

Market System Approaches to Food Security and Nutrition Programming

Module 1

THE PRINCIPLES OF
MARKET SYSTEMS
APPROACHES

Learning Objectives

- **The Basics of Markets & Market Systems** – you will understand the basic principles of market systems and be able to debunking the jargon for yourself and your colleagues
- **Market System Constraints & Performance** – you will understand what a market system constraint is; the impact of constraints on the functionality and accessibility of a market and how this impacts on food security and nutrition
- **Market System Development (MSD)** – you will understand the fundamental objectives of MSD programs; how they are different to traditional programming in achieving long-lasting and scalable change
- **Typical Market System Constraints in FSN systems** – you will be able to apply your basics of market systems fundamentals to understanding typical constraints to achieving nutrition in agro-food and health systems.

Module Structure

Section One: Market Systems Basics – this section will introduce to the basics of markets terminology and market systems in order to bring everyone in the course to a baseline understanding.

Section Two: Market System Constraints – we will build on the basics to start investigating how constraints in the market system lead to markets underserving or excluding certain groups.

Section Three: Market System Development (MSD) – we will start to understand how we address market system constraints through MSD programming to ultimately improve markets for target groups.

Section Four: Typical Market System Constraints in FSN systems – we will discuss typical constraints in agro-food systems that inhibit nutritious living of certain groups.



Section 1

Market Systems Basics

Market Systems Basics: An Introduction

The problem with market systems approaches is that the language used to describe them often becomes a barrier to practitioners.

There is a lot of jargon that can make it hard to understand what is expected of programs when attempting to use market systems approaches.

This section will first attempt to get everyone more comfortable with the language used in this type of programming.

This section of the module will be covering the basics of markets and market system principles. If you already feel confident with your knowledge in this section then you can skip to the exercises in the section.

What is a 'market'?

I want some clean water. Clean water is provided by the local water company. This is a market.

The example above describes an **exchange**. It is an exchange of a **good** (e.g. tomatoes, bottled water, wood) or **service** (e.g. medical treatment, legal support, piped water).

In a market, there is a **demand** for something which is satisfied by the **supply** of that something. Unless we specify, the word market incorporates all the possible ways in which that exchange can happen.

For example, Households of all income levels, restaurants and offices (demand) want clean, affordable water. It is supplied by, potentially, a range of possible sources each with different characteristics – a public utility via pipes; a water cart; bottled water from kiosks; rainwater from household water tanks.

For water it can be exchanged as a good (bottled) or a service (piped water). We will assume that the water market includes all of the possible supply options and all the possible demand options.



We often use this diagram to show a market exchange between the demand and supply sides.

In the middle we state what the **target (or core) market is**. This will be the good or service being exchanged e.g. water, dairy, mosquito nets.

TIP: When analyzing markets, it is useful to consider the entire market in market systems approaches even if perhaps we are initially only interested in improving the supply of borehole water for the poorest households.

By starting broad we get an idea of how the market may perform better with some exchanges and then it may give us ideas of how to improve the market exchange we are most concerned about.

What is a marketplace?

A market and a marketplace are NOT the same thing.

A marketplace is a space (physical or virtual) where an exchange takes place. This could be a fruit or fish market, a hospital (where health services are exchanged), a pharmacy, a school etc.

The word marketplace is often shortened in English to market, e.g. “Are you going to the market?”, which can cause confusion between the two words. Be clear about the distinction when discussing markets for programming.

It is useful to remember that when a market exchange occurs a transaction takes place. Usually there is a trade in form of money, however, this is not always what facilitates the exchange.

Instead of money (noting this could be cash, digital or mobile), the incentive to provide a good or service could be to receive another good (e.g. 10 eggs), influence/power in a community or government environment, information and so on.

TIP: *Some markets exist to prevent, for example, infant mortality. Let's consider the market for 'maternal health services'.*

Earlier we said a market exchange means there is 'demand' for a good or service that is satisfied by a 'supply' of that good or service.

Often we assume that we are working with markets where there is demand and the market is not set up to provide access to certain populations demanding that good or service.

But what happens if people do not want a good or service, for example, maternal health services? Should we still intervene in this case?

If the outcome is to improve infant mortality, then yes. Maternal health services are key to this and understanding why demand is low is key. Why do people not want maternal health services, especially if infant mortality is high? The market system needs to stimulate demand for this service for all groups and finding out what needs to happen to stimulate demand in specific user groups is important so that the market is inclusive to all.

There are markets all around us

We all interact with markets everyday.

The new language and terms can sometimes be daunting so it is useful to remind ourselves that we are all interacting with markets everyday.

THINKING EXERCISE

Spend two minutes to think about this and write down your answers to the questions below:

What happens when you personally need some fruit?

What do you do? How? Why?



Consider, how did you know how to do that?

- Had you grown that fruit?
- How did you know how?
- How did you get the inputs to do it?
- How did your environment influence growing them?
- Do you grow all your fruits all year round? Why?

Or did you buy the fruit?

- How did you know about the marketplace and seller?
- How did you get to that marketplace?
- Do you always buy your fruits in the same place? Why?
- How do you know which fruit to choose?
- What influences you to buy certain fruit? Does that ever change? Why?
- How does the seller provide you those fruits? Can they always provide it? Does the price, availability and quality change during the year? Does that influence what you buy from that seller?

Market exchanges never happen in isolation – there are a lot of different elements influencing the what, how and why the exchange happens the way it does.

An introduction to market systems

All markets are influenced by a system surrounding them that enables the exchange to happen and influences how and why it happens

In more simple terms, think back to the fruit question.

To get the fruit you needed you may have needed access to:

- Finance (to purchase it)
- Information (to know where to find it and what to choose or how to grow it)
- Input supplies (if you grow your own fruit)
- Land (if you grow your own fruit)
- Transport (if you need to travel to purchase the fruit or input supplies)
- Storage (to keep fruit cool so it does not spoil)
- Regulation (to ensure the safety and quality of your fruit in production, transport, storage etc)
- Cultural norms (who in the household shops and cooks)

All of the above things facilitate your access to the fruit. How they function impacts your access to fruit.

For example:

- Finance – *if you earn a low income you may only be able to purchase fruit often resulting in nutrition issues and consequently supply of fruit is low because farmers do not see demand*
- Information – *perhaps you have no education on what nutritious foods are or why they are important*
- Input supplies – *perhaps you or those that supply your fruit have availability issues with inputs so fruit harvests are low*

So to make an exchange of fruit happen there are a lot of different factors that influence how and why it happens. These are known as the market system.

Market system terminology

A market system is a complex web of people, supporting functions, and rules (policy and cultural/societal norms) as well as contextual factors that determine how particular goods or services are produced, accessed, and exchanged.

What is a market system made up of?

Supporting Function	<p>These are services and physical structures that facilitate the exchange, for example:</p> <ul style="list-style-type: none">• Infrastructure• Information access• Financial services• Communications• Transportation
Rules & Norms	<p>The explicit or tacit norms that govern a market system.</p> <p>Laws and policies are explicit norms, while social and behavioral customs are tacit.</p> <p>Both explicit and tacit norms influence how people engage in markets.</p>
Market Actors	<p>These are all the individuals / groups that perform the exchange (demand and supply side actors) as well as those performing the supporting functions, rules and norms..</p> <p>Market actors comprise of everyone in the system - formal and informal businesses, public bodies, regulators, healthcare providers, banks, producers, wholesalers, customers etc</p> <p>The market actors that perform the exchange or a function may not be the ones who finance it.</p>

TIP: Market system characteristics may be similar between different markets and contexts those markets are in but ultimately they will all be unique.

This is why there can never be a solution that works in one market system that will easily be copied and pasted into another and be expected to work. Something similar may work for the same market, but you need to understand the system you are working in to tailor your solutions to your unique context.

Visualizing the Market System – Step 1

Visualizing a market system helps us reduce the complexity of a system and focus on the parts that are major influences to the market so we know where to (i) focus our program design efforts; and (ii) how to communicate the system to key stakeholders / decision-makers.

There are three components to visualizing a market system:

1. Target (or core) market
2. Supporting functions
3. Rules & Norms

Let's start building a market system diagram for maternity services.

You'll remember the diagram of the target market below.

Step 1: Identify the market actors on the demand and supply side for this market.





Disaggregating the Target Group

THINKING EXERCISE

Why did we disaggregate the demand side by wealth, marital status and residency status?

All the women and children in the target area will access the market in different ways.

How and why, they access it will be influenced by the market system and supporting functions, rules and norms within it.

