Vision 2030.

**Figure 8** CRS Vision 2030 Strategic Approaches



3.1

## MSD will enable CRS to Catalyze Humanitarian and Development Outcomes at Scale

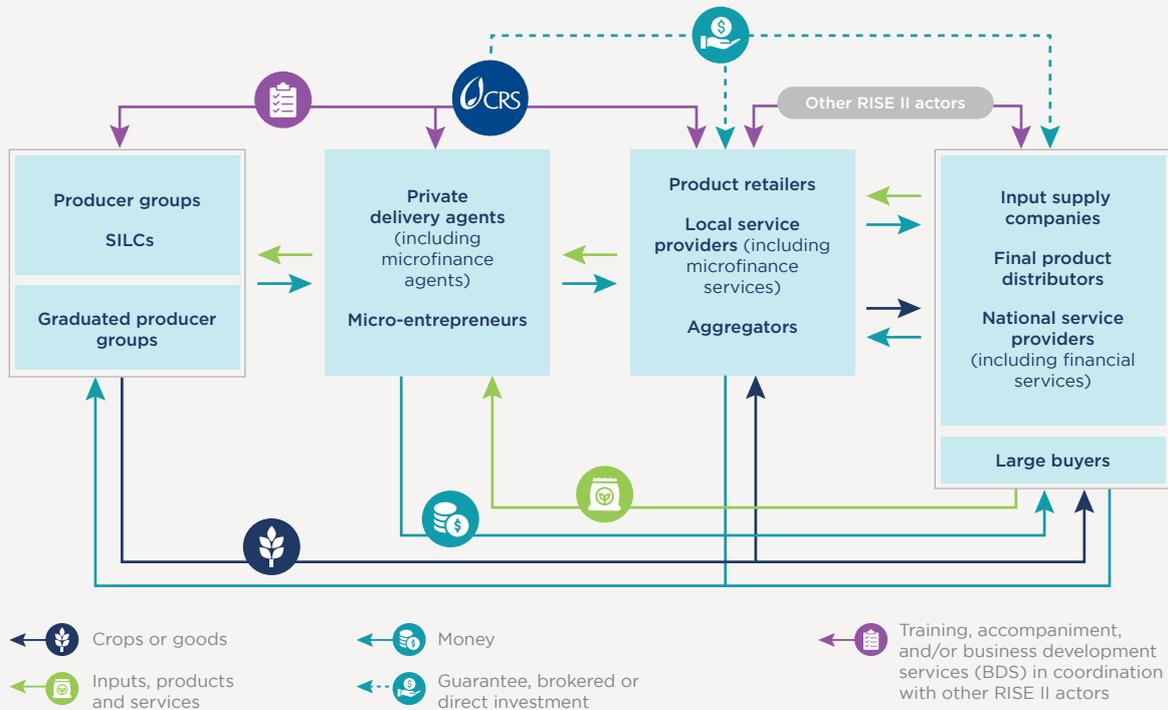
Market systems already reach scale but often do not automatically achieve humanitarian and development outcomes. Catalyzing the energy, ingenuity and reach of market actors can transform how market systems work and create inclusive impact at scale. Using MSD, CRS works with market actors to change their models and the way they interact with each other. These market actor partners then influence others. CRS can also influence policies and regulations under MSD, removing barriers and improving the environment for inclusive market systems. By addressing multiple gaps in market systems and encouraging the spread of improvements, CRS will progressively influence market systems to reach more people, including those who are disadvantaged. It will also provide these people with more appropriate and useful products, service, jobs and opportunities. As noted in **Section 2.3** the CASCADE findings indicated that using a systems perspective and strategy to guide multiple interventions has enabled CRS programs to reach scale. A further example of this is provided in **Box 11**. Harnessing the creativity and energy of many market actors creates a volume and diversity of impact that surpasses what a single organization can deliver.

### Box 11

#### The Girma Project in Niger

The **Girma Project in Niger** is a multisectoral RFSA funded by the BHA. The overall project goal is to sustainably improve food and nutrition security and resilience among highly vulnerable households and communities. With total funding of \$70 million, the project aims to reach almost 850,000 peoples in two departments (sub-regional administrative area) of Niger. Using a systems perspective (see **Figure 9**), Girma is developing three priority markets relevant to food and nutrition security: improved seeds, enriched flour for children's nutrition and latrines.

**Figure 9** The Girma Project systems perspective



In the market system for improved seeds, Girma is working with a seed company based in a neighboring region of Nigeria as well as local seed multipliers and agro-dealers to produce and market affordable, certified seeds that will help farmers to increase yields of millet, sorghum and cowpeas. In 2020, approximately 300 farmers bought 2.9 tons of certified seeds from 22 participating local agro-dealers. In 2021, 1,500 buyers purchased 3.9 tons from 44 local agro-dealers, showing an exponential increase in scale. Farmers purchase seeds at their commercial, not

subsidized, price despite other programs providing free or subsidized seeds. Girma provides limited and degressive support to the seed company to initiate the new operations in the project area, for example working with them to strengthen the technical capacity of local seed multipliers and agro-dealers and supporting them to extend their irrigation network. Based on monitoring information, the seed company, seed multipliers and agro-dealers will be able to continue operating and scaling up high-quality seeds sales after support from CRS ends. The next step is to monitor how the commercial sales of the seed company partner influences the dynamics of the seed market system in the area.

[Private Sector Engagement Playbook](#) (2020), [Models for Strengthening Last Mile Seed Production and Distribution in Fragile Contexts](#) (Mercy Corps, 2022).

## 3.2

## MSD will Enable CRS to Expand and Diversify Resource Mobilization

Existing CRS donors, both for humanitarian response and development, are increasingly requiring systemic approaches. For example, BHA, a top CRS donor, is increasingly emphasizing the importance of strengthening market systems and planning for resilience (see **Box 12**). Other USAID agencies regularly issue requests for proposals for MSD programs. For example, in September 2021, the **US Government announced** it would commit \$5 billion to its **Feed the Future** initiative. The **Feed the Future program description** states that “Lasting change requires progress driven by private sector investment, a healthy business environment, and strong market systems.” USAID’s recent **Climate Strategy 2022-2030** includes systems change as a strategic objective. USAID has a dedicated website, **MarketLinks** for sharing good MSD practices.

More and more bilateral donors consider MSD an essential part of their development agendas. For instance, from 2009 to 2019, the Australian Department of Foreign Affairs and Trade awarded more than \$500 million for MSD projects.<sup>5</sup> The Netherlands Ministry of Foreign Affairs has allocated more than \$315 million (€300 million) in its annual budget for private sector development since 2018.<sup>6</sup> The Swedish International Development Cooperation Agency’s (SIDA) portfolio of MSD projects had an average budget of around \$7.7 million (SEK 78 million) each as of 2018.<sup>7</sup> In 2020 alone, SIDA’s support for inclusive financial development, which includes private sector development, amounted to \$297 million (SEK 3 billion).<sup>8</sup> Other donors which currently fund MSD programs include the Foreign, Commonwealth and Development Office (formerly the United Kingdom Department for International Development), the Swiss Agency for Development and Cooperation, the Austrian Development Cooperation, Global Affairs Canada, the Finland Ministry for Foreign Affairs, and the German Society for International Cooperation. In a **2018 analysis**, updated in 2021, the Donor Committee for Enterprise Development (DCED) noted that MSD and PSE are two key trends in donor funding; the DCED manages an inter-agency website focused on MSD, **the BEAM Exchange**.

In addition to being aligned with bilateral donor development agendas, MSD is an attractive approach to many emerging donors, particularly from the private sector, who are innovating new models and shaping perspectives on charitable giving. For example, Ron Terwilliger, chairman emeritus of Trammel Crow Residential, gave \$15 million to **Habitat for Humanity to develop housing market systems for low-income populations**. In Africa, **the Gatsby Foundation**, funded by the Sainsbury family, has adopted an MSD approach.

<sup>5</sup> <https://www.dfat.gov.au/sites/default/files/market-systems-development-synthesis-review-final.pdf>

<sup>6</sup> [StrategiesStateoftheArt.pdf](#) (enterprise-development.org)

<sup>7</sup> [SIDA\\_Evaluation-Brief-MSD.pdf](#)

<sup>8</sup> [Private sector development | Sida](#)



Photo by Michael Stulman for CRS

**Box 12**

## Bureau for Humanitarian Assistance (BHA) demand for market systems strengthening

In its [FY 2021 and 2022 Emergency Application Guidelines](#), the BHA included a number of references to building resilience and strengthening market systems. Examples are provided below.

In the **Mandatory Cross-sectoral Guidance**:

- When the impact of a disaster is reduced (e.g., when a community is able to anticipate and prepare for recurring natural hazards such as earthquakes, droughts, or floods), chances for a more resilient recovery increase. (p.7)

In the **Overview of Economic Recovery and Market Systems (ERMS)**:

- Successful ERMS interventions are based on a comprehensive understanding of relevant market and power dynamics and economic factors, and how the target beneficiaries fit into market systems and power structures. (p.41)

In **Working within Market Systems**:

- Often the best way to sustainably restore livelihoods and promote increased incomes for these populations is to work with other actors that drive the economy. For example, this might include working with medium-sized businesses to promote employment and thus create jobs for disaster-affected people, or ensuring access to credit for buyers and wholesalers to ensure they can continue to purchase commodities from small producers. (p.42)

In **Subsector: Market Systems Strengthening**:

- BHA provides assistance to support local and regional economic activity through the rehabilitation of critical market systems, including both physical market infrastructure as well as support to affected critical market actors throughout the system who are hindered from performing vital functions in the market system... BHA also supports the assessment of critical market systems as a disaster preparedness tool, or to inform wider response or DRR efforts, for use by the wider humanitarian community (not for individual agencies). (p.46)

## 3.3

## MSD will Enable CRS to Build a more Agile, Innovative and Impactful Organization

While building on experience and lessons from working in markets, the CRS MSD approach focuses on forming new types of partnerships and catalyzing transformational changes in new ways. Adopting a tailored approach to MSD across CRS will improve program effectiveness.

Innovation is at the center of MSD. It is by co-creating innovative business or delivery models with market actors that CRS can influence markets. Agile, adaptive management is also a key principle of MSD as learning and applying lessons regularly enables program teams to shape individual interventions and a portfolio of interventions to transform markets.

Sustainability is a key consideration for CRS. When CRS enables market actors to improve how they serve people and work with communities in mutually beneficial relationships, market systems will continue to benefit people and communities after a project's funding ends. Influencing market systems can also enable CRS to promote inclusive growth that provides more jobs and opportunities to people over the long-term. Sustainability and inclusive growth, in turn, contribute to scale as more and more people are able to access appropriate products, services, jobs and opportunities over time.

Businesses, government agencies, associations and other market actors are an important part of communities and societies. Working with these market actors strengthens local leadership. Using MSD, CRS can foster beneficial relationships among market actors and between market actors and communities in ways that build social cohesion and ensure markets contribute to people's well-being. CRS can also bring together diverse leaders from different market actors, other institutions and communities, helping to form sustainable relationships that benefit local people.

Working with market actors has evolved naturally in some CRS projects as teams have recognized that it can improve program effectiveness. Market actors often understand local needs, demands and opportunities better than external agencies and are therefore better able to serve local people. Market actors possess unique expertise, for example in logistics or customer service. Market actors may also have networks of people, enterprises and agencies that can further add value to projects. In some cases, private sector enterprises can provide support to crisis-affected communities more quickly than aid agencies. Co-creating solutions with market actors leverages their knowledge and ideas. The CRS MSD approach will help make working with market actors more strategic so that partnerships with multiple market actors contribute toward transformative change. **Box 13** provides an example of innovative, impactful CRS programming through markets.

**Box 13**

### Innovating and increasing sustainability in Food for Education projects

CRS is one of the main implementers of the United States Department of Agriculture (USDA) McGovern-Dole Food for Education (MGD) projects. Historically, the commodities for school meals were sourced exclusively from United States Government donated commodities. More recently, USDA, host governments and implementing partners have prioritized sustainability, with the goal that governments and/or communities will assume full operations and funding for school feeding by the end of the award.

CRS implemented an MGD project in Burkina Faso, the Beoog Biiga (Tomorrow's Child) Program, which saw CRS and the Government of Burkina Faso (GoBF) design a strategy that aligned with the national policy and school feeding objectives. Elements of the design addressed jointly-identified barriers, with a strong focus on strengthening capacity within the GoBF departments that administer the program, and creating direct linkages between producers and schools. CRS and the GoBF negotiated an agreement in which the GoBF is increasingly responsible for funding and procuring school meals.

CRS is finding that there are many potential entry points for strengthening market systems in USDA MGD school feeding activities depending on the gaps found in individual countries. These include: facilitating market connections between producer organizations/unions, the government and schools; influencing policy to legitimize and professionalize farmer unions; engaging national laboratories to increase access to food quality and safety testing; strengthening producer organization and union capacities and skills in bid applications and contract negotiations; and incentivizing local production and/or manufacturing of diverse and nutritious foods and/or staples for import replacement.

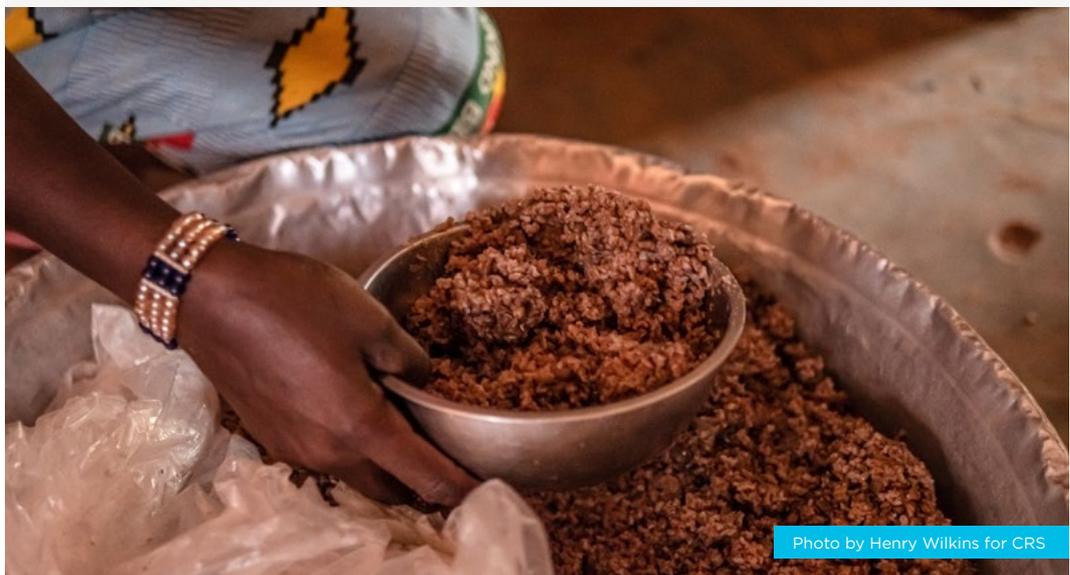


Photo by Henry Wilkins for CRS

4

# What Foundations does CRS have to Adopt a Tailored MSD Approach?

CRS has a number of strengths that form a solid foundation from which the agency can adopt a more catalytic and facilitative approach to working in markets. This section summarizes those strengths and the value they offer.