How the target group are influenced by these supporting functions, rules and norms will depend on their characteristics.

For example, a wealthy household may be able to afford the transportation to travel to health clinics. Women in these households may be more educated and have information about the need for maternal health so be more likely to attend clinics.

Whereas single female refugees may have no income to be able to travel to distant maternal health clinics nor access to the information to find out information on how to access the local healthcare system. They may find they cannot take time away from finding work or queuing for relief to attend health clinics.

Both users – the wealthy, married female and single, refugee female exist are trying to access the same market, but certain constraints may support some users and inhibit others. Market systems approaches look to understand where markets are working and not and then identify opportunities to improve markets for those markets are underserving or excluding.

In the diagram below, the red text shows the target group for the program. Why might it be useful to consider understanding how all the households access maternity services, not just the target group?

Although our target group may be urban refugees, it is useful to know how the system is serving other groups. You might do a light analysis of other groups access to the market to understand this and deeper analysis on the target group.

This may reveal **local capacity** within local services that can be **leveraged** to support the target population. If we focus too narrowly on only understanding the target population, we may miss out on really understanding how the system functions for others too.

- Public health services
- Public pharmacies
- Private health services
- Private pharmacies
- NGO health services
- Tribal medicine doctors



Households disaggregated by wealth, marital status and residency status:

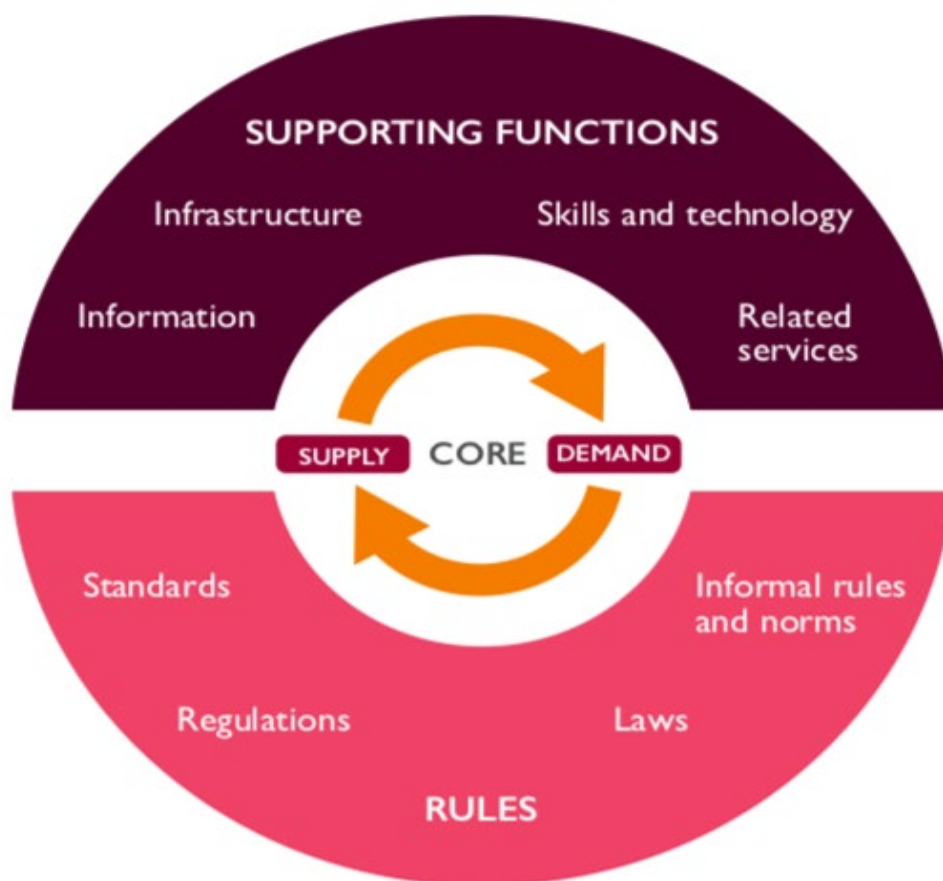
- Urban, middle-income host HHs (single vs married couples)
- Urban, poor host HHs (single vs married couples)
- Urban, refugee HHs (single vs married couples)**

Visualizing the Market System – Step 2

Step 2: Select the major (e.g. highly influential) supporting functions, rules and norms of the market system?

The donut is one way of visualizing the three components of a market system.

This is typically used by those working in development sector. This is a generic example below.



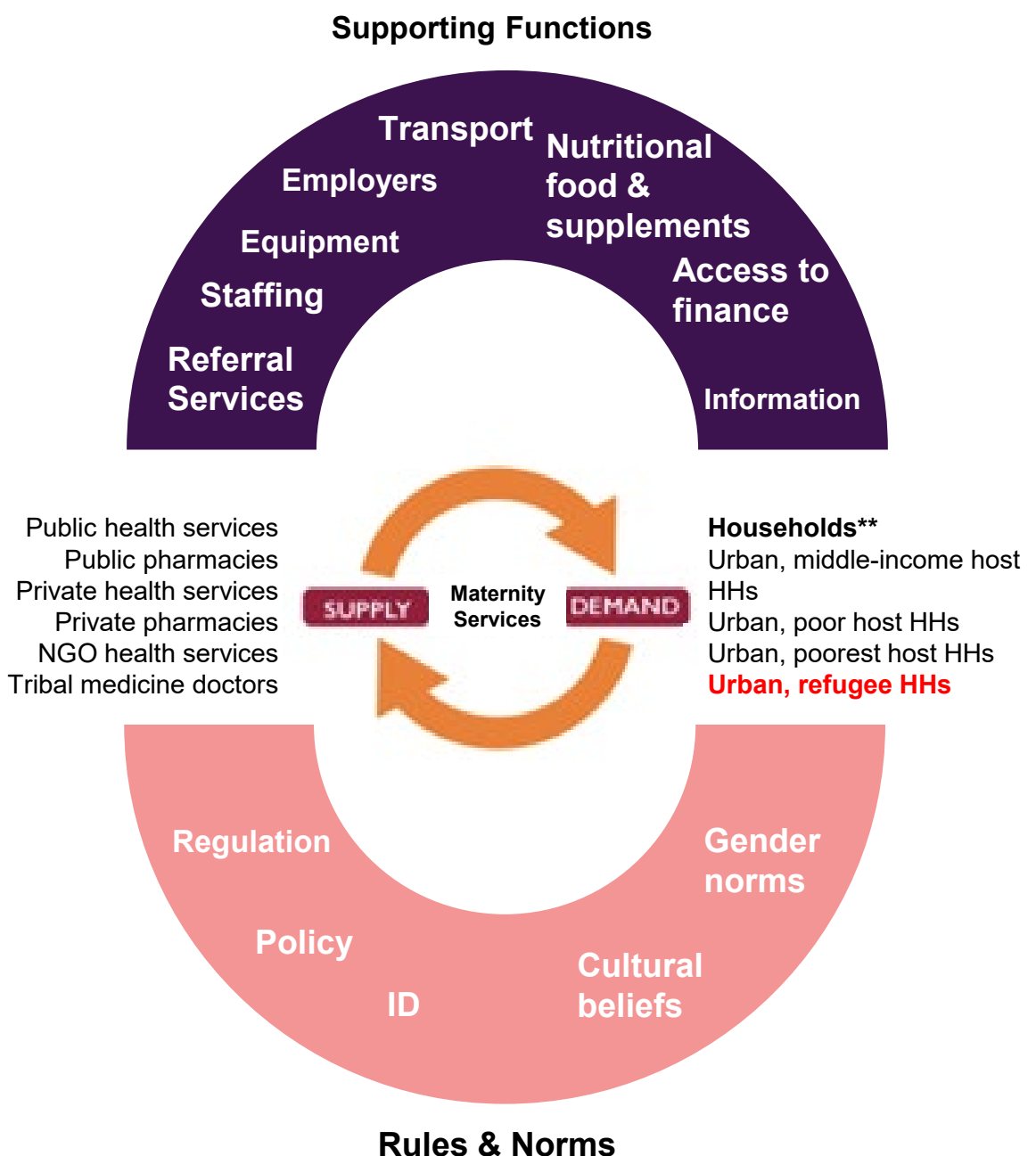
[Adapted from the M4P Approach: The Springfield Centre](#)

Visualizing the Market System – Step 2 (continued)

We can, of course, write this all down in written form but sometimes it is easier to visualize market systems and reduces the amount of text others have to read if you are trying to explain the focus of your program.

The diagram below is your **starting point**. In the field you should be able to create a basic one of these from your team’s knowledge (if you have worked in the local area before) and secondary resources.

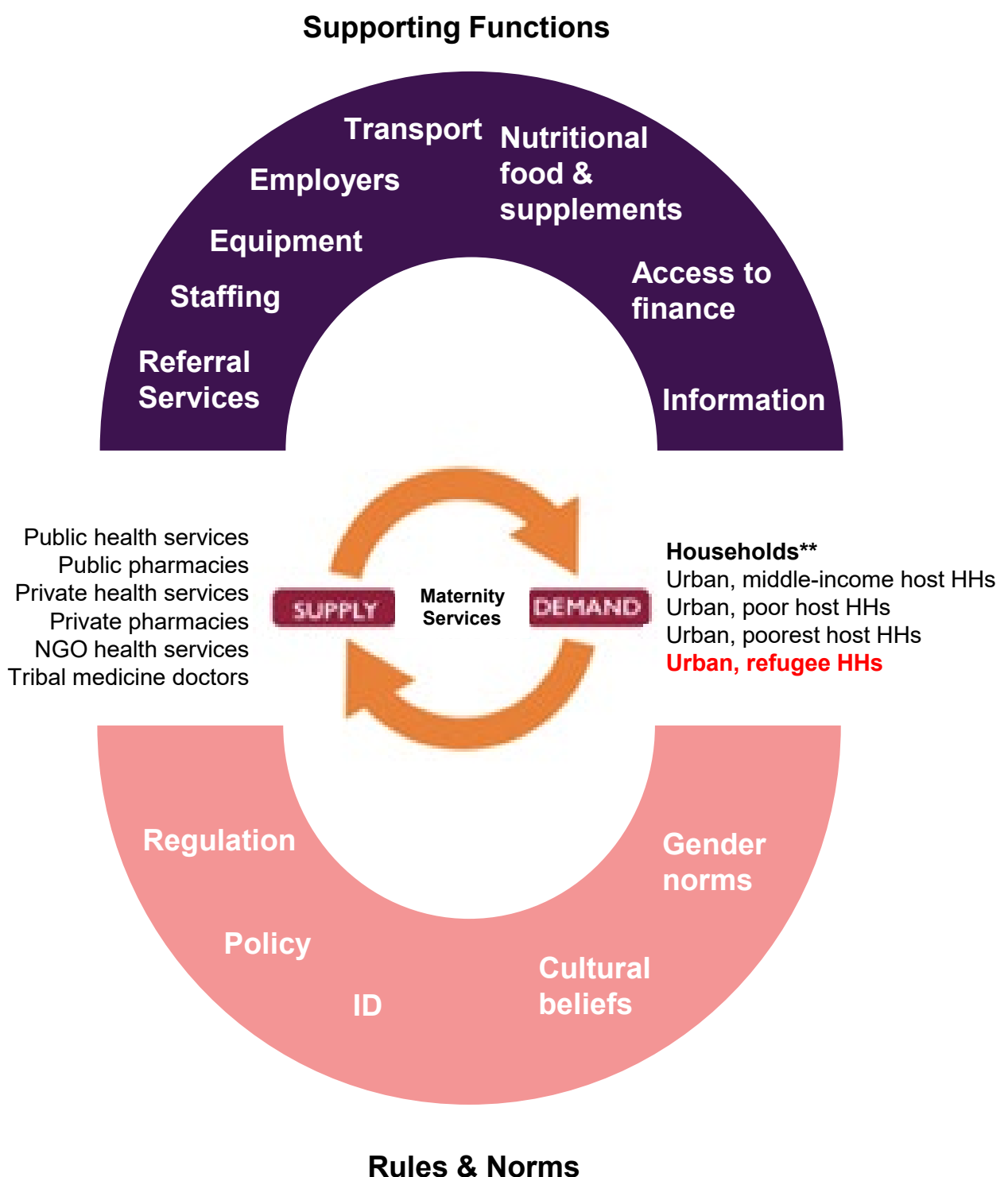
You can then update your market system picture as you get a more accurate picture of the reality of the market system as you do your primary field research and eliminate factors in the system that have low or little influence on the market exchange and add others that perhaps you did not know about until starting your field research.



Visualizing the Market System – Step 3

The next steps would be to:

1. List the market actors that we know or assume are performing the supporting functions, rules and norms
1. Conduct field research to understand how the market for maternity services is functioning for the demand and supply side and identifying from that research, which of the supporting functions, rules and norms are influencing the exchange the most and how. In this research you may find other factors you had not considered before too.





Market Systems Basics Takeaways

- A **market** is a where an exchange of a good or service takes place.
- A **marketplace** is a space (physical or virtual) where an exchange takes places.
- How and why a market performs as it does is facilitated, influenced and governed by the market system
- A **market system** consists of the target (or core) market, the supporting functions; and the rules/norms
- We visualize market systems to help us simplify communicating and navigating them
- Every market system is unique but can have similar characteristics that can help speed up knowing where to start your market system research
- Disaggregating the target group helps us to understand the differences in how and why different groups access the market



Section 2

Market System Constraints

What is a market constraint?

A constraint in the market system prevents a market from serving and including all groups.

A constraint will impact on the demand or supply of a good or service in the market exchange.

Typical examples could be:

- The price of meat is too expensive for households
- There is no supply of quality input supplies for farmers
- There is limited affordable transport to health clinics

In development contexts...

Practitioners seek to address engrained / chronic constraints that have become the 'norm' or embedded in the market system. These constraints are prohibitive to people accessing markets to maintain and improve their livelihoods and wellbeing. Usually this type of constraints is called SYSTEMIC CONSTRAINT

In humanitarian contexts....

Constraints may come about because of a crisis event. The impact of the event on the market will be a result of the market system reacting in to the crisis in order to keep functioning or might even stop all together. We will explore these types of constraints more in the Markets in Crisis module.

Market Constraints Affect The Market Exchange Which Affects Our Target Group



A market's performance can be broken down into the following indicators which describe the exchange:

- **Affordability** – *the cost of the good/service*
- **Accessibility** – *the ability to reach the market; who can interact with the market (e.g. who is the market catering for. Is it designing products and services for all types of customers/users?)*
- **Availability** – *the quantity of goods/services in the market*
- **Quality** – *the quality of the good/service*

These factors are the output of how the market system functions to provide a good or service and ultimately influence pro-poor outcomes.

These indicators may include or exclude different groups and so a market may be performing really well for some groups in the system; and not so well for others.

For example – low-income host households can access affordable and quality solar energy services but refugee households cannot in the same market system.

TIP: A market's performance is fluid because it is influenced by so many different factors and market actors (as we saw in the market system diagram in the previous section) and that is why mapping market systems and understanding the most influential supporting functions, rules and norms is important.