4.1

## An Increasing Number of Projects that Work in Markets

CRS has been successfully expanding its work in markets in all Goal Areas and across the HDP Nexus. This represents an important shift from primarily working directly with target group members and communities, to working through markets to achieve humanitarian and development outcomes. The shift has started to improve scale, effectiveness and sustainability in projects. By modifying how it works in markets using a tailored MSD approach, CRS will be able to take a further significant jump toward achieving scale, effectiveness and sustainability.

CRS has strong experience in using market-based approaches in crisis situations, as well as multisectoral projects in fragile contexts. The agency also works in multiple contexts where peacebuilding is essential and it integrates efforts to increase social cohesion across projects. This experience provides a wealth of information and lessons on the challenges of increasing resilience, including climate resilience, and improving social cohesion, particularly in crisis-prone contexts or protracted crises. CRS also has an expanding number of projects working with markets in development contexts. Although many engagements use and support markets rather than influencing them, some projects have started to use a systems perspective and to influence markets, including in agricultural value chains and WASH projects. **Box 14** provides examples of CRS engagements with markets and public and private market actors.

Box 14

## Examples of CRS engagement with markets per Goal Area



GOAL AREA  
**Justice  
& Peace**

All People Live in Just and Peaceful Societies

### Commerçantes Solidaires pour la Paix/Region des Grands Lacs

CRS united women traders across borders from conflicting communities in Burundi, Democratic Republic of the Congo and Rwanda to build trust, develop business relationships and learn from one another to strengthen commercial activities and serve as conduits of peace. The women developed strategies to advocate to border officials for more transparent and fairer taxation. The business links helped to sustain relationships beyond the end of CRS support.



GOAL AREA  
**Humanitarian  
Response**

All People Survive and Thrive in the Face of Disasters

### Greece Cash Assistance

As a major entry point for refugees seeking refuge and asylum in the European Union, Greece has been at the forefront of Europe's refugee crisis. CRS and Caritas have provided thousands of families with monthly cash grants, using prepaid debit cards, to buy critical food and living supplies. CRS has also provided conditional cash subsidies and support to families to rent suitable accommodation. The use of a prepaid debit card system, managed by a private company, makes the distributions safe and easy to manage electronically, and offers privacy to families.



GOAL AREA  
**Livelihoods  
& Landscapes**

All People Achieve  
Dignified and  
Resilient Livelihoods  
in Flourishing  
Landscapes

**Alianza Cacao in El Salvador**

This project aims to increase the production and processing of cacao in El Salvador and establish the country as a global source of fine chocolate by creating a viable, environmentally-sustainable, and high revenue-generating livelihood for vulnerable farmers. The Alliance works through universities to improve the agriculture extension curriculum, lab testing and research; through government in order to pass and implement policies that prioritize the cacao value chain; and with small- and medium-scale cacao producers, as well as processors and others involved in the value chain, to improve the quality and quantity of cacao. The Alliance also aims to raise the international profile of cacao by helping producers and processors share their products at international competitions, thus creating demand for Salvadoran chocolate. Working with market actors from the public sector, private sector and academia enabled CRS to improve the whole cacao value chain, making it more inclusive and more environmentally and economically sustainable, while also providing greater benefits to vulnerable farmers.



GOAL AREA  
**Health &  
Development**

All Children Reach  
their Full Health and  
Development Potential  
in Safe and Nurturing  
Families

**Mobile school fee payments in Zambia**

Making school payments in person was costing parents, especially mothers, time, money and lost work. After conducting market research on digital payments, CRS partnered with the major telecom provider, MTN, and connected them with the Catholic Commission's education desk who identified schools for a pilot. MTN, and the companies it worked with, brought expertise and resources to the project, investing in product development, technical systems, personnel training and outreach to schools and parents, which limited CRS costs to personnel and consultants. The pilot showed that many parents took the opportunity to pay school fees digitally. After the pilot, MTN then scaled up mobile payments to 200 schools, and the companies it worked with are also looking for more avenues to scale up digital payments.



GOAL AREA  
**Youth Jobs  
& Leadership**

All Youth Are  
Empowered to Thrive

### Enhancing IT Vocational Training and Employment Opportunities for Young Vietnamese with Disabilities

CRS coordinated with the business community and three local colleges to ensure advanced IT training and job placement opportunities were properly adapted for young adults living with disabilities. Universities provided the young adults with training, job-placement and social work services. Businesses provided input into curricula design, hosted exposure visits and internships, provided job preparation training and offered jobs. CRS also worked with organizations of people with disabilities to influence businesses to hire people with disabilities. They also worked together to advocate for government support for the university training courses and more appropriate training courses for people with disabilities in the government training institutes. Engaging business, academic and civil society actors ensured CRS leveraged local expertise and contributed to changing perceptions of people with disabilities in the workplace.

Building on this breadth of experience, a number of CRS departments and projects have outlined approaches to engaging with markets and systems. For example:

- The Agriculture and Livelihoods Team has developed the [Value Chain Toolkit](#), which outlines how CRS can engage with agricultural value chains to support small-scale farmers.
- The PSE Team has developed the [PSE Playbook](#), which outlines how CRS engages with private sector enterprises across all goal areas and in different contexts.
- SCP 2 - Homes and Communities has outlined a framework and guidance for leveraging housing market systems to enable more people to gain safe and dignified housing.
- The Health Team has outlined approaches to strengthening public health systems.
- The Humanitarian Response Department (HRD) has a well-developed approach to stimulate markets through cash-based assistance and other market-based interventions.
- The Global Supply Chain Management Department has a Markets Unit to stimulate the localization of procurement.
- Individual projects as diverse as WASH in Ghana and Agriculture and Livelihoods in El Salvador have documented their own approaches to engaging with markets.

While working in markets, CRS has also taken advantage of changes in technology, information availability and capital flows. The rise of digital systems, particularly in finance, has enabled CRS to provide cash to people in crisis more quickly, discretely and efficiently. New platforms for information dissemination are enabling CRS to reach people in new ways. CRS is tapping into the growing field of impact investing, channeling private sector capital toward businesses that will serve people inclusively, practice sustainable environmental stewardship and contribute to social cohesion.

The CRS MSD approach can build on these approaches, ensuring that a systems perspective and a preference for facilitation is integrated across CRS' work in markets.

## 4.2

### Unique Operational Strengths

The CRS MSD approach capitalizes on the agency's unique operational strengths: in-country presence, flexible funding, good reputation with donors and a track record of learning. The agency's private donor base provides it with sufficient stability to maintain a long-term presence in countries and the funds to bridge gaps between donor awards. It also provides CRS with the ability to invest in approaches and relationships with local institutions and market actors that will better position the agency for large awards seeking MSD expertise, or a systems perspective to humanitarian response. As discussed in **Section 2.4**, these strengths enable CRS to take a programmatic approach: developing long-term strategies that can guide multiple projects and improve coordination across humanitarian and development projects.

CRS has a reputation with its donors and partners as a reliable agency that works in challenging humanitarian response and development contexts, reaching people who are vulnerable or excluded in both contexts. This reputation will reassure donors and partners that, as CRS rolls out its MSD approach, it will continue to reach the most disadvantaged and excluded and foster social cohesion.

CRS has a long history and robust systems for reflection and learning that can support country programs and CRS departments as they adopt MSD. For example, the CRS SCPs have been designed to systematically test new approaches and disseminate new and effective practices among country programs. CRS also has a track record of sustained investment in order to adopt new approaches. For example, demonstrated CRS leadership in market-based approaches to humanitarian response is the result of a decade of strategic investment, including additional staff members to drive change, strengthening the capacity of country programs and developing procurement systems to support market-based humanitarian response. CRS can use the lessons from past efforts to structure strategic investments in order to institutionalize MSD.

4.3

## Staff who are Enthusiastic about MSD

CRS staff in global and regional programs and within country teams demonstrate enthusiasm to facilitate changes in market systems so that they address humanitarian and development outcomes at scale. Many of the staff interviewed and/or who participated in workshops and reviews for this initiative recognized that influencing market systems will allow them to reach more people, improve program effectiveness and increase sustainability. However, many were unsure how to effectively engage with market systems. Adopting a tailored MSD approach across CRS will provide teams with a clear process and set of practices to influence market systems. This will support their ambitions to reach people at scale, including those who are most disadvantaged, increase their resilience, foster social cohesion and improve environmental stewardship.



Photo by Ivan Palma for CRS



PART II

**Operationalizing  
Market Systems  
Development Along  
the HDP Nexus**

# Introduction



Part II of this document focuses on how to operationalize the CRS MSD approach. It outlines the seven benchmark practices that provide benchmarks for applying the CRS MSD approach and explains how to apply them across the HDP Nexus. It provides a competency framework outlining essential skills for applying the CRS MSD approach and describes why and how local teams should lead the design and implementation of MSD programs in country. This part of the report provides the foundation for the common, agency-wide process and practices mentioned in **Part I Section 5.1**.



Photo by Georgina Goodwin for CRS

1

# Benchmark Practices for Market Systems Development

Effective engagement with market actors to facilitate transformational change at scale and strengthen market systems rests on the application of seven benchmark practices. The first six of these practices enable programs to:

- 1 Analyze market systems.
- 2 Develop a vision for systems change and a strategy across the HDP Nexus.
- 3 Co-create inclusive, socially and environmentally responsible innovation, supported by commercially or politically-viable business cases and adequate investment to strengthen systems.
- 4 Develop partnership agreements in which the market actors take the lead in implementation—most of the time and for most activities—and CRS takes a backseat.
- 5 Apply monitoring and adaptive management to steer interventions toward sustainable and inclusive results at scale.
- 6 Build up a portfolio of interventions that creates impact at scale, is inclusive and resilient, and promotes social cohesion, climate adaptation and environmental stewardship.

Importantly, the first six practices form a package. When all are implemented effectively, they reinforce each other. Conversely, when a practice is left out, gaps emerge that affect how well the other practices can be executed. For this reason, the seventh benchmark practice is in place to:

- 7 Create empowered local teams able to implement the benchmark practices.

As discussed in **Part I Section 4**, if CRS is to transition to a more catalytic, transformative, and scalable approach to development as per the vision of the CRS MSD approach, it needs to rebalance how it interacts with markets (see **Part 1 Figure 5**). CRS needs to transition from working through markets and market actors to working in a facilitative manner to fundamentally transform how markets and market actors perform. Applying the seven benchmark practices will be essential for that transition and to inform the implementation of the CRS MSD approach.

In this Part II of the report, each benchmark practice is discussed in detail. This includes: why the practice is important; the logic behind it; typical limitations in implementation that can make them less effective (and should be avoided); and how they should be interpreted during an emergency and early recovery. The benchmark practices are supported, where relevant, by a summary of key features, an illustrative example of output, and how the practice benefits the CRS MSD approach. The examples of output are simplified and are not intended to be used as presented.

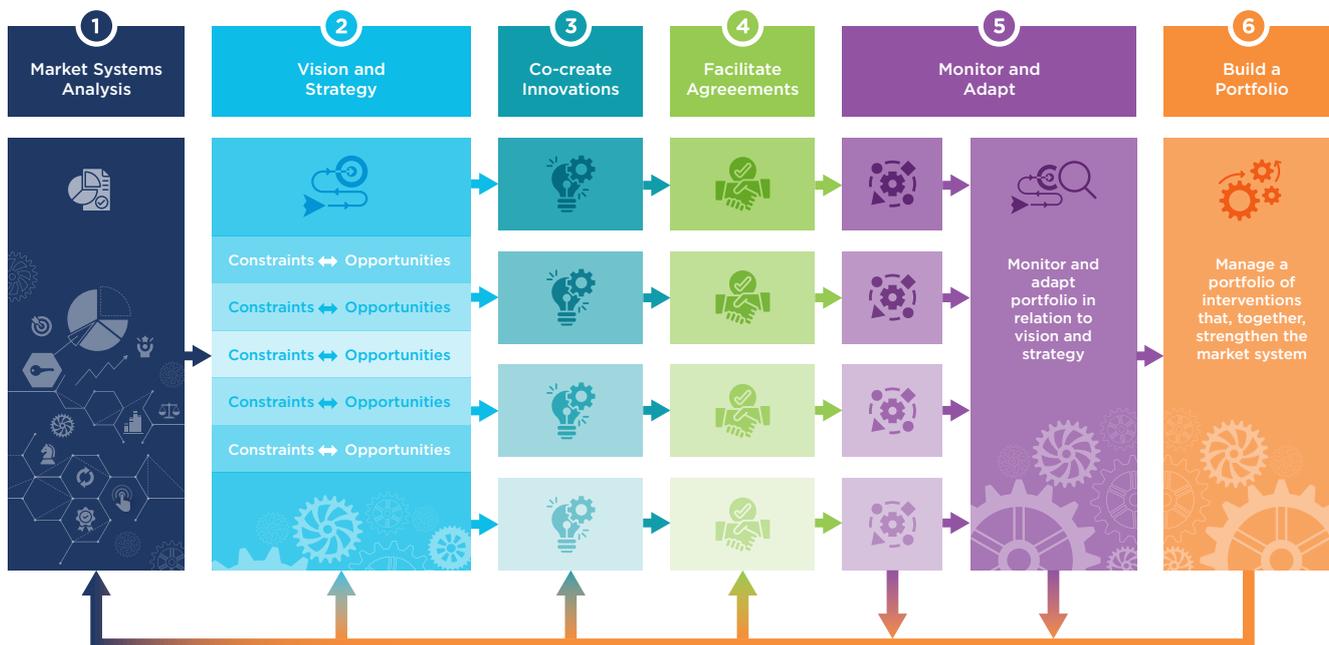
Not all benchmark practices can or should be fully implemented under all circumstances. For instance, market systems analyses are neither possible nor desirable in an emergency. However, it is useful to understand what the practice entails and this understanding forms the benchmark. For example, if a team knows what is included in a comprehensive market analysis, they can decide what to cover in a rapid market assessment following an emergency and what can be investigated later, when the situation permits. Furthermore, not all market actors are immediately able to implement a partnership agreement in an emergency setting. However, if a team understands how facilitation works, it will be aware of when activities should be ‘hands-on’, with CRS playing a leading role, and when, how and why to step back.

CRS should therefore aim to apply the benchmark practices, recognizing that there are specific circumstances where this will be neither feasible nor desirable. As an emergency situation begins to stabilize, the team can revisit the practices and begin to implement those not yet undertaken. This will allow them to further build the systems understanding and develop a longer-term vision and strategy. The focus should then shift from activities to facilitative support for more transformational business, service delivery and policy models. The transition from emergency to recovery to systemic development phases is described in detail in **Part II Section 1.7**.

**Section 2** outlines the team and staff competencies required to utilize the first six benchmark practices effectively. **Section 3** discusses how to implement the process and benchmarks along the HDP Nexus.

**Figure 4** in Part I shows how the seven benchmark practices interrelate. **Figure 1** below shows the process these practices form. This process is generally comparable to those described in the **CRS Value Chain Toolkit**, the **PSE Playbook** and the **USAID PSE Opportunities Tool**, but each benchmark practice intends to move the needle in terms of what is needed to implement the most facilitated, catalytic approach to development possible as CRS operationalizes its MSD approach. This extends to the formation of empowered local teams to implement these practices and the partnership modalities needed to operationally support implementation.

**Figure 1** The MSD process



1.1

### Practice 1 Conduct an In-depth Market System Analysis

Influencing a market system starts with developing an in-depth understanding of how it works. Systemic development is about fostering sustainable relationships between target group members and other market actors, in which they invest their own time and resources, and the market facilitator (in this instance, CRS) is only involved for a short facilitation period (see Model 3 in **Figure 5** in Part I).