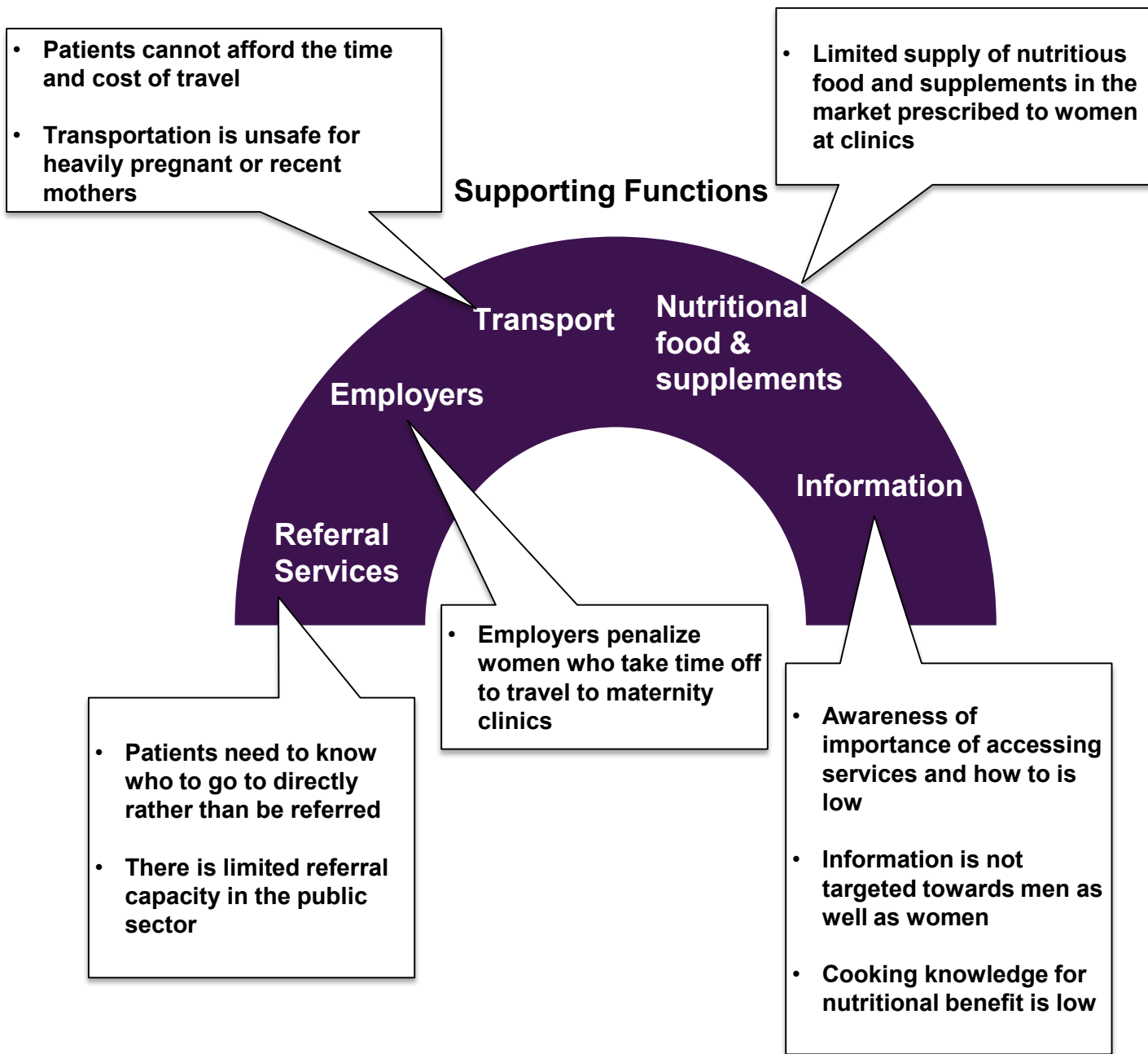
If something happens to a supporting functions, rules and norms, we may be able to predict it may have an effect on the target market that concerns us.

Example Market System Constraints

Let's go back to our maternity services example again and consider what some of the constraints in the system could be that may inhibit access to our target group. Perhaps your investigation asks the question:

Why do households not attend maternity services?

Why do household not follow advice provided by maternity services?



There could be many factors causing constraints in the market and some may be affecting some households more than others.

Your program may not be able to address all the system constraints. Instead the program will choose after the analyzing the system, which constraints to address based on the feasibility and impact potential of addressing that constraint.

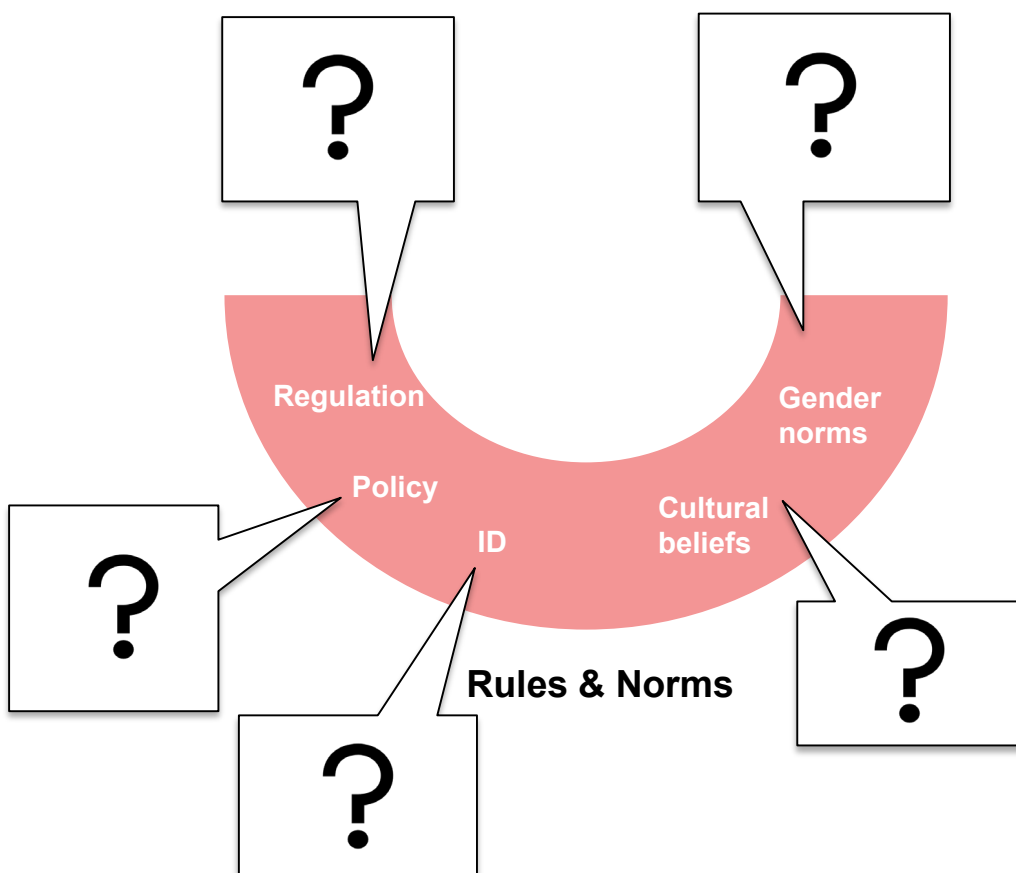


Exercise

On the last page we looked at possible constraints inhibiting the supporting functions in the market system.

Now consider the following questions:

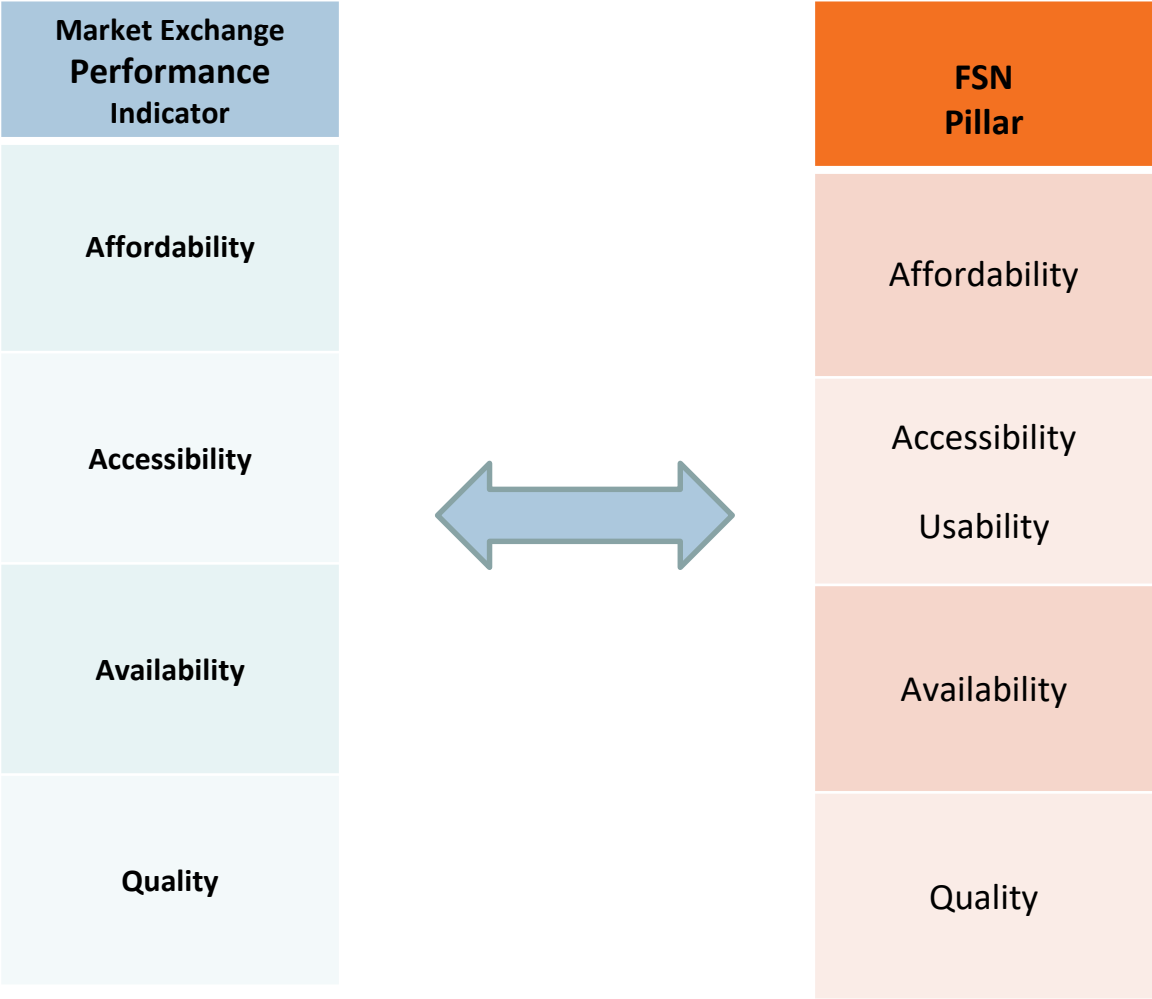
- 1) What possible constraints for the major rules and norms (e.g. regulation, identification documents, cultural beliefs etc – see diagram below) could be influencing the quality, affordability, accessibility or availability of maternity services?
- 2) Do you think these issues may affect all potential groups using maternity services? How might it differ and why?
- 3) How might these issues differ between **urban versus rural** market systems for maternity services?



Mapping FSN Pillars to Market Performance Indicators

Conveniently the FSN pillars map well to the market performance indicators which could be useful from a program management and advocacy perspective.

Being able to map market system constraints to the FSN Pillars may support you in adopting new programming approaches.





Market system constraints takeaways

- A market may be performing really well for some groups in the system; and not so well for others. This can be in both crisis and non-crisis contexts.
- When we look at a market system we are seeing it as a 'snapshot' in time and must remember this may change due to crisis or other external influences
- The market system's supporting functions, rules and norms influences the performance of the market exchange
- The performance of the market exchange can be broken down into:
 - **Quality**
 - **Availability**
 - **Affordability**
 - **Accessibility**
- Addressing how the supporting functions, rules and norms in the market system work, will change the performance of the market exchange
- The FSN pillars mirror the market exchange performance indicators



Section 3

Market System
Development
Programming (MSD)

Terminology

MSD is also known as Making Markets Work for the Poor (M4P) in the development sector (as well as Market Systems Change and even Market Systems Strengthening in the humanitarian sector).

Confusing yes but essentially, they are all working towards the same outcome. It is just useful to know all the terms mean the same thing.

What MSD seeks to achieve:

MSD programming seeks to **address the systemic constraints** in the market in order to achieve sustained and widespread **increases in a target populations wellbeing** (through access to goods/services) **or livelihood potential** (e.g. increased earnings). This is also known as **pro-poor growth**.

Although MSD has predominantly been conducted in areas of livelihoods and agriculture, it can be used in any sector.

It does not always have to provide a direct economic benefit to the target population, but it is likely that there will be an indirect economic benefit (for example, improving access to nutritious foods may reduce long-term economic losses from health issues [\(e.g. DALY disability adjusted life years\)](#))

When do we tend to do MSD?

MSD tends to achieve its outcomes more successfully in stable contexts where the market environment is not radically or constantly changing.

In this environment it is easier to identify and predict trends and shift behaviors.

However, the principles of MSD can be used in certain crisis contexts for recovery and resilience building. In these contexts the principles of MSD may not be able to be so rigorously applied but the ambition remains to support system recovery and development. This will be discussed more in Modules 3 - 6.

MSD: Why do things differently?

What might not work with conventional programming?

Conventional programming attempts to solve the 'symptom' of a problem in a market that is resulting in populations being underserved or excluded from accessing quality and affordable goods and services for their wellbeing and livelihoods.

For example, training may be delivered by an NGO to improve financial literacy skills of local businesses.

The challenge with this approach is:

- 1) **Unsustainable.** The intervention impact only lasts as long as the program. Once the NGO stops financing the program, the access to training will stop.
- 1) **Unscalable.** The intervention will be limited to the amount of people that NGO can serve only.

By delivering a function in the market, NGOs become themselves a market actor. The market may start functioning better for the period of time the program exists, but it is a **temporary fix**.

Eventually the program will end and a key function influencing the performance of the market system will disappear.

As such the market may begin to exclude and underserve populations again and potentially even worse than before.

This sometimes happens because the presence of NGOs providing free access to goods and services and cause **market distortion** whereby local market actors (public or private) decide not to invest in being, in this case, training centres, because they cannot compete with NGOs.

They have been **disincentivized** in providing that function in the market system.

This does not mean that NGOs are not needed, indeed in some contexts, aid may be the only way to access critical goods and services (we will discuss this more in the Markets in Crisis module). But it does mean that NGOs need to be **market-aware** in their programs and know the potential harm their program design can have if not designed with local markets in mind.

MSD: How are we thinking differently?

MSD programs, on the other hand, seek to answer the question:

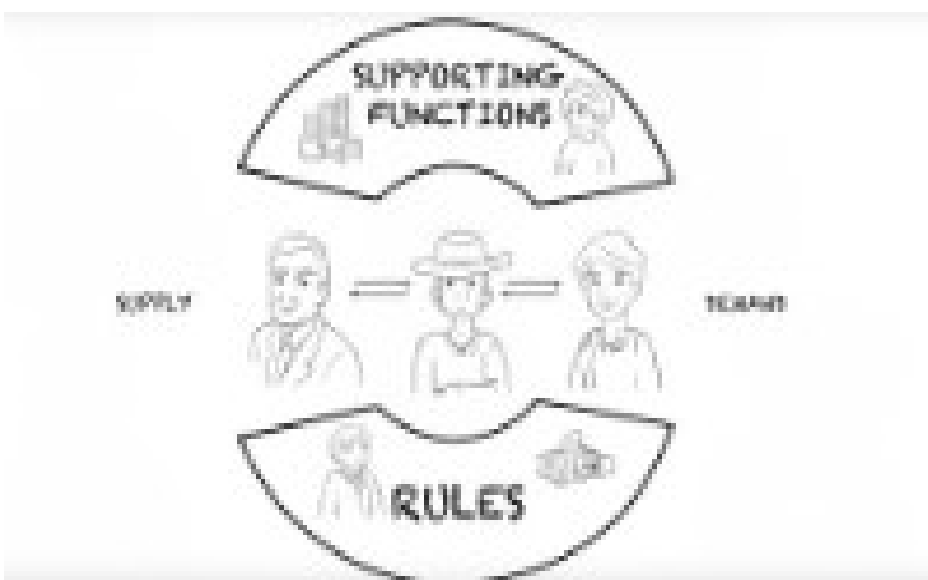
“why isn’t the market solving this problem itself?”

MSD programs **do not seek to become market actors** in the market system by providing a function (as is the case in conventional programming). *If an NGO is performing a function (e.g. training people in new skills) then it is part of the market system.*

MSD practitioners look to find out what is really preventing the market from solving the problem itself by identifying the **root cause** of the market constraints through in-depth **market system analysis**.

MSD programs acknowledge that in order to achieve a change in the market that is both **sustainable** and **scalable** then they need to facilitate any change through those that exist in the market system. They only invest in systemic changes that may achieve this.

Essentially if one market actor is incentivized to change their behavior; others may follow. This creates a **multiplier effect** and allows positive changes in the market to reach more people.



This video provides a good illustration of the previous explanations.

MSD: What do we need to find out?

The rest of this section will deep-dive into the three major areas of information we need to determine to design an MSD program

1. Choose the right market to change

**2. Understand the market system
and drivers of its behavior**

**3. Understand how to leverage local
capacity & incentivize change**

1. Choose the right market to change

Firstly, we need to find out what market is the most relevant to improving the lives of our target group.

There will be many markets that target groups interact with to meet their basic living and wellbeing needs (e.g. goods and services) and support their livelihoods.

Choosing which market to try to improve to serve the target group better is the first investigation task for an MSD practitioner.

Sector specific and donor requirements may have shortlisted the markets to investigate for you and you will need to prove whether changes in these markets have the potential and feasibility to achieve scalable and sustained impact.

You shortlist the market(s) to work with across three categories of which you could score you different markets:

RELEVANCE – *ability of the market system to improve for underserved or excluded person(s) in the target group / alignment with scope of work*

OPPORTUNITY – *potential for system to grow / improve / attract actors to adopt practices*

FEASIBILITY - *ability of the market system to change / develop / grow within current conditions*

Examples of choosing the right market will be explored with case studies in the next module.