To facilitate these relationships, it is important to understand the target group members, including their priorities, what they can afford and what they accept as feasible solutions. Simultaneously, it is important to know which market actors have the incentive, interest, energy, readiness and adequate capacity to respond to the target group’s unmet demand. Why they haven’t responded to date should also be identified.

A market system can be a daunting and abstract concept to navigate. An appropriate research process can help map the system and define what functions (e.g., inputs, materials, equipment, services, normative, regulatory and policy frameworks), supply chains and active market actors to include.

The scope of a market system can vary. It may be a national sector of the economy (e.g., that is relevant for inclusive pro-poor growth or addressing a key need such as affordable housing), or a specific value chain (organized around a specific product). It may have a regional focus that addresses the key needs of a local target group (e.g., refugees or local communities vulnerable to recurrent disasters or facing exclusion from the main economy).

A system should be defined around the demands of target group members (i.e., the needs they prioritize for investment). It should include the functions, supply chains and market actors with the potential to respond to these needs. This could include a mix of local, regional and national actors, depending on the demands that need to be met and the market actors and supply chains best placed to respond. For example, if local latrines need to be improved, then local masons may be best placed to meet this need. For better access to mobile banking services, a consortium comprising a regional microfinance institute and an international digital financial service provider may be best placed to respond.

The analysis starting point is the demand of the target group members, placed at the center of the market system diagram (see **Part I Figure 1**). The analysis then fans out to include other market actors and should include the following considerations:

-  Identify priorities as defined by the target group members (not every need can or should be investigated) and be clear on what are affordable and acceptable solutions.
-  Identify market actors that appear relevant, ready and interested to offer solutions, putting aside those that are less relevant, ready and interested.
-  Investigate the underlying constraints preventing interested market actors from responding to target group demand. These reasons can include the following: not knowing the market/target group; not understanding the need to modify products, services/or production processes to be more inclusive; not knowing how to do this and being unclear on the business case; inadequate distribution and marketing processes; inability to attract finance and talent; limited capacity to operate new technology to perform upgrades; and formal and informal obstructions in the market environment.

Note that underlying constraints are often due to the fact that no market actor has previously implemented a business, service delivery or policy model in a certain way. Innovation (changes in models, products, practices and technology) is therefore almost always essential and important in terms of how CRS needs to adjust its interaction with markets. Less frequently, more structural barriers will be identified (rules, norms, exclusion of access, exploitation and corruption, political economy and climatic risks). Again, innovation can be important in reducing barriers, such as developing a business case to include excluded communities in the workforce.

The aim of the market system analysis is to identify the market actors that display the strongest incentives, interest, and energy, and with whom relatively less development support is needed to strengthen their capacity to meet the demand of target group members in the most sustainable and inclusive way. This is the pathway to creating results at scale.

The result of the market systems analysis is a systems map, inclusive of the actors and supply chains relevant for responding to the priorities of target group members. This combination of priorities, constraints and opportunities, is discussed further in Benchmark Practice 2.



### Typical limitations that prevent market facilitators from developing an in-depth system understanding include:

- Poor choice of research tools and process: once-off (instead of iterative); limited field exposure (reliance on workshops); and an overreliance on quantitative research tools, such as surveys with closed-ended questions, that prevent probing to understand the decisions and trade-offs made by target group members and market actors.
- Not having an adequate local team to engage in the research effort (in terms of numbers, capacity, time), therefore relying on consultants and enumerators.
- Inadequate monitoring to fill knowledge gaps and learn from implementation.

Importantly, a quality market system analysis can be done quickly and at a reasonable cost. A local program team (not enumerators) of four to six members guided by an experienced MSD expert can generate significant insights through field research. A typical market system analysis can be completed in approximately four to eight weeks.

An in-depth and regularly updated systems understanding can guide development programming for several years. It can inform a single project, consecutive projects and a country strategy, including project pre-positioning and bids. A market system analysis can also serve as a pre-crisis or market baseline that can inform emergency responses. It can also guide the transition from humanitarian assistance to recovery and development.

A market system analysis should always result in opportunities—where there is unmet demand, there are opportunities to be found to respond to this. This also applies in fragile market systems that are early in their development, in post-conflict or post-emergency contexts and in the early recovery phase. If no opportunities are identified during the analysis, it is an indication of a poorly-executed analysis, not a reflection of the market system. At the same time, it is important to realize that not all opportunities will be known when the first version of the strategy is drafted. As the market facilitator learns from implementation, some initially very promising opportunities will be reassessed and new leads will emerge.

During a crisis, market actors who are critical to emergency response and community recovery are identified and teams can investigate these actors as a priority. A more detailed assessment of appropriate solutions, market actors and supply chains can then be undertaken when there is less urgency and recovery has started. As recovery transitions into development, a further assessment of how to create or transform sustainable, socially and environmentally responsible business cases to deliver inclusive change at scale can be undertaken (refer to **Section 1.7**).

See **Box 1** for key features of a good market system analysis, **Box 2** for an illustration how market system analyses would benefit CRS.

Box 1

## Key features of good market systems analysis

- 1** The average duration of a market system analysis is four to eight weeks. The first week(s) is with the target group and the bulk of the remaining time with other market actors. The process should be iterative with several rounds of field work to build a deeper understanding.
- 2** Multiple research tools should be used, with an emphasis on investigative, qualitative tools (in-depth interviews, observations, field-based focus group discussions) to probe and learn about how market actors work and think. Quantitative tools can be used to validate learning at a larger scale if required. While many of these tools will be commonly used, it is the rigor with which they are applied (with sufficient probing and triangulation) and the level of detail that is investigated that ensures a sufficiently in-depth analysis.
- 3** The research should ideally start with the target group—by placing the target group’s priorities at the center (refer to **Part I Figure 1**). It then ‘snowballs’ out to include the local, regional and, sometimes, national public and private market actors able to influence the target group’s access to products, services and opportunities. The purpose of the research is to generate findings representative of the market system and how it works, not a statistically relevant sample for a particular research respondent category. A market analysis typically includes more than 15 categories of respondents and more than 60 unique respondents (often more).
- 4** The scope of the research should be informed by the development needs. A system should be defined to include all relevant market actors able to offer solutions to these needs. A market system analysis can have a national, sectoral or value chain focus, but can also have a subnational, regional or local focus and include multiple markets and services. For example, if a region is struck by recurrent
- crises and this affects livelihoods, housing and essential services, the market analysis would be broader.
- 5** The research should focus on understanding the decisions and trade-offs made by target group members. When confronted with different needs, which one do they prioritize for investment in solutions, and which solutions do they prefer and why? The research should also seek to identify early signs of local innovation—target group members trialing new inputs, materials, equipment, services, products and opportunities—as these provide indications of what is feasible and accepted.
- 6** For market actors already responding to the demand of target group members, there should be a comparable focus on: current business, service delivery and policy models, plans and strategies; if and how they could invest in innovation relevant for the target group; what has and has not been trialed and why; if not, why not; and what could be done to sustain innovations. Early signs of local innovation should be considered as important signs of commitment and what is considered feasible.
- 7** The research results in a systems map detailing relevant market actors and leads for business and/or service delivery models, opportunities and ideas to better serve target group members.
- 8** Following the field research, the research team should undertake further analysis to identify the underlying constraints for market actors who are not able or willing to respond to target group demand. It can be assumed that market actors can provide useful insights and leads, but not necessarily the definitive answers. This analysis will result in a strategy (see **Section 1.2.**).

**9** It is preferable that the team responsible for implementing the market system strategy undertake the market system analysis, with expert support if needed. This avoids information loss, allows the team to capitalize on relationships initiated during the analysis, and follow up on any identified leads. Wholesale outsourcing of the process is not recommended.

**10** A market system analysis is typically followed by focused research efforts related to specific crosscutting themes (e.g., inclusion, social cohesion and climate adaptation).

**✓ DO:** Ensure local teams are able to conduct semi-structured, in-depth interviews. They can operate in pairs and conduct around four interviews per day. This schedule allows for flexibility and more time to be spent with knowledgeable market actors. It also allows the team to observe market actors at work, follow leads and check findings. The ability to apply 'snowballing' methodology and ask probing questions until it is clear why constraints exist is key.

**✗ AVOID:** Outsourcing the process; structured surveys; a tight, pre-defined schedule; and a reliance on technical experts who define solutions with little or no local proof of feasibility and acceptance.

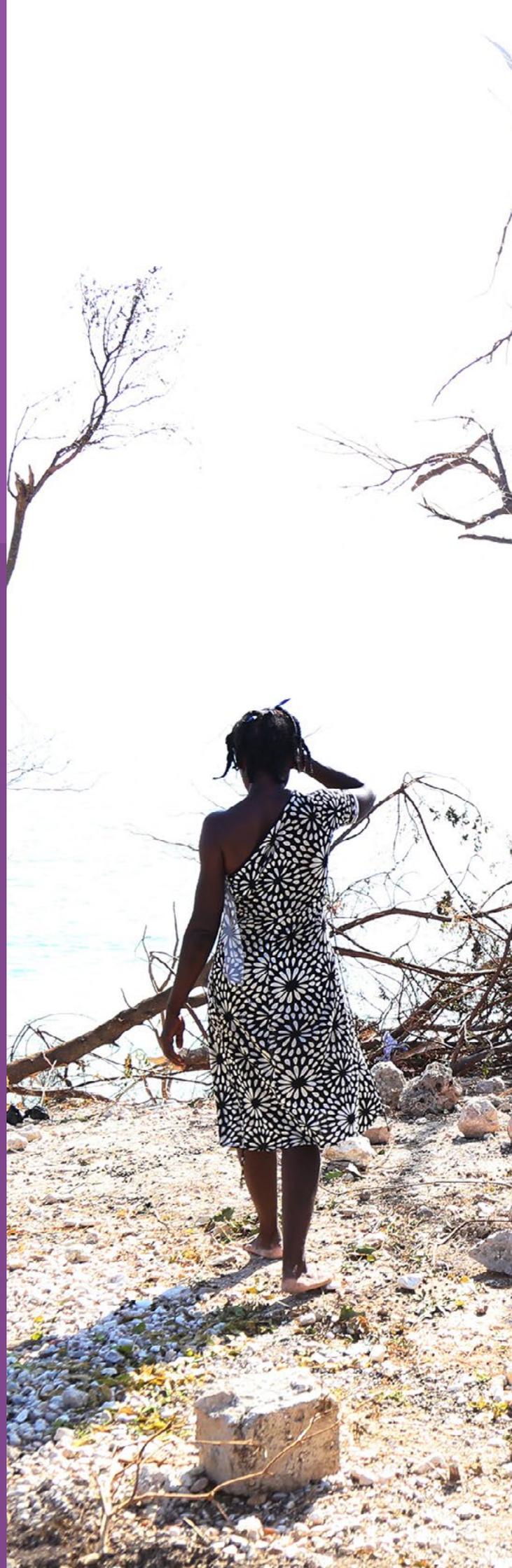




Photo by Marie Arago for CRS

Box 2

## How a market systems analysis can benefit CRS practice

Example:



All People Live in Just and Peaceful Societies

To increase social cohesion, CRS focuses on binding, bonding and bridging. During bridging, CRS and partner NGOs facilitate communities in conflict to connect over a shared interest. Often CRS provides a grant to communities to address a joint problem, such as building a shared water source.

**How future programs can apply MSD Practice 1:** Bridging activities are likely to be more sustainable, and therefore contribute to social cohesion over the long term, when they address constraints in livelihood activities or needed social services such as health or education. If CRS has conducted in-depth analyses of market systems related to common livelihood activities or needed social services as part of work in other sectors, then bridging activities can be linked into a wider vision and strategy to make these market systems work for communities in conflict. For example, if many women in the communities in conflict are traders, then CRS can work with each of the communities on a strategy to improve trading in a way that links the traders from these communities and enables them to address common problems. Common problems might include unfair border taxes, harassment, limited access to financial services and insufficient links with buyers. A thorough analysis of the market system would highlight where CRS could work with other market actors to address some of the challenges faced by women traders. For example, CRS could work with a bank to provide appropriate financial services to the traders or work with local government on issues of harassment. Linking the bridging aspect of social cohesion with a larger strategy for improving livelihoods or increasing access to needed services will magnify impacts and increase social cohesion over the long term.



Photo by Jim Stipe for CRS

1.2

## Practice 2

### Develop a Vision for Systems Change and a Strategy to Implement Along the HDP Nexus

It is important to turn the investigative market system research from Practice 1 into a vision and strategy for systemic development. The process of strategy formulation involves the final analysis piece that allows the market facilitator to define the underlying system constraints that need to be addressed to strengthen the market system.

A vision and strategy are therefore not the outcome of discussions with target group members. Their insights, combined with those of many other market actors, are digested into an actionable framework. This framework consists of:

- ✓ A vision that defines the ambition and scale of the strategy, including how many target group members should benefit, and how constraints can be addressed to achieve this.
- ✓ An outline of demand (priority needs), underlying constraints and associated analysis/explanations and opportunities to address constraints.
- ✓ Systemic scaling pathways that outline how to scale up results over time to create systemic change.
- ✓ An outline of how features of good development will be safeguarded, such as inclusion, social cohesion, climate adaptation and environmental stewardship, resilience, political economy and risks.
- ✓ An indicative timeline, budget and required local team size can be added.

At the core of the vision and strategy are the target group priorities, the underlying constraints and why they are not met, and the opportunities identified during field work to reverse this. These opportunities typically present as a mix of reasonably clear opportunities that can be quickly turned into concrete activities, combined with less concrete leads that need to be worked out once the market system analysis and strategy development are completed. Note: to preserve market actor ownership, all activities must be worked out in discussion with future partners and should not be predefined. A vision and strategy is therefore not an activity plan.

With rigorous analysis, the vision and strategy that emerge could remain relevant, with regular updates, for up to four years or longer. Reducing constraints and making systems stronger nearly always involves a portfolio of partnerships implemented over several years. This means that a strategy can be used to guide a typical four-year project, and to develop a country or regional strategy that informs a number of projects, including along the HDP Nexus.



*A strategy can help create synergy and continuity between different development efforts.*

While a vision and strategy can remain relevant for four or more years, funding for shorter timeframes does not mean it cannot be implemented. With less time, a smaller portfolio of interventions (see **Section 1.3**) will emerge, but as all interventions are designed to be sustainable, they are also worthwhile. They will make systems stronger, but at less scale than would be achieved with a longer implementation window. Therefore, a strategy can be implemented in parts and each intervention takes the system a step forward.



### Typical limitations that prevent market facilitators from developing an actionable market system strategy are:

- Inconclusive market system analysis resulting in vague or theoretical understandings of priorities, key constraints and opportunities (i.e., faulty, often stereotypical problem analysis resulting in inappropriate solutions).
- Stylized or over-planned strategies that present a simple story, but do not build on the often ‘messy’ dynamics observed in the field.
- A market facilitator that is so invested in one particular solution or working with a particular market actor that this dominates the market system analysis and subsequent strategy. For instance, a market facilitator may have successfully introduced a specific type of latrine in a country and is keen to replicate this, thereby running the risk of insufficiently checking whether such latrines would be acceptable, affordable and feasible given locally available materials and skills.
- Not distinguishing between a multi-year strategy framework and an annual plan.