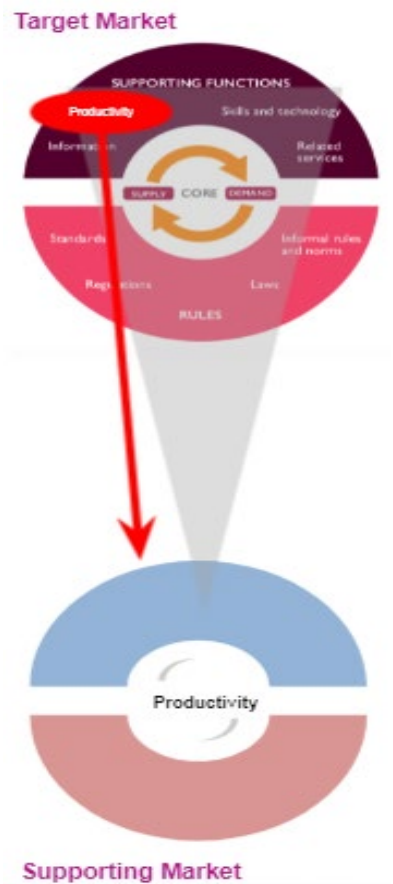
To make this decision, some initial market scoping research will need to be done to decide which markets to do deep-dive research in.

1. Choose the right market to change

Sometimes stakeholders involved in MSD programs become confused at why interventions are not directly working with the target market.

This is because the systemic issues tend to be found in the **supporting functions, rules and norms** and the target market experiencing the symptoms of these issues.

Every supporting functions, rules and norms will have market systems influencing how they work.



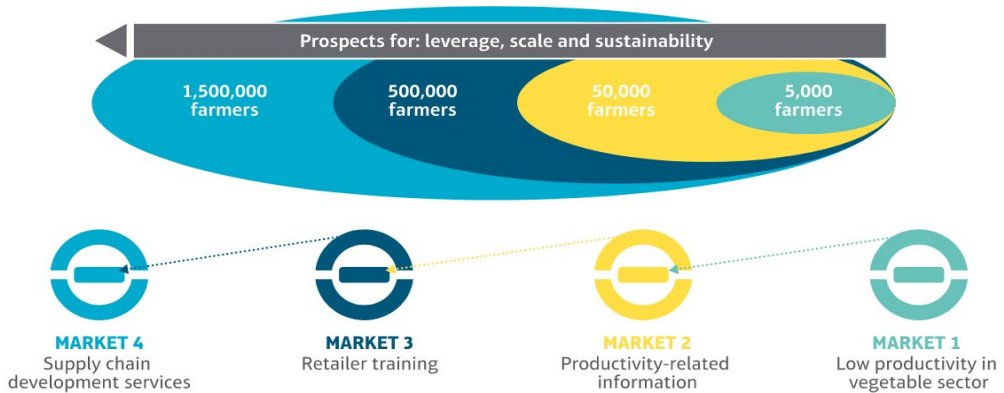
Markets critical to target group food security	Market System Components (Common to All Markets)			
	Finance	Information	Productivity	Standards
Maize	Red	Orange	Red	Yellow
Peas	Red	Orange	Red	Yellow
Peanuts	Green	Orange	Red	Green

If, from our market system analysis, we understand that **productivity** is a major constraint for all our critical markets, then rather than choosing to address constraints one of the markets, we may be able to leverage scale of impact by focusing on the productivity supporting market and improving maize, pea and peanut markets simultaneously.

At this stage we would do a deep dive analysis into the market system supporting productivity and identify how to improve it for all three markets, not just one.



Achieving scale working through supporting markets



Source: M4P Operational Guide (2008 edition)

The diagram above is taken from the [M4P Operational Guide](#).

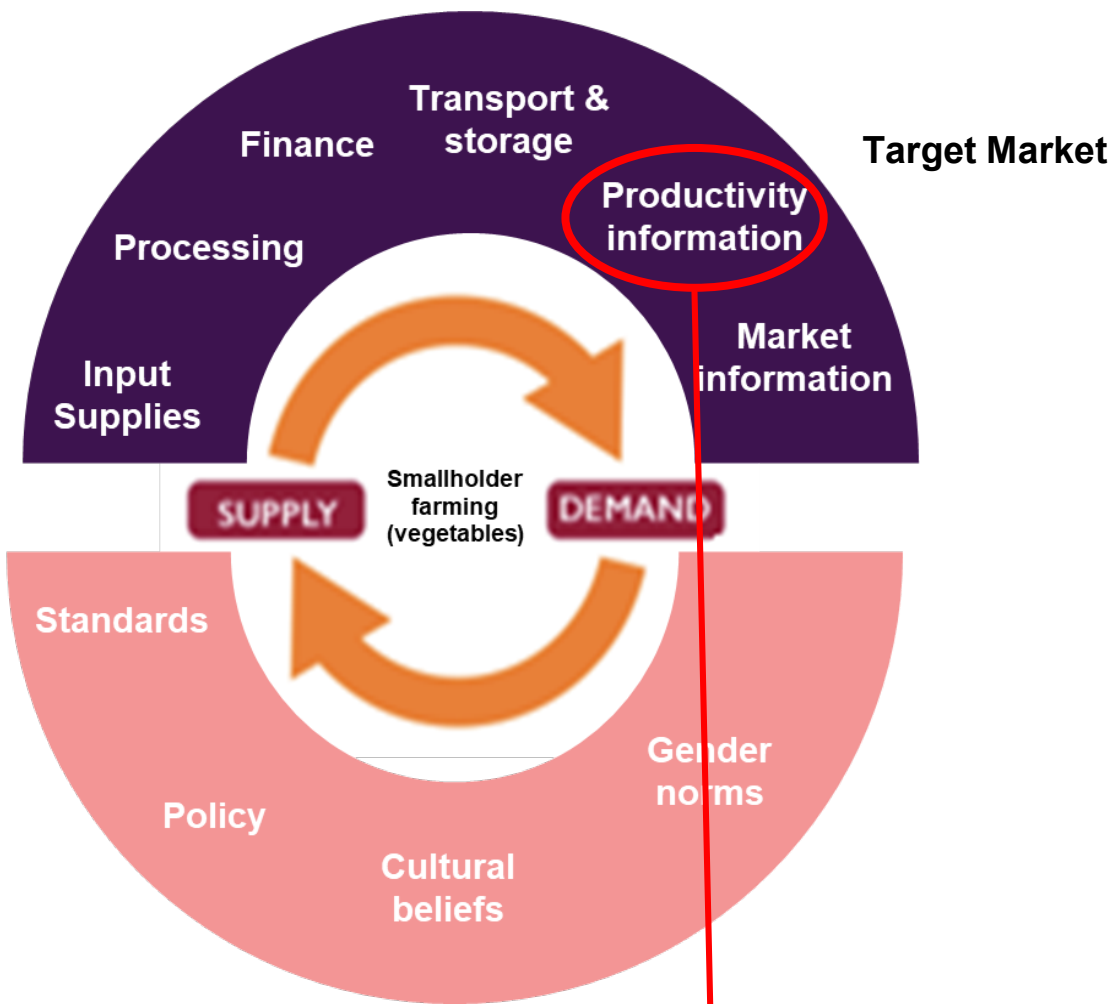
It attempts to show the reader that if we only intervene in the core system to address the symptom of the constraint (e.g. low productivity for smallholder farmers) then we will only reach 5000 households with our program.

Let's suppose that market system research identifies that the low productivity is a result of farmers simply not having good knowledge about how to improve the productivity of their crops. An NGO therefore delivers some awareness-raising roadshows in the area and over time, an increase in productivity is seen.