Vision and strategy are ideally developed during the recovery or development phase, when there is time for reflection. This can assist the market facilitator to prepare emergency responses that support longer-term systemic development (e.g., providing emergency support to keep private and public market actors operating as they form part of a long-term vision of inclusive, sustainable and resilient development). If an outline of a vision and strategy must be developed during a crisis, the focus can be on the vision (what do we want to achieve) and target group priorities and preferences (focus of the first research layer). The analysis of underlying constraints and identification of opportunities may remain a hypothesis at this stage and verified later on.

See **Box 3** for key features of a good market systems analysis, and **Box 4** for an illustration of how a market systems analysis would benefit CRS.

In this example, potential partners include skilled and semi-skilled laborers, regional MSMEs and national companies. The aim is to identify the market actors that display the strongest incentives, interest and energy, and those that are able to strengthen their capacity to meet the demand of more target group members with less development support. This must be done in the most sustainable and inclusive manner possible. The market actors that fit this description will vary depending on the constraint to be addressed, and who is active in these market functions.

Note that the example does not include all vision and strategy elements listed above, but focuses only on the core elements.

With an evidence-based strategy in hand, CRS will know who to engage for what, and what to consider during implementation. The specifics of activities are worked out during the intervention design process, as described in **Section 1.3**.

### Box 3

## Key features of good market systems vision and strategy development

- 1** The market systems strategy should define the market system: who are the target group members (recognizing their heterogenous nature in terms of factors such as socioeconomic status, gender, ethnicity, religious or regional background) and which sector(s), value chain(s) and/or products/services will be targeted. This references the market system map referred to in Practice 1 (see **Figure 1**).
- 2** The market systems strategy should be informed by a four-year, medium-term vision of improvements in the market system in terms of scale, inclusion, resilience, social cohesion, environmental stewardship, and any other important crosscutting themes. All interventions under the strategy should support the system vision and desired change, and be designed with these themes in mind. The strategy should outline the systemic change (scaling) pathways required to achieve these improvements. These pathways become more concrete over time.
- 3** The market systems strategy should identify context-specific market constraints that can be feasibly addressed. Addressing these constraints will strengthen the market system in line with the vision.

**4** The market systems strategy should identify opportunities to reduce specific market constraints, including the market actors with whom the market facilitator could develop partnerships with. Central to a systemic approach is the notion that these constraints will always vary between systems. At a high, abstract level they may sound the same, such as ‘access to finance’, but what causes this and how it can be solved will always vary—this is the granular detail that the analysis needs to bring out, and workshops alone will rarely result in this detail. The strategy should also identify the kind of investment and innovation required (e.g., new business models or new ways to deliver a service) to allow market actors to strengthen the market system. This list of opportunities will evolve over time, informed by a process of continuous learning by doing; the list is neither static nor fixed at the start of the implementation process.

**5** A market systems strategy should identify risks, including those related to political economy issues, exclusion and climate change.

**6** A market systems strategy can guide a four-year project (with the option of an extension) or a country program that implements a series of projects focused on a target group and/or a crisis prone area.

**7** A market systems strategy can inform annual plans, prepositioning for bids, project design, and transitions from humanitarian assistance to recovery and development phases. A strategy can guide a series of development activities along the HDP Nexus and preserve continuity and synergy between them.

**8** A corollary to implementing a market systems strategy is the emergence of an intervention portfolio (not necessarily implemented under the same project but contributing to the same systems strengthening objective).

 **DO:** Develop an ambitious vision of change at scale. Focus on the types of market actors to work with and the sustainable (business/service delivery) models that one aims to support. Start implementing and learn from implementation to become more effective. The initial analysis should generate one to two years’ work in terms of leads. After two years the market facilitator knows a lot more, can refine with whom it wants to partner and for what.

 **AVOID:** The ambition to write a four-year activity plan with all partners and activities pre-defined (as per the logframe approach) or a theoretical elaboration on systemic change.

Box 4

## Developing a market system vision and strategy

Example:



GOAL AREA  
**Humanitarian  
Response**

All People Survive and Thrive  
in the Face of Disasters

In its humanitarian responses, CRS uses markets to support recovery when vendors can provide essential products and services to target populations. CRS provides cash or vouchers to households so that they can purchase priority items. In some cases, CRS also provides cash grants or technical assistance to vendors to help them recover.

**How future programs can apply MSD Practice 2:** Disaster preparedness is one of the most effective ways to minimize damage from disasters and ensure that communities can recover quickly. If country programs conduct an analysis of priority market systems, they can integrate this into an assessment of risks and disaster preparedness. The analysis can be used to develop a vision for resilient local markets that support people to recover, and a strategy for working with market actors to prepare for disasters. For example, if CRS works in an area prone to hurricanes, it can analyze the market systems for housing construction and repair materials and services, including the preparedness of target households, communities, private sector enterprises, government agencies and NGOs. This information can be used to develop a strategy to strengthen the local housing construction and repair market and build resilience to hurricanes. The strategy might include various interventions when the context is stable, such as working with suppliers on affordable disaster-resistant materials, developing housing micro-insurance and facilitating communities, local government, private enterprises and NGOs to develop disaster response plans for housing. Then, when a hurricane occurs, some houses will already be stronger and market actors will be better positioned to support communities. The hurricane response can further build relationships among market actors, stimulate economic recovery through housing repair, and highlight areas for improvement in disaster preparedness, enabling the country program to refine the strategy.



Photo by Oscar Leiva/Silverlight for CRS

## 1.3

## Practice 3

## Co-create Innovations in Partnership with Market Actors

The next step is to put the vision and strategy into action, starting with the identified opportunities. For each market actor, a tailored package of activities needs to be worked out that will enable the market actor to invest and innovate in improved, sustainable, inclusive and responsible business models or service delivery mechanisms to meet target group member needs. These packages are, in principle, unique as each market actor will have specific challenges to overcome before it can invest and innovate. However, comparable market actors may benefit from comparable support packages.

A package of activities for a market actor in support of strengthening a specific business service delivery or policy model is called an intervention (note that each intervention is unique and contains multiple activities). All interventions that support a market systems strategy form a portfolio.

Strengthening market systems rarely involves a single activity or intervention with one market actor. A market facilitator will always work with, and cost share activities for, a number of market actors to execute a market systems strategy. In time, they build up a portfolio of interventions with diverse market actors. For example, a program with a budget of \$2 million per year is likely to develop a portfolio of between 25 and 35 unique interventions over a four-year period.



*While all interventions should serve the target group, i.e., help them meet their priority needs, it is by no means certain that target group members will become the intended market actors that invest in a new business model or service delivery. If the target group needs access to good quality seed potato from a trusted source, and the best way to guarantee this is by supporting known local small-scale farmers to step into seed potato multiplication, then these small-scale farmers could be the partners to work with. If running an efficient rice mill requires working capital and business skills that simply exceed the means of target group members, then more suitable candidates should be considered. As mentioned, the aim is to identify the market actors that display the strongest incentives, interest and energy, and who require relatively less development support to improve their capacity and meet the demand of more target group members in the most sustainable and inclusive manner possible.*

---

Co-creating an intervention with a market actor should adhere to the following logic:

- The market analysis has identified the priorities of target group members that are not met because specific business, service delivery or policy models (public or private) do not perform well or are absent. The analysis typically also points out (some of) the underlying constraints that cause this.
- The market facilitator has discussions with potential partners, preferably market actors who recognize the problem and have taken steps to address this, albeit it often with imperfect and incomplete steps. Co-creation reflects humility and inclusion: solutions cannot be simply ‘parachuted’ into a context—it is about creating a perfect fit in the system context, and the ideas and efforts of market system actors are the starting point for identifying that ‘fit’.
- If both parties are on the same page, market facilitator and market actor then discuss how a sustainable model should operate from a technical, commercial, political, environmental and societal point of view. This is about bringing suitable, affordable products, services and opportunities at sufficient scale to the target group. This must be done in a sustainable and inclusive manner that does not undermine social cohesion, and does not ignore or exacerbate climatic and environmental risks.
- Based on a shared view of how the model should work, the next step is to discuss what is needed to allow the market actor to operate at the desired level. This could include the following: introducing new products and services or modifying existing ones; investing in new equipment and new staffing positions; upgrading the business or service delivery (private and/or public) process; adopting new technology; upgrading facilities; identifying new suppliers and distributors; developing plans to access bank finance; and preparing action to address structural barriers.  
  
Note: It is important that everything that is needed to create a sustainable model with outreach at appropriate scale to the target group is on the table for discussion.
- The market actor needs to like the activity package that emerges as they need to lead, and be able to manage, implementation. They also need to be able to share the costs in a credible manner (there should be no imbalance between intervention ambition and a market actor’s capacity). Genuine partnerships are based on mutual commitment—this is elaborated on in Practice 4 (**Section 1.4**)

This process can be executed in a boardroom, supported by department heads and excel sheets, but also, for example, in a refugee-operated fish restaurant, where the owners want to upgrade and become a solar-powered energy hub, powering a freezer and charging mobile phones.

Note: A market facilitator will engage in multiple co-creation processes simultaneously to build a portfolio.

By entering a process of co-creation, a market facilitator may feel they surrender control over development efforts to market actors. However, if the process is well executed, both parties will be clear on how changes will unfold in the market and for target group members. Nothing that the market actor does should come as a surprise. Catalytic development is not about hoping for unexpected results; it is about co-creating plans that market actors will implement. The resultant change in markets then deliver outcomes at scale.



### Typical limitations that prevent market facilitators from successfully co-creating interventions with market actors include:

- Inadequate field knowledge to identify market actors who could take on a new market function, and how this could be done; aiming for perfect practice or technology instead of a perfect 'fit' in a system context.
- A reliance on inviting proposals (instead of co-creating them). Often market facilitators who prefer to invite proposals will do so because they lack ideas and leads from the market analysis. This lack of understanding can mean they are not in a position to assess the feasibility and relevance of a proposal. This increases the risk that funding proposals lack appropriate ambition and innovation. Proposals by market actors are often less innovative and relevant than the product of a well-executed co-creation process.
- Rushing into a high-level MOU without working out specific plans. This increases the risk of working with partners who are not committed.
- Methodological restrictions that limit whom to work with and what to support.

In an emergency, a co-creation process to create sustainable business, service delivery or policy models will be difficult to initiate. However, it may be possible to recognize the future relevance of market actors to strengthen a market system. Steps can then be taken to ensure any emergency aid does not undermine the future potential of market actors. It could also be decided to provide support to, or include market actors in, aid activities as a first step toward a more detailed co-creation process to create solutions for longer-term resilience.

See **Box 5** for key features of a good co-creation process.

## Box 5

## Features of a good co-creation process

- 1 Co-creation always requires innovation, for a specific market actor, for the region, value chain or sector at large and, sometimes, for the country as a whole. There is a reason why target group members are not served well. As mentioned, this is often due to a lack of knowledge (the doubt that something can work, which leads to de-prioritization). Reversing this requires the interest and energy to overcome hurdles, combined with creative thinking and market insight to develop a plan.
- 2 Co-creation is not about simply inviting proposals and approving the one that looks best, nor is it about listening to what the experts say. If we take innovation seriously, and we take local systems seriously, then we must assume that the views of both the market actors and external expert advice need a reality check.
- 3 Co-creation requires a series of meetings—in the field, on the work floor, or in the office. Co-creation is not undertaken through a single workshop intended to generate an idea. The plan that emerges must be grounded in market reality, informed by technical details and supported by numbers. This takes time and multiple visits to the market actor's workplace.
- 4 Co-creation works best when both parties can add value. Ideally, the market actor can take the lead, but they will have information gaps. It is also ideal if the market facilitator can address some of these and recognize when the proposed plans are poorly thought through or unrealistic (as informed by the market analysis undertaken).
- 5 A co-creation process is an open process, with all options and questions on the table. If the market actor wants the market facilitator to cost-share in an innovation relevant for their activities, they cannot withhold information. The market facilitator should be willing to invest time to understand why the market actor would like to develop activities in a certain way, and the market actor needs to share their thinking and all details to assist the market facilitator to understand.
- 6 In the process of co-creation, the market actor and facilitator need to think through all aspects required to create a sustainable and scalable business service delivery or policy model. Models do not work if some elements are considered but others not.
- 7 The co-creation outcome typically takes the form of an intervention—a package of synergetic and mostly sequential activities implemented over several months to a year, sometimes longer. Transformational change at scale cannot be rushed.
- 8 The relationship described is a 'horizontal' relationship between market facilitator and market actor in which both contribute intellectually and financially. It is a genuine partnership. This is distinct from vertical procurement relationships in which the market actor orders goods and services and specifies the product criteria.

 **DO:** Develop a relationship over multiple visits, first to understand and later to work on a plan. Be ready to listen to market actors and work through confusing aspects together in the field.

 **AVOID:** Assuming that you know what will work in the market system. Don't assume that interventions or technology can be copied from other countries or contexts, or that technical experts are always right. Also don't assume that the market actors you meet in development settings (e.g., workshops) and speak 'development' language are always great to team up with (market actors who frequently seek donor funding are typically not the most innovative and energetic actors to reach your target group). Avoid short, formal exchanges with market actors or accepting proposals without rigorously vetting them as you risk not understanding the market actor's incentive to work with you.

## 1.4

## Practice 4

**Facilitate an Agreement in which the Market Actor Leads in Implementation**

At this point in the process, the market actor and market facilitator have co-created an intervention design that both parties believe in. The commercial potential, or positive effect on public service delivery or policy, and the relevance for target group members is clear. The agreed activities are practical and provide support where needed to enable the market actor to invest and innovate. The question now is who will take the lead in implementation?

The market facilitator should feel comfortable to negotiate an agreement based on the co-created design, in which the market actor takes the lead in implementation and contributes in a credible manner to the cost of the intervention activity package. This logic is supported by the following development principles and co-created design features:

- The market actors with whom the market facilitator will be negotiating will often not be target group members and are often not poor. They represent a sustainable and scalable 'means' to achieve a development outcome relevant for the target group.
- If market actors are genuinely interested in the intervention (i.e., no one is forcing them to be involved) and stand to benefit from a successfully-implemented intervention (i.e., it fits their agenda and supports their commercial or public role), it is justifiable to expect them to co-invest and play a leadership role. Market actors should be encouraged to lead in aspects that they are realistically able to with their available skills and resources, and they should co-invest what they can afford.
- If the intervention budget is modest compared to the market actor's means and the risks are not too high, the market actor's contribution can be relatively higher (e.g., between 50% and 80% of the total intervention budget). If the intervention budget and/or risk is relatively high compared to their means, the contribution can be lower (e.g., between 20% and 33% of the total intervention budget).
- Market actors must commit before receiving any support. This commitment can be demonstrated in a number of ways. For example, an informal fish restaurant owner may need to get their premises in order (invest time, collect local materials) before the market facilitator supports installing a solar refrigerator. A large leather goods manufacturer may need to invest in a production line before receiving support for the recruitment and training of female staff.

Note: Commitment from a market actor requires that they invest resources they would not have invested in the absence of the partnership. Ideally, investments are in cash but, in rare instances, such as for very small or just recovering market actors, they may be in-kind (materials or labor). In addition to any investments in cash (and sometimes in-kind), market actors must always take the lead in specific activities.

In terms of who pays for what and who does what, market actors should cover any costs they will need to sustain in the long-term (e.g. staff, inputs); this also avoids subsidizing business models. The market facilitator focuses on once-off costs (e.g., market research), any costs or investments that have an uncertain return (e.g., marketing staff that may not immediately generate adequate additional sales), and activities and costs that are beyond what the market actor can manage (e.g., international technical assistance).

It is important to define an exit strategy from the start and put the market actor in a position in which they must deliver. It is better for the market actor to struggle and learn while collaborating with the market facilitator (if needed, the intervention can be adjusted) than to grow dependent on support. Difficult choices are critical for long-term sustainability and are often not made if donor support reduces the pressure to do so.

When a market actor does not abide by the agreement, it is important to find out why. Was the plan not good enough and does it need to be adjusted? Is the market actor committed but struggling? Do they show a lack of commitment? If commitment is an issue, it is important that the market facilitator learns not to step in and take over. Sustainable development hinges on partners being committed to change.





**Typical limitations that prevent market facilitators from reaching a balanced agreement with market actors, including insufficient investment and commitment of the market actor, include:**

- The market facilitator is unclear on how much the market actor can realistically contribute, what they stand to gain from an agreement, and the sustainable model it will create. They are therefore uncertain how to negotiate, for how much, and may even be reluctant to do so.
- The market facilitator does not understand the importance of testing commitment and is willing to accept token signs of commitment such as ‘the market actor gave us time’, instead of demanding genuine proof of commitment (refer to definition above).
- While the notion of cost-sharing has become widely accepted, there is sometimes a tendency to present activities and costs that the market actor would have undertaken and borne as their contribution anyway. This does not test their commitment to the new model being put in place with the help of the market facilitator.
- The market facilitator is unclear on the importance of putting the market actor in the driver’s seat to ensure adequate learning on-the-job in support of long-term sustainability.
- The market facilitator is unclear on the importance of implementing the entire package of activities and therefore focuses on agreeing on a few activities.

In an emergency, the same logic applies as described in Practice 3 (**Section 1.3**). There will not be time to work out an entire business model or negotiate a full agreement, but building blocks for these can be put in place. These building blocks, such as those presented in **Box 8**, can include the market actor taking on a distribution function, or value-addition by re-packaging fodder shipped in bulk to an emergency area into small, manageable bales that small-scale farmers can collect.

Finally, all agreements must support commercially or politically sustainable models. In terms of their content, there should no difference if the market actor receives a grant, a loan, or (patient) capital investment against shares. Grant-based agreements should have a lower bar in terms of long-term sustainability compared to more commercial sources of finance. Agreements can therefore be funded by:



The market actor’s own resources and a grant from the market facilitator.



The market actor’s own resources, a loan from a bank to supplement these, and a grant from the market facilitator.



The market actor’s own resources and patient capital from an impact investor (or a combination of a grant to facilitate ‘graduation’ to sufficient scale and professionalization to be suitable for commercial investment).

Sometimes co-created intervention plans enable the market actor to attract additional commercial financing. The quality of the plan and the presence of the market facilitator may instill confidence in a financial institution authorizing a loan. Sometimes this investment is a stepping stone to further commercial investment.

Typical MSD grants are between \$25,000 and \$75,000. This is an indicative range and they can be higher or lower; the amount should always be determined by what is required to make a model sustainable. This indicative range is based on what most local and regional market actors can typically absorb and is adequate for technical assistance to larger national market actors (investment in capital goods may require a higher amount). The same process can work in a simplified form for small grants starting from \$2,500 to \$5,000 (e.g., to kickstart a refugee business).

Unlike market facilitators, impact investors typically prefer to work with more established market actors and a more proven business case that can absorb larger investments. MSD can be used to kickstart an innovation and, once it is proved and generating returns, commercial capital can be sourced to take the innovation to scale.

It is important that the partnership agreement template—the Scope of Work attached to a contract—can communicate a sustainable business case and is not just a list of activities and items granted.

See **Box 6** for key features of a good partnership agreement.

## Box 6

### Key features of developing partnership agreements

**1** During the process of negotiating an agreement, the package of synergetic intervention activities is written into a contractual agreement, which specifies who does what, by when, who pays for what, and against which deliverables.

Note: This is about the market facilitator and market actor cost-sharing investment in the market actor's business model or capacity for service delivery and, through this, they create development outcomes that the market facilitator pursues as part of its market system strategy.

**2** Negotiating an agreement for an intervention package should reduce the risk that market actors limit themselves to implementing just a few activities instead of all that is needed to make the intervention work. Market systems are not changed by a few activities here and there—only well-designed packages can make a 'dent' (in the example in **Box 8** the introduction of silage will be less likely to succeed if the quality (ingredients) is poor or a leaking shed results in spoiled bales).

**3** Negotiating an agreement should ensure that a viable design is implemented in a sustainable manner. For this reason, ‘who does what’ and ‘who pays for what’ should be determined by who should perform the function in the long term. From the start, the market actor should take on and pay for the bulk of the activities they will continue to execute. Otherwise, sustainability is jeopardized. Performing these activities from the outset also gives the market actor the opportunity to learn. The market facilitator should focus on activities that are short-term or too complex for the market actor to do on their own. Cost-sharing is based on what the market actor realistically can contribute but should rarely be only in-kind. Finally, an exit strategy should be defined from the beginning, again to ensure sustainable implementation.

**4** Negotiating an agreement should help demarcate the division of labor between the market actor and the market facilitator. The market actor should take the lead in implementing the agreement. The role of the market facilitator is to ‘walk alongside’ the market actor, giving them the space to learn. The market facilitator should only step in when agreed, or when it seems necessary. Maintaining the right amount of distance is important: far enough to give the market actor the feeling they are in the lead, but close enough to know when something is not in

**5** order and it may be useful to step back in.

Negotiating an agreement should support learning and test commitment. Interventions never evolve exactly as expected. Having an agreed plan at the start helps to see what is going according to the plan, what is working and what is not. This facilitates learning.

**6** When entering into an agreement, all that the market facilitator can control should be under control. This includes identifying relevant target group priorities, understanding how to work on them, identifying appropriate market actors, and working out a viable, robust plan. Interventions will never go to plan but, with decent preparation, a market facilitator can build up a portfolio with a high percentage (more than 75%) of interventions that yield an impact for the target group. Without rigorous homework, the success rate will be considerably less. Therefore, negotiating the agreement is the last moment for the market facilitator to check that all is as clear as it can be. Once the agreement is signed, the market facilitator and market actor will work together for a year or more to execute the intervention. Not working with the right partner, or working on a poorly conceived intervention, will mean a significant loss of time. Partnerships should never be rushed into and any issues should be sorted out as much as possible before the agreement is signed.

 **DO:** Write the Scope of Work attached to the agreement as a clear and comprehensive business case (see the simplified example provided in **Box 10**). This will ensure both parties understand what needs to happen when and how, expected costs and cost-sharing arrangements. This helps foresee challenges and information gaps that need to be addressed and, again, tests commitment.

 **AVOID:** Entering into quick agreements that are incomplete, high-level, and/or leave out important activities that the market actor does not like just to please them or keep them on board. If this occurs, the result will be agreements that do not move forward because the plan is unclear and/or the partner is not committed to take on responsibilities and address challenges.



Photo by Oscar Leiva/Silverlight for CRS

## Partnership modalities

CRS has a range of different tools to develop contractual relationships with market actors. However, interviews with country program staff indicated that many struggled to develop formal partnership agreements with market actors to cost-share new business models or build capacity to operate in new ways. Some staff mentioned challenges in partnering with smaller businesses when the business can struggle to meet CRS documentation requirements. Others have found that typical procurement contracts for private sector businesses do not promote partnership relationships. Donor restrictions on directly funding government may reduce the options for partnering with government agencies.

While these types of partnership agreements are possible within CRS, they are not commonly implemented or understood and the agency does not yet have well-developed templates and processes for them. Therefore, procurement and implementation teams are not always sure how to navigate the process of developing partnership agreements with market actors that are tailored to the needs of a particular program and the market actor. They can also be unsure on how to navigate the approval processes. Further institutionalizing tools and processes for developing partnerships with market actors will support country program efforts to implement the CRS MSD approach and strengthen local market systems. Key features of good partnership modalities are presented in **Box 7**.

## Box 7

## Key features of good partnership modalities

Partnership agreements are more likely to succeed if they are tailored to the demand of the target group, the market constraints that need to be overcome and the needs of the market actor in doing so. It is important that the modalities for developing partnership agreements support this tailored process.

Key features of good partnership modalities are as follows:

- 1 Sufficient flexibility and clarity in due diligence procedures to accommodate partners who may not maintain formal accounts, a bank account, or be formally registered.
- 2 Scope of Work templates that contain the elaborate agreement described in **Box.10**, including roles and responsibilities, budget, deliverables and reporting, payment conditions and information sharing for monitoring purposes.
- 3 Contract templates, to which the Scope of Work is attached, that contain the necessary legal clauses in a manner that is comprehensible for partners. Templates should be reasonable in terms of what they ask and offer (e.g., reporting, financial statements, payment installments, insurance, and documented adherence to specific procedures). Importantly, contract templates should communicate a horizontal relationship in which both parties recognize they have to meet obligations.
- 4 Contracts for the procurement of goods and services are structured differently, and have a different tone, to contracts that seek to codify a partnership in which both parties invest. As aid delivery has historically been procurement-oriented, contract language and competitive processes to identify partners are often not sufficiently updated to distinguish between suppliers and co-investing/cost-sharing partners.
- 5 Sufficient support in terms of procurement and recruitment is needed so the partner can take the lead, but the market facilitator can support requirements such as seeking quotations and filling out justifications.
- 6 Sufficient flexibility and clarity in terms of payment modalities so that the market facilitator can reimburse against deliverables, pay against milestones, or procure and transfer assets (informed by market actors' capacity and donor guidelines).
- 7 Sufficient speed and clarity in the overall process to ensure that partnership agreements can be signed off internally within a week, not months, for below-standard threshold amounts.
- 8 For systemic development, it is important that the market actor takes the lead as much as possible with technical facilitation staff supporting them. Operations staff work with the implementation team to help them support the market actor. Operations procedures and forms should be understood and actioned by implementation staff in support of market actors. Technical staff should be able to draft partnership agreements.



**DO:** Invest in partnership agreement templates and processes that are understood by partners and implementation teams.



**AVOID:** Re-using procurement-type contracting for partnerships or resorting to MOUs as a workaround. In order for CRS to rebalance its engagement with markets and strengthen market actors' capacity, it needs to do more than collaborate with them or procure on their behalf; it needs to strengthen the market actors' ability to invest in their own capacity in a way that creates innovation—a new, better, more inclusive and responsible way of operating. The use of MOUs constrains this, and so does undertaking procurement for a partner.

1.5

## Practice 5

### Monitor and Apply Adaptive Management

Monitoring is essential to assess intervention progress and to update system understanding and strategies. Most partnership agreements as defined in Practice 4 require amendments in the course of the implementation process—extracting lessons and being adaptive is key to good facilitation.

Like other development organizations, CRS invests in good monitoring and evaluation practices. However, facilitated, systemic development requires different monitoring processes compared to typical direct support. Overall, the quality and intensity of monitoring and adaptation will need to increase as the CRS MSD approach is institutionalized.

There are key differences between monitoring for systemic development and more conventional practices. In more conventional aid delivery, the activities, timeline and target group are often known beforehand (e.g., defined in a logframe). This means that it is relatively more feasible to conduct a baseline in the form of a survey and complement this with an impact survey afterwards. While this is an extremely limited approach to monitoring (certainly not good practice) it can be functional in this context.

In MSD, the strategy, partners and activities are not known beforehand and market actors and target groups participate on the basis of self-selection (they opt to make use of new opportunities or not). Activities are diverse and uniquely co-created per partnership. As activities are undertaken with market actors (to create sustainable models that respond to the target group's unmet demand), the results chain—one change triggering the next—between activities and target group members is longer. Furthermore, the timelines for each results chain differ. To keep track of this rich, diverse change process, results chains need to be drafted (one for each partnership) and each step in that results chain needs to be monitored as change unfolds and with tools that allow the team to capture this (and record baseline values).



*A results chain as defined by the DAC Network of Development Evaluation is the causal sequence for a development intervention that stipulates the necessary sequenced steps to achieve desired objectives, beginning with inputs, moving through activities and outputs, and culminating in outcomes, impacts and feedback.<sup>9</sup>*

---

<sup>9</sup> Available at: [https://www.enterprise-development.org/wp-content/uploads/1\\_Implementation\\_Guidelines\\_Results\\_Chains.pdf](https://www.enterprise-development.org/wp-content/uploads/1_Implementation_Guidelines_Results_Chains.pdf)

A key transition needed in monitoring for MSD is to move from a few large surveys to a multitude of smaller, near continuous monitoring efforts using a greater diversity of research tools. A unique results chain is drafted for each partnership agreement. A measurement plan is then drafted for each results chain, defining timelines, research tools and who should implement these.

In addition, it is important to emphasize that each market actor participating in a results chain will define their own response to the changes being triggered. This starts with the market actor and ends with target group members, but involves other local market actors in between. These market actors can be part of the supply chain or service delivery, such as wholesalers, equipment suppliers, last mile vendors, extension workers or regional governments. This can create scale well beyond what direct support can deliver. It also shapes how change ‘barrels’ through the market system—sometimes fast, sometimes slow, sometimes partially embraced and sometimes partially overlooked, misunderstood or rejected. This ‘barreling’ of change through the system reinforces the importance of results chains, each with their own measurement plans. Also, it puts emphasis on using more investigative, qualitative research methods to understand not only if change happened or not, but what happened, why, and how.

The second key transition is the application of an investigative monitoring approach, akin to how the initial market analysis is conducted. This also enables the market facilitator to track crowding-in to new markets, copying of newly-introduced best practices, and unintended impacts, both positive and negative.

The third key transition is that this monitoring approach is largely an in-house team effort, in which implementing staff and monitoring staff jointly do the monitoring. The implementing team may take more of the lead in the investigative, qualitative research efforts and the monitoring team may take more of the lead in larger, outsourced surveys in support of this. The overriding operating principles are as follows:



Always have multiple sets of eyes on the unfolding change process to interpret the information and data coming in.



Have sufficiently joint operations to avoid the monitoring effort yielding different outcomes, and a lack of the shared understanding needed to jointly analyze what causes this.

Monitoring starts the moment a partnership agreement is signed (and often earlier). It is recommended that the monitoring team has input into the co-creation process and works with the implementing team on a draft results chains while the intervention plan is being developed. This will ensure that a realistic sense of scale emerges and lessons are incorporated. To support country strategies that go beyond a single project, longer-term monitoring frameworks need to be established.



### Typical limitations that prevent market facilitators from establishing adequate, adaptive monitoring efforts are:

- A heavy reliance on outsourced surveys for data collection. This practice has many challenges, including: despite field testing, they may contain questions that are difficult for respondents to accurately answer; enumerators may lack the technical skill, mandate and motivation to probe; relatively less accurate answers are difficult to analyze (also, when using statistical tools, causalities and correlations may be difficult to establish and even more difficult to explain); and the overall insight gained and lessons learned may be superficial or wrong.
- A misunderstanding that quantitative research tools are scientific and qualitative research tools are not. A scientific approach involves a transparent process with representative outcomes that can be repeated under comparable circumstances.
- Poor timing of monitoring efforts (too early, but more often too late) make it difficult to understand who influenced who and what led to what. This makes it challenging to establish attribution.
- Implementing teams and monitoring teams do not collaborate on monitoring efforts, typically resulting in different team members or groups with their own understanding of what happened. This stifles internal debate.