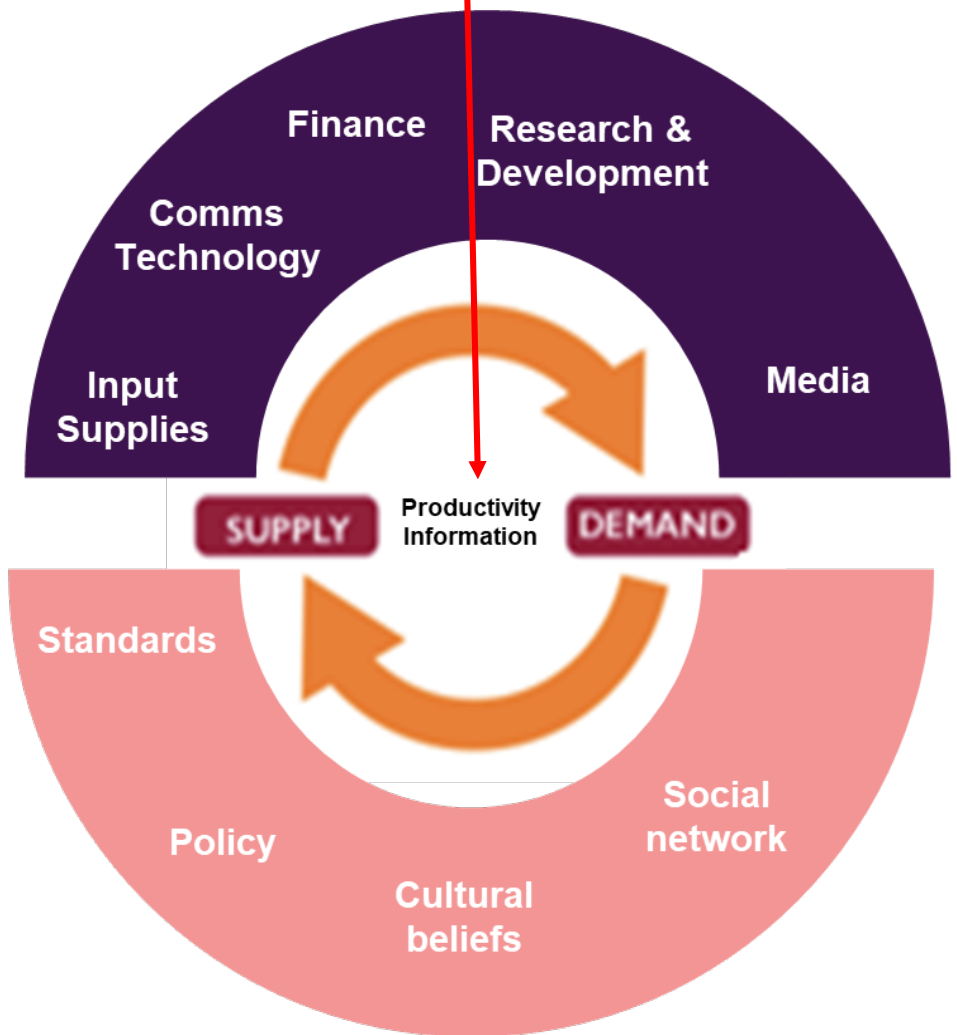
Okay, this may improve the vegetable crops of a few thousand farmers in a certain geography in the short-term but did we actually find out why smallholder farmers were not getting the information they needed to know in the first place? Did this intervention solve the problem or put a plaster on it?

If we actually delve a little deeper and start finding out why good quality productivity information (a supporting function for the vegetable market) was hard to access, then we may find that if we address that issue we might reach more farmers as well as ensure that they continue to keep getting information.

So then we can investigate the productivity information market system (e.g. how does productivity information move between those market actors supplying this information and those market actors needing it)....we create a whole new donut to show this....

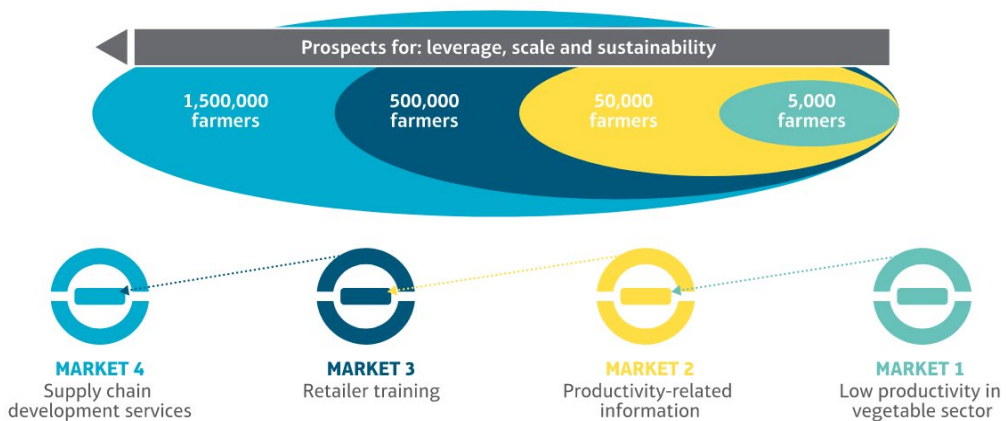


Supporting Market





Achieving scale working through supporting markets



Source: M4P Operational Guide (2008 edition)

When looking at the *productivity information* market we could look broader than just the vegetable market in a certain area to how productivity information is gathered and disseminated to all farmers.

Perhaps, this issue is farmers in remote areas cannot receive the latest information on weather patterns and quality seeds because it is published only in newspapers in the cities or on websites. The data is the right data but how it is disseminated is not right.

Perhaps, we could do radio adverts to farmers about the latest farming and weather information at times when the farmers will be listening?

We use the **local capacity** (e.g. mobile network, radio etc) to **improve farmer access to affordable and quality productivity information** by incentivizing farmers to buy radios or another market actor to pay for this function (e.g. government or input suppliers that may benefit from farmers improving productivity). This could reach a larger population of farmers (in vegetable sector and other food markets).

This means now that there we have addressed the productivity issue by delving into the real reason the right information was not reaching the farmers and, in doing so, potentially reached more farmers (50,000 in the diagram above).

We might be able to get even more scale!

Input suppliers have productivity information but may not share it. What if we looked at the market system influencing the way input suppliers get their products to farmers.

Perhaps, local retailers of regional or national input suppliers could be trained by the input suppliers to provide information on their products?

We could use the **local capacity** of input suppliers (supplying a much wider target area than where the program started) to **improve farmer access to affordable and quality productivity information** by incentivizing retailers to receive training on productivity information and provide this to farmers.

The **incentive** for input suppliers and retailers is that if farmers realize greater productivity and earnings, they may purchase more input supplies. Investing in education of the farmers is beneficial to them.

TIP: Notice here that we discussed incentivizing who paid for this service. If NGOs subsidise or procure services to send the SMS's what happens when the donor funding runs out? Did anyone find out if people would purchase this because of the benefits it could bring to them? Were assumptions made that no one would buy it?

A fundamental component of MSD is that intervention outcomes remain **sustainable**.

Yes, an NGO might help pilot the scheme by offering free texts for a few months to generate demand for the service but there would always be the intention to design an intervention that incentivizes local market actors to finance an affordably designed service.

2. Understand the market system and drivers of its behavior

Investigating a market system is almost like being a detective.

You know what the issue is but you don't know what or who caused it or why they did it

There is no known path to follow - you have to follow facts, intuition and leads by researching the market system

Next we need to understand why markets are acting the way they are; the **effect** that has on our target group; and **how to incentivize them to change**.

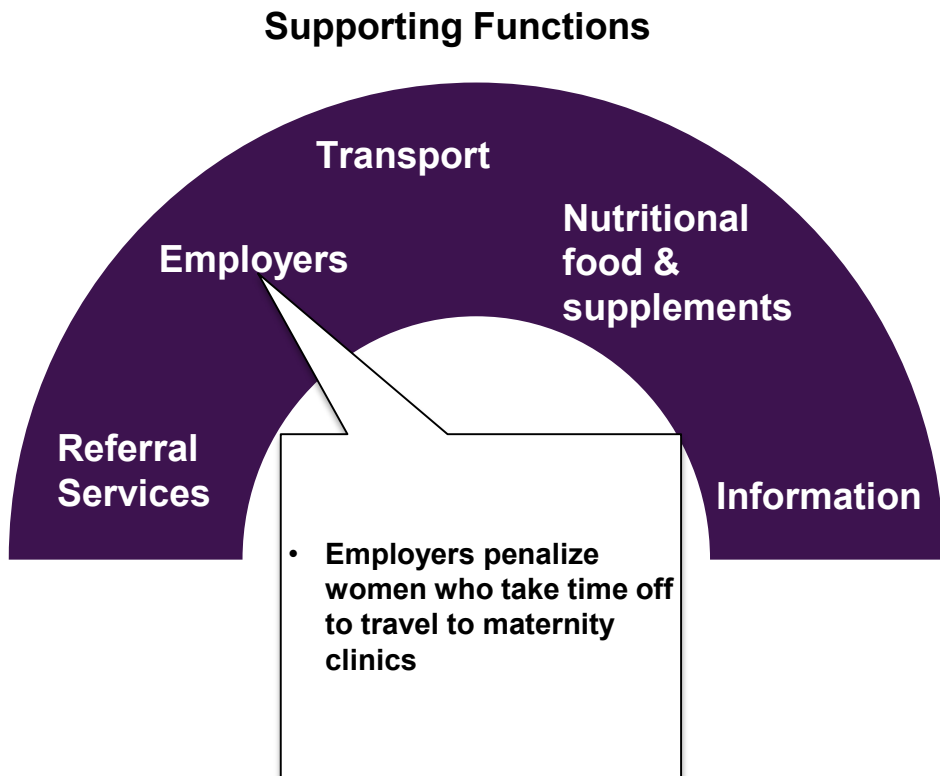
MSD practitioners need to find out:

1. How the market exchange is functioning and who it is supporting and not;
1. What are the major supporting functions, rules and norms influencing the issues with the exchange
1. Understanding why the market actors delivering the supporting functions, rules and norms are doing what they are doing and are not incentivized to change this behaviour to better serve all groups; and
1. Identify leverage opportunities (e.g. using under-utilized **CAPACITY** or realigning **INCENTIVES**) to change the way the market behaves to address the constraint and improve the market for those excluded and underserved.