In an emergency, conducting large, time-consuming surveys will be impractical and inappropriate. However, the quicker investigative, qualitative efforts emphasized here are feasible under all circumstances. It is important to note that building an understanding of how a system works and the impact of market facilitation on a system never stems from a single tool or effort, but emerges from the organized, systemic collection of information and data over time (guided by a measurement plan in line with the strategy).

See **Box 8** for key features of a good monitoring practice.

Box 8

## Key features of good monitoring practice

**1** A specific theory of change is developed for each intervention with a market actor. Each theory of change demonstrates how intervention activities, through changes in markets and/or service delivery, positively impact target group members. This is not a speculative theory of change, but an impact logic founded on the same concrete facts that informed the intervention design.

**2** Each theory of change (also called a 'results chain') is verified by a tailored measurement plan, using qualitative and quantitative research tools to verify a range of indicators covering market actor performance, changes in markets or service delivery, and impact on target group members.

**3** Monitoring is near continuous. The use of baseline and impact surveys with limited monitoring in between should not be considered good practice.

**4** Monitoring should support adaptive management and learning, not only results reporting. Progress should be reviewed every six months. Based on lessons learned, activities with market actors can be expanded, interventions with new market actors developed, strategies updated, or follow-up research initiated. Interventions and partnerships can be discontinued if the evidence suggests they do not deliver the anticipated results.

**5** Results can be aggregated across the entire portfolio for key quantifiable indicators.

**6** Good monitoring practice for systemic market development has been described in detail in the **Donor Committee for Enterprise Development Standard for Results Measurement**.

**✓ DO:** Undertake frequent field visits and apply mixed-method, investigative, qualitative research. Ensure teamwork between implementing and monitoring teams.

**✗ AVOID:** Relying too heavily on surveying, outsourcing and teams operating in silos.

Photo by Jim Stipe for CRS



1.6

## Practice 6

### Build up a Portfolio of Discrete Agreements that Support Systems Strengthening

Practice 1 to 5 result in a growing portfolio of interventions. Each intervention is: sustainable; responds to the target groups' demands; is designed to be inclusive, socially and environmentally responsible; and responds to any identified risks. Each intervention will also display unique strengths. Some interventions are likely to be scalable. Others will create significant employment for a previously excluded group. Some will introduce new technology at a modest scale but, if successful, this will boost the resilience of many target group households. Others will help governments coordinate emergency response. These are just some examples.

The portfolio will behave like an investment portfolio. Some interventions will do better than expected (e.g., a new technology finds a better market response than anticipated), others will not perform as well (e.g., sourcing production inputs turns out to be unexpectedly challenging). Some will be slow to take off (e.g., the partner first has to sort out some internal issues). This does not mean that getting results from a portfolio is reliant upon chance. With decent preparation, the majority of interventions will yield a result, but predicting the star performers is difficult. There can be a multitude of reasons for this. For example, the big corporate with progressive plans finds itself courted by so many development partners that talk never turns into action. The regional mover-and-shaker turns out to be a terrible manager. The local government official who understands what needs to happen cannot get his superiors' sign off. In time, the market facilitator will learn to recognize which market actors and models, public or private, are more likely to work, and which ones are not.

A portfolio therefore needs active management, extracting lessons and forward planning. While the monitoring of each intervention is a continuous process, it is useful to regularly take stock (e.g., every six months) of what works, what works less, why, and what lessons should be learned from this. Examples of lessons that might emerge include: the acceptance of new technology is less of an issue than expected; more can be done to scale up; big corporates do not care about the region; there is a need to focus on regional entrepreneurs; in order to educate households, government and material suppliers need to work together and create a taskforce; or, additional research is required to identify alternative supply options.



The stocktake yields learning on what works and what doesn't and identifies gaps in understanding (i.e., it is not always clear why something does not work, or how a potential solution could be conceived). It also informs planning: what to continue; where to start investigating the potential for scaling; what to put on hold to give the partner time to work out any issues (in this instance, the market facilitator may be concerned but not alarmed); where to step in because, without additional advice and effort, the intervention is likely to yield no result (in this instance the market facilitator is alarmed); and which interventions to terminate if there is no clear improvement in performance (the market facilitator no longer has faith in the partner or the model he/she wants to implement). Each annual planning process is preceded by a stocktake, with a further stocktake undertaken mid-way through the year.

This process then informs the systemic scaling pathways. What works becomes clearer, as does what can be scaled up and by how much without the partner losing control. It also helps identify any additional interventions. As implementation progresses, the systemic constraints can change. For example, the initial key constraint for creating a resilient fodder supply in a region is establishing local silage producers. As demand increases, the constraint may shift to having to stimulate enough farmers to supply appropriate ingredients for silage. This may then trigger the need for a further intervention with a seed manufacturer that, in the beginning, would not have been possible due to a lack of demand. Such additional interventions may be further removed from the target group (but still relevant for them, as without ingredients there will not be silage for their livestock). They may also be very close to the target group (e.g., establishing village savings and loan associations to enable target group members to save for input purchases).



Photo by Justin Makangara for CRS

It is important to avoid working with partners and supply chains so far removed from the target group that the incentive for change—their unmet demand—is too weak for partners to respond to. In this example, it is better to first create demand for silage and then shift to silage ingredients rather than to start with silage ingredients only to find a muted farmer response due to a still muted target group demand.

CASCADE case studies have illustrated that scale emerges from an intervention portfolio. Scaling ambitions should be based on allowing portfolios to build up (instead of banking on single innovations). Working with medium-term strategies will facilitate this and support the emergence of an ‘upward trend of increased resilience’.



### Typical limitations that prevent market facilitators from performing effective portfolio management include:

- Inadequate monitoring data to assess what is going on and why, and to allow an informed discussion on the appropriate response (i.e., continue, scale up, give time, intervene, exit, and/or do additional research or monitoring to inform the next step).
- Insufficient appreciation for the fact that good interventions are innovative and require learning on the part of the market actor and the market facilitator. Therefore, changes to the intervention are normal and interventions in which everything apparently goes to plan are suspicious, signaling a lack of information on what is really going on. A lack of appreciation for this can make the market facilitator rigid and assume an implementation process akin to ‘routine work’ (regular predictable outputs without hiccups).
- An insufficient appreciation for the fact that interventions may not work out and need to be exited. Exiting a partnership is not necessarily bad and is part of the learning process. A lack of appreciation for this can make the market facilitator avoid risk, or keep interventions going against better judgement.
- The result of the previous three points is that not all options are on the table during the stocktake, stifling adaptive management.
- Reducing stocktake exercises to a simple scoring and ranking exercise. All interventions are not directly comparable; analyzing how they perform is more relevant than ranking them.

In an emergency situation there is little time for an elaborate stocktake. However, having a strategy and portfolio of interventions in place (and knowing which market actors are important for what market function and what target group) can be a valuable starting point for a market-based emergency response. Conversely, market actors relevant in an emergency response can be incorporated into a portfolio, focusing on longer-term, systemic development.

**Box 9** presents features that are essential to good portfolio management.

Box 9

## Key features of good portfolio management

- 1 Each intervention in the portfolio is different in terms of the market actor, agreement and timeline.
- 2 Each intervention contributes to systemic change, but the ambition of the intervention is defined by what the market actor realistically and sustainably can manage.
- 3 Systemic change along the lines of what is defined in the vision and strategy is the aggregate result of the intervention portfolio.
- 4 The CRS MSD approach includes a market systems strengthening vision and strategy, and portfolio of interventions that can be managed across the HDP Nexus.
- 5 Good monitoring is important to track and aggregate portfolio results over time (possibly stemming from several projects).
- 6 Based on information generated from good monitoring, the implementing team can decide whether to continue partnerships, scale them up (if the partner is interested and ready), continue to observe, make improvements or have the courage to withdraw if a turnaround is unlikely.
- 7 The half-yearly stocktake allows the implementing team to assess if the portfolio is moving the system closer to the defined vision. The team can identify where it is on track, where there are gaps, and how these could be closed through new or modified partnerships.
- 8 As the implementing team reflects on portfolio progress, it can work out systemic scaling pathways.

✓ **DO:** Dedicate time (e.g., a week) to undertake a portfolio stocktake. Before beginning, ensure that monitoring data is up to date and the team is available and able to come together and focus. The teams takes this time to assess the progress and learning of the previous six months and reflect on what comes next. Create an atmosphere in which staff comfortably share what is not working or any doubts they may have about partnership/s, raise concerns about the findings of an analysis, or any other issues. Ensure partnerships are scrutinized against issues of sustainability, scale, inclusion, social cohesion, environmental stewardship and resilience. End partnerships that are not progressing or working.

✗ **AVOID:** Poorly informed discussions, ranking instead of talking through partnerships, and management decisions that are not supported by the facts presented.



## 1.7

## Practice 7

### Create an Empowered Local MSD Team

The success of a systemic approach ultimately depends on three factors: good application of the benchmark practices; a sound vision and strategy (a good analysis resulting in an ambitious yet realistic way forward); and an empowered local team with the competencies outlined in **Section 2** and the ability to implement the vision and strategy.



*Of these three factors, empowered local teams are the most foundational. A good team can learn to apply benchmark practices, learn from implementation and sharpen a vision and strategy over time. Conversely, the best practices and tools, vision and strategy will not keep an inadequately equipped team on track. The MSD benchmark practices help a team work through large volumes of shifting systems data to define very precise, tailored agreements. If a team struggles to get the correct data and/or get the analysis right, all subsequent steps may refer to MSD, but they will be lacking accurate systems content and will therefore not 'be' MSD.*

As indicated, external MSD experts cannot fill this void. An MSD expert is most effective when they have a good empowered local team to work with. If the local team feels that a community is poor because traders are exploitative, and this is ultimately not true, then the MSD expert has to redo the analysis to arrive at more accurate conclusions. This is feasible to correct one piece of analysis, but cannot be maintained in an MSD process that thrives on analysis and adaptive management throughout.

To define what makes an MSD team fit for purpose, it is important to unpack what is meant by 'local', 'empowered' and 'team'—see **Box 10**.

It is also important to note that teams are often considered an overhead cost, suggesting that keeping teams smaller increases resources available for the target group. While this undervalues the importance of all teams, this is particularly true for an MSD team. Good, empowered local teams develop sustainable partnerships with the potential to scale up in time. The results generated from this far outweigh any savings made from a smaller team. Local teams are worth investing in, and should be of sufficient size to implement the MSD process well. Compromises, such as hiring more consultants or more enumerators or having staff work part-time in other positions, rarely pay off. As an indicative benchmark, a project with a budget of \$2 million per year and an expected portfolio of 25 to 35 partnerships would need an MSD team of approximately 10 market systems advisors and two results specialists.



### Typical limitations that prevent market facilitators from creating local empowered teams include:

- Inadequate staff to form a credible team, assigning staff to part-time roles, or rotating them in and out as other tasks demand attention. This limits time in the field and with market actors, and prevents staff from adequately immersing themselves in the market system (important to avoid only shallow understandings).
- Recruiting staff with a development background to market systems advisor positions without checking their competencies for this specific (and very different) development role.
- Subjecting potentially creative teams to hierarchical decision making in which final calls are made without being informed by systems insight.
- Market systems advisors, other specialists and departments operating in silos, with little common ground for discussion.



Photo by Jomari Guillermo for CRS

## Box 10

## Key features of strong, local and empowered MSD teams

**Local**

- Able to speak the language of market actors and target groups. Able to connect and relate with them. A mobile phone filled with local contacts.
- Able to frequently travel to the field (every month) to maintain relations, observe changes in an informal manner (no planned demonstrations and other formal events, but informal chats, walking around a market actor's premises, talking to newly-employed target group members, or having a chat with a retailer while observing what clients ask and buy).
- Use of unmarked vehicles that do not communicate the intent to provide aid (as this is often associated with free products and can color responses). Vehicles should be marked in emergency and conflict situations.

**Empowered**

- Avoid a fragmented process in which, a field team feeds information to others—central office staff, managers, experts, consultants, procurement—to make the final analysis, draft the vision and strategy statement, and co-create and negotiate agreements with partners. This divides up the process, handing it over to other teams with less systems insight and more likely to make choices that reduce the essence of a systemic approach: creating an extremely tight fit between what market actors and target groups need and creating a tailored package of support to give them a (temporary) lift.
- Instead, the local empowered MSD team should implement the entire MSD process with support from others. Experts can help conduct the analysis, managers can help articulate the vision and strategy, and procurement can help identify the correct contract format and review the payment modalities. The MSD team drives the process and their manager ensures its role in doing so is not undermined by other teams or personnel taking actions that run counter to the MSD process.
- The MSD team conducts the co-creation process, proposes the agreement, and manages and monitors this. Reviews and approvals are conducted to meet the requirement of what is needed in the field (e.g., identify payment modalities that enable the partner to pre-order equipment in preparation for the next rainy season).
- The results measurement team works alongside the MSD team. This team contains dedicated research specialists and personnel who specialize in crosscutting themes such as inclusion, empowerment, cohesion, environment and climate. Strict procedures should be in place to ensure the MSD and results measurement teams work closely together.

**Teamwork**

- The team should contain a mix of competencies to be able to manage the MSD process.
- While individual performance should be recognized and rewarded, this should not result in an exaggerated hierarchy that hinders an equal, open exchange of ideas.
- Line management ideally has a technical background and can backstop the team in implementing the MSD process (leading from behind).

✔ **DO:** Recruit people on the basis of their analytical ability, curiosity and teamwork. Create a learning culture in which everyone appreciates that the best ideas and solutions come from collaboration and discussion. Joint analysis in front of a whiteboard is often a useful process to collaboratively piece together a systems puzzle.

✘ **AVOID:** Recruiting people who have extensive development experience but lack analytical skills, only have a narrow focus of expertise or would prefer desk-based work over people-facing and field-based work. Creating a culture in which the MSD processes are treated like routine tasks and in which staff are held responsible for poor performing partnerships.



Photo by Kim Pozniak for CRS

Finally, it will be important for CRS to invest in strengthening MSD capacity within country programs as part of the country strategies, not only in response to funding opportunities. This will allow country program teams to analyze local market systems and develop effective strategies to guide overarching efforts that encompass multiple projects and stakeholder interactions. The capacity to analyze market systems, develop strategies, engage effectively with a wide range of market actors, assess progress, and adapt accordingly is built over time. It will be important for CRS to recruit and retain staff with those skill sets.

A systematic approach to building the competencies outlined in **Section 2** within country teams should include the following:



**Socialization** of the CRS MSD approach, beginning with introducing staff across the agency to MSD and enabling them to consider how it could be useful in their particular context or department.

---



**Recruitment** focused on bringing in specific skill sets, such as systems analysis and partnering with market actors. Recruitment should be based on the mapping exercise outlined in **Part I Section 5.2**. It is important that recruitment strengthens capacity in country program teams as well as among regional and global technical support personnel.

---



**Training** will provide staff with an understanding of strengthening market systems, the process and practices and how to apply them in relevant contexts. It will also be important to train operations staff in new aspects of the systems developed to support the CRS MSD approach.

---



**Experience** has proved to be an essential element in building staff capacity in MSD. Cross-country, or cross-program visits and secondments where staff members can gain MSD experience in programs already strengthening local market systems are a practical way to develop capacity.

---



**Advising and coaching** are effective means of strengthening staff MSD capacity as building relevant skills relies heavily on practical experience in projects. It is essential that advising does not only occur during the market assessment and strategy formulation, but also during initial implementation of the other four practices. Effective coaching can be provided by external advisors and/or staff members with several years of on-the-ground MSD experience.



**Resources**, including guidance and case studies, can support other methods for building capacity. In addition to the inter-departmental steering committee developing and sharing resources, it will be useful for individual CRS departments to make MSD resources available through their respective channels.

---



**Working through NGO implementing partners** is a fundamental part of CRS' approach in all countries. As part of the CRD MSD approach, it will be important to strengthen the capacity of NGOs to work with market actors and strengthen local market systems. The same approaches outlined above can be used to develop the capacity of partner NGO staff. Experience in MSD indicates that CRS will be more effective in strengthening the capacity of its NGO partners once its own capacity in MSD is solid and progress has been made on institutionalizing the CRS MSD approach.



Photo by Dooshima Tsee for CRS

2

# Competency Framework for Market Systems Development

## Introduction to the Framework

MSD is a problem and demand-oriented approach. It does not advocate or supply pre-defined solutions but encourages market facilitators to keep their ears to the ground in order to work out what are the most pressing problems, how to best address these and through whom. It is like working on a puzzle—what fits to what? The key constraints to focus on, the opportunities to address these, the market actors to work with, and what it takes to improve their business model or service capacity, will always vary. MSD does not provide a limited list of solutions, but an approach that can, and should, generate a diverse range of solutions. This sets the course for sustainable results at scale.

The specialist best able to implement this approach is often referred to as a market systems advisor. Key attributes for market systems advisors are as follows:



**They are not narrow technical specialists**, with an ability or interest within a specific, often narrow, subject matter. Market systems advisors are able to filter and integrate social, economic and technical information from diverse sources to work out (co-create) solutions that are appropriate to a specific market system context.

For example, market systems advisors will research key features and available designs for affordable, dignified housing. They then undertake field research to investigate what could be applied in a specific crisis-prone region (based on local preferences, available resources and purchasing power). Next, they calculate what is commercially feasible in terms of investing in local materials manufacturing. They then repeat this process several times to identify solutions that work for all and leave no one behind.



**Proficient in investigative research**, market systems advisors understand that the only way to work out what solutions will work in a specific market systems context is to spend enough time with the market actors and target group members to understand how they think and what is feasible for them. Fieldwork is about uncovering information and learning until the information starts to add up and make sense.

---



**Creative and innovative**, market systems advisors see opportunities where others don't. They are willing to try something that has not been done before. They challenge existing ideas and develop alternative ideas based on what they have heard and seen.

---



**They like to work in a team.** All this analysis, creativity and trailblazing works best in an environment in which people can bounce ideas off each other and creative inputs come together.

For instance, to work out how a fish hatchery can start a large-scale outgrower scheme with tens of thousands of impoverished fishermen in artificial lakes, different advisors take on different roles. One market systems advisor may check in with the responsible ministry to understand any legal issues around releasing small fish (fingerlings) into the lakes. A second advisor may model how many fingerlings can be released across all lakes, how many fishermen can potentially be involved in catching them, and where and how much cold storage would be required to store the harvest. A third advisor may find out what to feed the fingerlings in order to promote fast growth, and who should do this (i.e., is this something the fishermen can afford?).

As the example suggests, it is important to have a mix of competencies within the team—i.e., someone who is good with numbers, someone who can digest large amounts of technical information, someone who performs well in a boardroom, and someone who easily connects with target group members. See **Section 1.7** for a discussion on how to build local market systems advisor teams and how to manage them.

---



**They are local.** Market systems advisors need to be able to connect to many system actors over long periods of time. This is necessary in order to learn from them and work with them to gain an in-depth, overall systems understanding few others have. In time, good systems advisors become the experts on a specific system. This cannot be replaced by global 'MSD experts'. MSD experts can support the MSD process and help work out ideas and agreements, but this should be done by 'leading from behind', in support of and collaborating with the local team.

---



**They are self-critical and always interested to learn.** They do not assume they know the answers. They know that the puzzle they are trying to put together is often difficult, always different and the outcome often surprising. They work with market actors in ways that have not been done before.



**Good market systems advisors are often trained in organizations and programs that apply a systems approach to development.** Here they learn to combine the many competencies that systemic development requires, how much research and analysis is ‘good enough’ and how to scrutinize solutions and market actors.

---



**Those who become good market systems advisors often do not have a development background when they join a market facilitator.** They can be unfamiliar with investigative research and tend to think in terms of ‘activities’ (rarely sustainable) rather than interventions (that must be designed to be sustainable). They can be unfamiliar with analyzing incentives and priorities and taking on a facilitator role and can assume a rigid implementation process defined by a logframe (instead of a flexible portfolio). Market systems advisors need to be recruited with different competencies in mind.

Key competencies for a market systems advisor are presented in Table 1 on the following page. Detailed descriptions of what these competencies then enable a market systems advisor to do are provided in **Section 2.2**.

Market systems advisors do not come ‘ready-made’. During recruitment, it is important to check the competencies they possess and whether they have the attributes needed to acquire those they don’t. The recruitment process should not only focus on past experience, but include practical assignments based on real-life situations.



**Table 1** Market systems advisor competency framework

A) Systems analysis	B) Strategy, portfolio, resilience, inclusion	C) Intervention design, facilitation, adaptation and learning
<p><b>A1) Systems perspective</b></p> <ul style="list-style-type: none"> <li>• Systems perspective on economic, social and political processes as interconnected, multistakeholder and dynamic.</li> <li>• Understanding the relation between competition, innovation, differentiation in products, (embedded) services, price, quality, market segmentation and inclusion.</li> <li>• Understanding how policy, regulation and normative systems influence how market actors operate and serve their clients.</li> </ul>	<p><b>B1) Strategy and vision, portfolio management and planning</b></p> <ul style="list-style-type: none"> <li>• Foresight, able to articulate a vision for how a market system could function, based on evidence.</li> <li>• Analyzing underlying causes of poor market system and market actor performance (gaps, unmet needs, limited inclusion, resilience, capabilities, interest and energy).</li> <li>• Manage a process to achieve systems change through a portfolio of discrete and diverse interventions.</li> </ul>	<p><b>C1) Innovation, co-creation, entrepreneurship and policy reform</b></p> <ul style="list-style-type: none"> <li>• Identifying opportunities, recognizing (early) signs of promising innovation (ideas, trials).</li> <li>• Financial and business analysis, political economy analysis.</li> <li>• Action-oriented; knowing when enough is known to take action.</li> <li>• Able to facilitate concrete business cases or policy reform with one or more market actors.</li> <li>• Able to negotiate a fair and effective agreement based on a market actor's investment, management and technical capability, resulting in sustainable positive change.</li> </ul>
<p><b>A2) Development perspective</b></p> <ul style="list-style-type: none"> <li>• Systems perspective on creating sustainable development outcomes.</li> <li>• Familiar with the idea that all market actors have 'agency', i.e., they analyze their circumstances, define priorities, take action, and that development efforts need to strengthen this agency by searching for, and moulding support to, local demand and initiative (instead of 'unloading' top-down planning and technology onto 'recipients').</li> <li>• Familiar with behavioral change theory, diffusion of innovation theory. Understand when and how market actors adopt new practices.</li> <li>• Familiar with aspects of political economy and institutional economics that explain the relations between formal and informal rules and 'institutions' and broad-based societal well-being.</li> </ul>	<p><b>B2) Humanitarian responses and recovery, environmental stewardship, climate adaptation and resilience</b></p> <ul style="list-style-type: none"> <li>• Familiar with humanitarian and development scenarios; can calibrate a response in the interest of long-term systems strengthening and immediate needs.</li> <li>• Familiar with features of systems resilience (use of data, good practices, learning and adaptation, diverse models, redundancy, broad-based inclusion, networked).</li> <li>• Familiar with the analysis and efforts required to promote environmental stewardship, climate change adaptation and mitigation.</li> </ul>	<p><b>C2) Facilitation, adaptive management</b></p> <ul style="list-style-type: none"> <li>• Able to 'think and walk alongside' i.e., 'accompany' market actors and be supportive while ensuring they stay in charge of implementation. Able to step in and resolve issues when needed, but also give market actors space to learn.</li> <li>• Able to facilitate relationships between different market actors (e.g., commercial relationships along the chain or cooperation with government agencies).</li> <li>• Apply adaptive management, including the courage to stop an intervention that is not working.</li> </ul>

**A) Systems analysis**

**B) Strategy, portfolio, resilience, inclusion**

**C) Intervention design, facilitation, adaptation and learning**

**A3) Research and analysis**

- Proficient in research techniques, especially qualitative, to learn from market actors and target group members in an in-depth, triangulated manner (not anecdotal).
- Ability to respectfully interact with diverse stakeholders, earn their trust, come to understand their perspective and challenges.
- Integrating technical insight with economics, social and political understanding.
- Knowledge synthesis, gap analysis.

**B3) Poverty, inclusion and empowerment, social cohesion**

- Familiar with underlying social, cultural, political and economic causes of chronic poverty and exclusion.
- Understanding that additional effort is required to reverse this, change perspectives, practices, power relations and norms.

**C3a) Monitoring and learning, teamwork and self-improvement**

- Able to determine how to assess progress of interventions and investigate and pinpoint causes for change or lack of change; wants to learn from implementation.
- Otherwise same as A3

**C3b) Teamwork and self-improvement**

- Self-improvement—able to accept feedback, evaluate own performance and improve.
- Teamwork—able to work with a team, working together to analyze, brainstorm, troubleshoot, evaluate.





Photo by Dooshima Tsee for CRS

3

# Facilitating Systemic Development Along the HDP Nexus

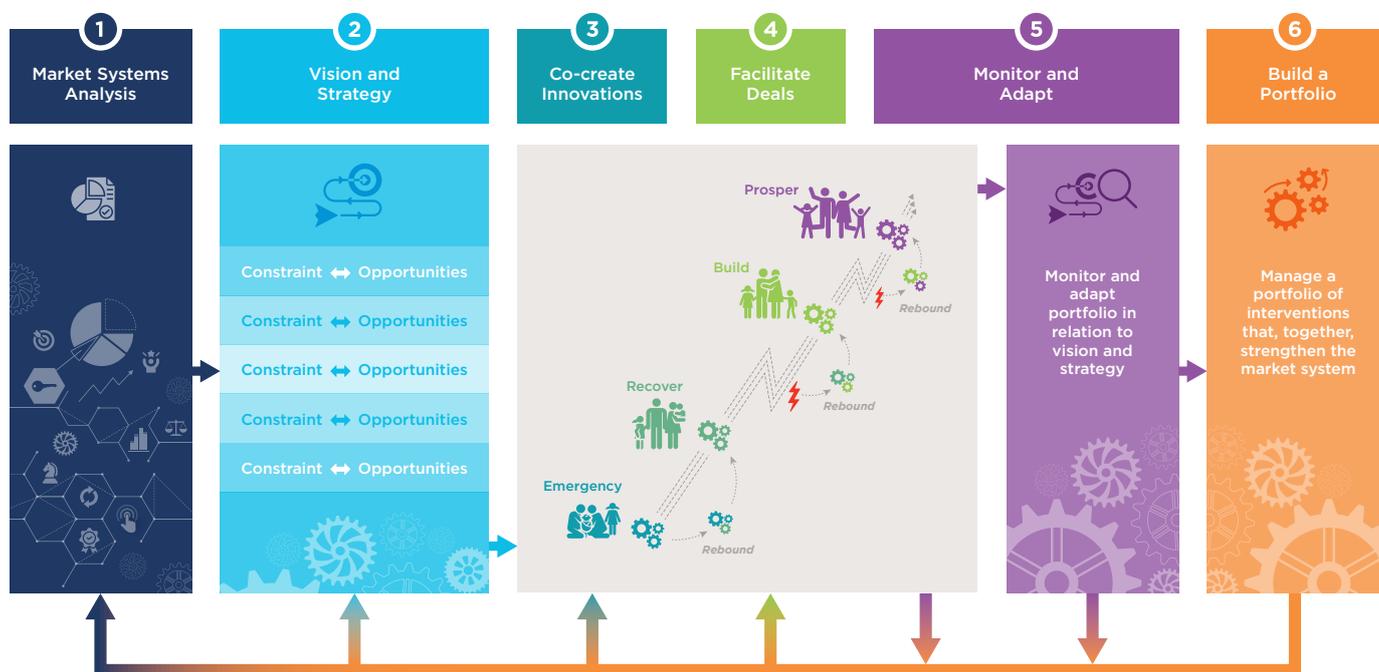
As the discussion of benchmark practices suggests, it is neither practical nor desirable to implement these practices without adjusting for the development phase in which they are applied. At the same time, it is valuable to maintain a process for longer-term systems strengthening. This ensures that:

- For each practice not meeting the benchmark, follow-up work can be undertaken at an appropriate time to fully operationalize the practice in order to meet the benchmark.
- All practices, whether perfectly executed or not, strive to inform a process that supports systemic development.

Maintaining a systemic perspective should ensure a process that spurs an upward trend of resilience and catalytic, transformative impact at scale, as illustrated in **Figure 2**. MSD, by its very nature, involves a ‘bumpy’ implementation process, and when CRS applies its MSD approach along the HDP Nexus, it will cycle through periods of emergency, recovery and development. All of the different emergency activities, recovery efforts and development interventions form one portfolio. The lessons learned from this portfolio will influence implementation, the vision and strategy, and what further assessments are required.

Ideally, CRS will commence with its MSD approach in a development phase when there is time to conduct an appropriate market system analysis (keeping in mind the recurring crises or other challenges faced) and formulate a comprehensive vision and strategy. As implementation starts, it is important to remember that a ‘bumpy’ start is normal. If CRS begins the process with emergency activities, then the benchmark practices as defined in this report will help the implementing team address gaps and build out their efforts into a process of systemic strengthening when the situation permits.

**Figure 2** Creating an upward trend of resilience along the HDP Nexus



How the CRS MSD approach will play out along the HDP Nexus is discussed below.



**In a relatively stable development context**, the market facilitator may want to focus on a broader sector (e.g., WASH) or a specific product value chain (e.g., vanilla). The target group priorities are the starting point. As the analysis expands, it is funneled into the input supply chains, the services feeding into these, and toward the market actors shaping the business enabling environment. Depending on the lifecycle stage of the market system these form, more specialized market actors may be active and connected (creating a connected system), or the system may still be fragmented, full of gaps and populated with less-specialized market actors who are finding their feet.

In this context, there is time for adequate analysis and vision and strategy development. Market systems early in their lifecycle are rife with opportunities (many gaps, less competition) but demand creativity and patience. They can also require relatively more complex agreements to support often smaller partners through multiple change steps to become more sophisticated private or public market actors. In the case of more established partners wanting to enter a specific, early-stage market system, the market facilitators' market intelligence is important to guide the process. More developed market systems (less gaps, more competition) require more specialist knowledge to increase productivity (meet quality standards, reduce costs).



**In the context of regions facing recurring crises**, typically more than one sector, value chain or essential service is affected. Livelihoods that are dependent on a range of markets for food, production inputs, services and sales, will need to be rebuilt, often repeatedly. In this context, a market system can be defined around priority local needs. Some needs may be met by connecting or re-connecting to larger national market systems. Other needs may require local solutions, by establishing or re-establishing a series of local service providers, distributors, wholesalers and value-adding processors. In time, these local market actors may be able to connect to larger national market systems. In this context, a systemic approach can create a shared understanding of how local market systems worked in the past, and/or could work in a more inclusive and resilient manner in the future. This understanding, combined with knowledge of the benchmark practices and tools, can help country program teams avoid, or at least reduce, harm to local market systems and actors during the early days of a humanitarian response. It will also provide a basis for a smoother transition toward recovery and development activities.

CRS will either commence applying its MSD approach during a development phase and prepare for bumps along the way, or it will start in an emergency phase. If it starts in an emergency phase, it will fill in the systems picture later and implementation will resemble that of an early-phase market system, as described above. During an emergency, activities with market actors may include immediate assistance to keep them operational. During recovery, further support can be given to strengthen core business models. During development, more expansive agreements can be developed to allow market actors to become more resilient and functional in the next crisis.



**In a post-conflict, peacebuilding or refugee context**, the market system can be defined around activities that reduce conflict and increase mutually-beneficial exchanges. As in the humanitarian context, some of these exchanges may be able to connect to larger national market systems; others may remain local in scope but relevant to address needs, reduce competition for scarce services, and create mutual win-win scenarios and understanding. Implementation is comparable to that of an early-stage market system, but with more effort toward strengthening social cohesion and, in the case of refugees, removing legal barriers that prevent economic participation.

Table 2, on the following page, summarizes how benchmark practices could be applied across the HDP Nexus.

**Table 2** Benchmark practice application across the HDP Nexus.

<b>Development Phase Benchmark Practice</b>	<b>Emergency</b>	<b>(Early) Recovery</b>	<b>Development</b>
Market systems analysis	Focus on the immediate priorities of the target group and, if possible, local market actors instrumental in meeting these.	Focus on how to strengthen market actors' business/service delivery models to bring markets/ service delivery back to normal.	Focus on system analysis and the market functions, actors and models (and innovation in these) to strengthen the system in all relevant aspects.
Vision and strategy	Focus on defining target group priorities (types of goods, services, opportunities to rebuild lives).	Focus on adding analysis of underlying constraints limiting market actor responses.	Focus on completing priority analysis (differentiation for income levels, gender, excluded groups), constraint and opportunity analysis, relevant crosscutting themes, risks.
Co-creation	Market facilitator procures in response to recorded priorities.	Business plans/service delivery plans worked out to reach target group.	Comprehensive plan for innovation and scaling of business plan/service delivery model in support of system strengthening.
Facilitate agreement	Procurement	Brief agreement that includes who does what, who pays for what, payment modalities (can be the first step of a more detailed agreement), market actor's responsibilities and cost-share informed by context.	Comprehensive agreement with all change steps worked out; includes who does what, who pays for what, payment modalities.
Monitoring and adaptive management	Quick assessments to understand if priorities are being addressed.	Quick assessments if market actors start to perform better and identify who they are reaching.	Comprehensive monitoring of partnership agreements.
Portfolio management	Planning emergency activities and procurement to meet priorities.	Informed by priority needs, market actor performance and growing understanding of underlying constraints, plan out next step to complete the analysis, identify more relevant leads and opportunities.	Half-year stocktake of progress, challenges and gaps; learn lessons, manage portfolio expansion and additional research as required, start to work out systemic scaling pathways.



Photo by Michael Stulman for CRS



Glossary

**Annex**

Term	Definition
<b>Access</b>	The right and opportunity to get or use something, often referring to an individual having adequate assets to purchase a particular product or service or ability to take advantage of an opportunity. Adapted from the <b>PSE Playbook</b> .
<b>Adaptive management</b>	A management approach that encompasses monitoring and analyzing changes, learning, and modifying activities and strategies to maximize positive results.
<b>Availability</b>	The quality of being able to be used or obtained, often referring to products (such as food, building supplies) and services (such as extension services, financial services) being provided sustainably (commercially or through a sustainable government mechanism) within reasonable proximity to the target population and offered in an appropriate way. Adapted from the <b>PSE Playbook</b> .
<b>Business enabling environment</b>	The policy and regulatory environment affecting a market system. It can also include informal norms and rules that influence how the market system operates.
<b>Business model</b>	A sustainable way to continuously provide a product, service or enabling environment. A business model shows how market actors involved in a transaction interact, particularly the flow of products, services and money.
<b>Civil society</b>	Formal or informal organizations or groups that operate on a not-for-profit basis to benefit their members or others. Civil society includes NGOs sustained by donors and membership organizations such as religious institutions, business associations, advocacy groups and other groups with a common interest.
<b>Consumer</b>	A person or group that purchases products and/or services.
<b>CRS MSD approach</b>	Strategies and activities across the HDP Nexus that aim to influence the way a market system works so that it reaches more people in the target group, becomes more effective, inclusive and resilient, and promotes environmental stewardship and social cohesion. Guided by a contextually specific vision and strategy, the CRS MSD approach joins market systems development in stable contexts with market-based humanitarian response in crisis contexts and localized procurement. It ensures that all activities—humanitarian and development—are informed by the same vision and strategy to strengthen the market system. It supports coordination and synergy across sectors and supports the transition from crisis response to recovery to development.
<b>Demand</b>	An economic principle referring to how much (quantity) of a product or services is desired by buyers at a specific price point. Adapted from the <b>PSE Playbook</b> .
<b>Direct delivery</b>	CRS and its NGO partners provide products or services (including information) to target group members.

Term	Definition
<b>Environmental stewardship</b>	Practices and actions by market actors (including the target group) that are informed by the requirement to protect the natural environment against overuse and degradation, preserve and, where possible, strengthen its ecology. This includes measures in support of climate change mitigation.
<b>Facilitation</b>	The temporary actions of a facilitator to bring about changes in a market system for the benefit of the target group. Actions can include, for example, market research, convening, linking and building capacity, but not taking on permanent market functions.
<b>Facilitator</b>	A development agency or program that aims to simulate market systems change in order to benefit the target group. A facilitator does not take on a long-term role in a market system and works to ensure that changes are not dependent on continued support. A facilitator always seeks to partner with one or more market actors and aims to ensure that partner market actors never become dependent on the facilitator's support.
<b>Humanitarian-Development-Peace (HDP) Nexus</b>	Integrated programming to cultivate just and peaceful societies, save lives and alleviate suffering, and end poverty, hunger and preventable diseases. For more details see <a href="#">CRS and the HDP Nexus</a> .
<b>Humanitarian response</b>	Assistance that is intended to save lives, alleviate suffering and maintain human dignity during and after man-made crises and disasters caused by natural hazards.
<b>Impact</b>	The results of a program among the target group members or at the 'goal' or highest level. Technically impact can be at any level, but most people commonly refer to 'impact' at the target group or goal level.
<b>Inclusion</b>	Ensuring products, services and opportunities are appropriate and accessible to people or groups who are disadvantaged or excluded. Ensuring that people or groups who are disadvantaged or excluded have equal choices and voice in activities and decisions that affect them as others do. Inclusion often refers to a business model, public service delivery model or market system. Disadvantaged or excluded groups may include, depending on the context, people who are living in poverty, women, particularly ethnic groups, people with disabilities, young adults, older adults and people who live remotely.
<b>Incentive</b>	The motivation of an individual, group, organization or company to do something. In MSD, it typically refers to the motivation to make a change.
<b>Innovation</b>	A new, improved or more accessible product, service, opportunity or aspect of the enabling environment that is intended to benefit the target group. The innovation is offered by a sustainable market actor. For example, an agricultural input supplier offering better seeds to farmers, a government agency building a new road, a financial service provider offering better savings services for rural people or a government agency improving regulations for payment of school fees.

Term	Definition
<b>Intervention</b>	A coherent set of activities with one or several market actor partners that is designed to strengthen the capacity of the market actor partner(s) to initiate, sustain and manage a new or improved business, delivery or policy model.
<b>Leverage</b>	Resources that market actors partners invest in agreed interventions that are expected to benefit the target group. Resources may include money, time, skills and intellectual property; resources are monetized for the purposes of measurement.
<b>Local procurement</b>	CRS purchasing products or services in the target country for distribution to target group members. Also called social sourcing.
<b>Market</b>	A set of arrangements by which buyers and sellers are in contact to exchange products or services; the interaction of supply and demand.
<b>Market actor</b>	An organization, agency, company or individual in the private sector, public sector or civil society that is not sustained by donor funds.
<b>Market actor partner</b>	A public or private sector actor with whom CRS or a partner NGO has signed a specific partnership agreement to jointly design, finance and implement a specific intervention.
<b>Market-based approach</b>	Humanitarian or development strategies and activities that involve market actors in the delivery of humanitarian and development outcomes. Typically, aid agencies engage public and private market actors as providers of products and services, purchasers of products and services or employers. Market-based approaches typically focus on supporting demand, market linkages and increasing transactions but do not intend to fundamentally change market actors' business models and capacities.
<b>Market system</b>	Encompasses the functions and market actors necessary to enable a particular product or service or set of products and services to competitively respond to demand. A market system includes the inputs, supporting services and enabling environment that can improve the utility, affordability, reach and inclusivity of the products and/or services. Target group members benefit from a better functioning market system as consumers, producers, employees and/or suppliers.
<b>Market system strategy</b>	A summary of the improvements CRS aims to facilitate in a market system, and an explanation of how these changes are expected to happen. The strategy explains the pathways by which the specific improvements outlined in the market system vision are expected to occur and includes CRS' role in facilitating changes.
<b>Market system vision</b>	A description of how a market system will operate when it is effectively reaching many people in the target group, is both inclusive and resilient and promotes social cohesion. The vision outlines key, specific changes in the market system that underpin market actors' reaching target group members with demanded products, services and/or opportunities, operating inclusively, effectively preparing for and responding to crises, and building bridges among people.

Term	Definition
<b>Market systems development</b>	Development strategies and activities that aim to influence the way a market system works so that it offers better products, services and opportunities that will benefit the target group. It involves working with market actors so that they change their business models (including public provision of products and services) and/or the enabling environment for a market system. Ultimately, market systems development leads to stronger market actors and better business models that sustainably provide target group members with appropriate and demanded products, services and opportunities, a more resilient market system and more inclusive market norms.
<b>Network</b>	A group or system of interconnected people or entities. Adapted from the <b>PSE Playbook</b> .
<b>Partnership</b>	A documented agreement between CRS or an NGO partner and a market actor partner that specifies the roles and responsibilities of each party to jointly design, finance and implement a set of related activities to improve a business model and/or an enabling environment. A partnership aims to increase the capacity of the market actor partner and result in more/better products, services, opportunities and/or enabling environment for the target group.
<b>Private sector</b>	The part of the economy run by individuals or enterprises that is regulated but not controlled by government. Typically, private sector enterprises expect to earn a profit (although this is often not their only motivation). Adapted from the <b>PSE Playbook</b> .
<b>Private sector engagement</b>	The diverse and robust set of relationships with for-profit entities of all sizes—from informal micro-enterprises to multinational corporations—that are rooted in shared values and driven by the humanitarian and development challenges CRS seeks to address in Vision 2030. Private sector engagement is not limited to one sector but is relevant across all CRS Goal Areas. Adapted from the <b>PSE Playbook</b> .
<b>Portfolio (of interventions)</b>	A collection of time-bound partnerships with market actors that are mutually reinforcing. The composition of partnerships in the portfolio supports development objectives such as scale, inclusion, social cohesion, environmental stewardship, climate change mitigation, and adaptation and resilience.
<b>Procurement</b>	The process of buying materials or services for distribution or consumption. Adapted from the Supply Chain Master Glossary.
<b>Programmatic perspective</b>	A longer-term strategic perspective of development outcomes (not to be confused with a project perspective which is typically more focused on specific outputs in a given timeframe). A programmatic perspective is important to support systemic development.

Term	Definition
<b>Resilience</b>	The capacity to recover quickly from difficulties, shocks and stressors. The term can apply to individuals, households, communities and systems. For individuals, households and communities, this capacity is associated with applying good practices and access to assets (spiritual and human, social, political, financial, natural and physical) including information, a supportive network, and goods, services and opportunities. For a system, this capacity is associated with sufficient redundancy in the network, overall breadth of functions and depth of offers. Resilience helps deals with economic, social, political and environmental shocks and includes the ability to adapt to climate change.
<b>Results chain</b>	The causal sequence for a development intervention that stipulates the necessary sequenced steps to achieve desired objectives, beginning with inputs, moving through activities and outputs, and culminating in outcomes, impacts and feedback.
<b>Rules</b>	Formal (laws, regulations and standards) and informal (values, relationships and social norms) controls that strongly define incentives and behaviors of market actors in market systems.
<b>Scale</b>	The number of enterprises, households or people positively impacted by a program (or intervention). In relation to scale, CRS aims to increase the reach of CRS and partners' results to affect the lives of more people in need. These results or this change is influenced/supported/enabled in part by CRS' explicit efforts to have broader and/or more lasting impact. Adapted from a working SCP/CASCADE definition (subject to change).
<b>Social cohesion</b>	In the economic sphere, social cohesion encompasses: the strength, quality and diversity of economic relationships; equity in the sharing, distribution and management of resources (financial, natural, physical); and equal opportunity in the access of basic social services, economic and livelihood opportunities and advancement in life. Adapted from <b>The Mini-Social Cohesion Barometer (CRS, 2019)</b> .
<b>Sustainability</b>	The continuation of benefits from a development intervention after major development assistance has been completed. The probability of continued long-term benefits. In MSD, sustainability usually refers to the continued operation and adaptation of a new or improved business, delivery and/or policy model.
<b>System</b>	A group of interacting, interrelated or interdependent elements that form, or can be thought of as forming, a complex whole. In relation to markets, the term 'system' is used because the efficient production and delivery of products and services depends on a range of inputs, services and an enabling environment, in which multiple private and public actors are involved.
<b>Systemic change</b>	Changes in systems that are caused by introducing alternative and sustainable models for the delivery of products, services, opportunities and/or an enabling environment that benefit the target group. Changes in scale, inclusion, resilience and social cohesion are important dimensions of systemic change.

---

Term	Definition
<b>Systems perspective</b>	The idea that livelihoods, opportunities and access to products and services are shaped by the interaction between many different but interdependent public and private market actors. These market actors are continuously investing, learning and adapting, and adjusting their priorities and outlook in response to changing social, political, economic and environmental conditions. A system is therefore never static, always dynamic, but also never without limitations and gaps, which influences how livelihoods and opportunities take shape, and for whom, and who has access to products and services when.
<b>Capacity strengthening</b>	Technical assistance and other support provided to an individual or entity (typically a market actor) to improve skills, systems, operations or other aspects of the individual or entity's strategy, business model, operations or interactions.
<b>Transformational change at scale</b>	Impact achieved with or by others that goes beyond what CRS can achieve alone and that has strong potential to create a lasting positive impact through the appropriate actors in relevant systems. This long-term change is influenced/supported/enabled in part by CRS' explicit efforts. Adapted from a working SCP/CASCADE definition (subject to change).
<b>Value chain</b>	A set of connected activities that work together to add value to a product while linking buyers, sellers, and markets. Adapted from the <b>Value Chain Toolkit</b> .

---



228 West Lexington  
Street, Baltimore,  
MD 21201-3443, USA

---

[crs.org](https://crs.org)

---

©2023 Catholic Relief  
Services. All Rights  
Reserved.