2. Understand how to leverage local capacity & incentivize change

Returning to the **maternity services** example. Earlier we identified the constraints in the system. Let's focus on the **Employers** constraint.

STEP 1: Identify what's driving the current behaviour – what is the root cause of the constraint?



This constraint limits employed women's access to health services.

WHY do they do what they do?

First we would talk to employers to understand why they penalize women. What is fuelling this behaviour?

Can the employers not afford the labour loss of time in clinics?

Do the employers not want pregnant women in their employment?

Are women able to visit clinics outside of working hours? Are they open? Are they affordable to get to?



The Five Whys Technique

If you remember anything from this course in understanding markets, this is arguably one of the most important thing to remember...**how to ask why.**

Too often in investigating how things are working we take the first answer provided.

This tends to give us the issue someone is having or a behaviour they do without us really understanding **why** it is an issue or why they do that behaviour.

Using the Five Why's technique can help us get to the root cause of a problem – essentially we aim to ask why up to 5 times which can reveal the motivations behind a certain behaviour. Then you can use this understanding to better design interventions.

Are women employees allowed to take paid leave to visit health clinics?

> No

This is the point where most needs assessments or poor quality market assessments normally stop. But what happens if you ask why?

Why are they not allowed?

➤ *We cannot afford to pay them to visit the clinics and loose productivity.*

Why can you not afford it?

➤ *We loose productivity. The visits are not just 1 hour – they take all day.*

Why?

➤ *The clinics seem to be very far from the workplace or women just prefer to be paid for not working. We do not want to encourage that.*

Why?

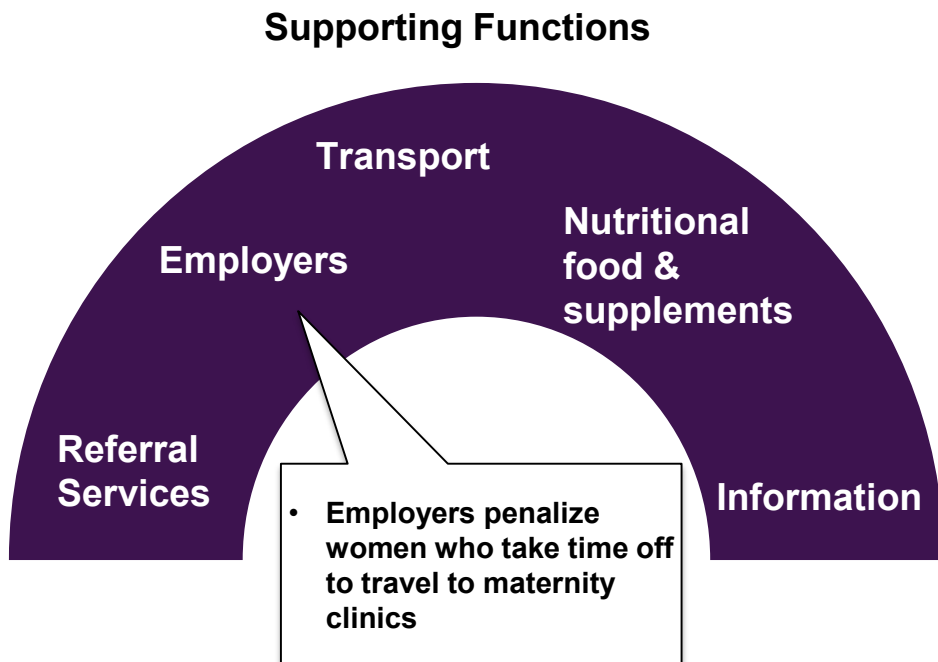
➤ *Because everyone will start doing it. It is just easier to employ women not planning to have children or men.*

Why?

➤ *Because they do not expect paid leave.*

2. Understand how to leverage local capacity & incentivize change

STEP 2: Consider what might incentivize a change in behavior?



What could incentivize a different approach?

- ***Could they save money?*** – is it more costly for the business to recruit and train new employees rather than retain healthy pregnant women and provide maternity leave?
- ***Is it against policy?*** Could there be fines or brand reputation issues? We could find out whether employer or governmental policy exists that should be adhered to that ensure paid leave for health visits for all businesses so there is no competitive advantage to some employers.
- ***Could we reduce the time loss of employees?*** could large employers or business hubs have fixed or mobile maternity clinics located at/near workplaces? In doing so we solve transport and employment challenges.
- ***Could employers have maternity foods in the canteen?*** could employers work with public health services to ensure nutritious foods reach women? What is the incentive? Positive marketing?
- ***Could healthcare clinics open outside of normal work hours?*** – could health services serve populations outside of working hours? Why are they not? Is it safe for women to attend in the evening? What are the attendance rates during the day?

2. Understand how to leverage local capacity & incentivize change

STEP 3: Design an intervention to test your theory

For example, if you want to prove that the company can save money, you could commission some research to identify this and then share the results publicly and facilitate discussions with employers about the results to gauge their reaction and appetite for change.

Designing and delivering interventions in MSD

MSD programs do not directly deliver the changes we wish to see in the system through local market actors. They find ways to incentivize that change such that local market actors **adopt** the change.

Facilitation is a technique used to do this. Facilitation activities include: advocacy, education, connection (e.g. making linkages between disparate parties), information-sharing etc

Facilitation may include some **financing to incentivize piloting** of new behaviors or ideas to minimize risk for market actors or stimulate uptake. Such financing has to be time-limited and, ideally, shared such that market actors also take on risk too.

Consider what might happen if the risk is only on the NGO?

Identifying the right market actors to work with requires work too. **Will, skill, risk assessments** are normally done after the market system analysis and intervention vision are constructed in order to identify who best to initially work with to initiate the system change.



Market system development takeaways

- MSD programming seeks to **address the systemic constraints** in the market in order to achieve sustained and widespread **increases in a target populations wellbeing** (through access to goods/services) or **livelihood potential** (e.g. increased earnings). This is also known as **pro-poor growth**.
- **MSD tends to achieve its outcomes more successfully in stable contexts where the market environment is not radically or constantly changing.**
- MSD programs, on the other hand, seek to answer the question: **“why isn’t the market solving this problem itself?”**
- MSD programs **do not seek to become market actors** in the market system by providing a function (as is the case in conventional programming). *If an NGO is performing a function (e.g. training people in new skills) then it is part of the market system.*
- MSD programs acknowledge that in order to achieve a change in the market that is both **sustainable** and **scalable** then they need to facilitate any change through those that exist in the market system. They only invest in systemic changes that may achieve this.
- We will address constraints in supporting market systems, rather than the core market system, in order to reach scale
- To design an MSD program we have to:
 - Choose the right market
 - Understand the market system and what’s driving its behaviour
 - Identify opportunities to incentivize change
- Facilitation methods are used to avoid directly intervening in markets in order to incentivize the changes we need to see in the market systems



Section 4

**Typical Market
System Constraints
in FSN systems**

Setting the Scene

Agro-foods markets are a keen focus for practitioners in improving food security and nutrition.

This section discusses the typical characteristics and constraints of an agro-food market system. We purposefully discuss agro-foods markets **generically**.

Underperforming agro-food market system often have similar constraints.

These constraints usually affect reaching one or more of the food security and nutrition pillars (Affordability, Accessibility, Usability, Availability and Quality)

The aim here is to make you familiar with these common (not all possible!) constraints in order to be able to begin investigations and more quickly identify or dismiss them as the major constraints in the contexts you may be working in.

Remember, what may be the root cause of the constraints (the ‘why’) should always be validated through market system analysis, not assumed, and it can draw your attention to another market system (not agro-food market) that could be the starting point for your intervention (This will be explained by case studies in the next module)

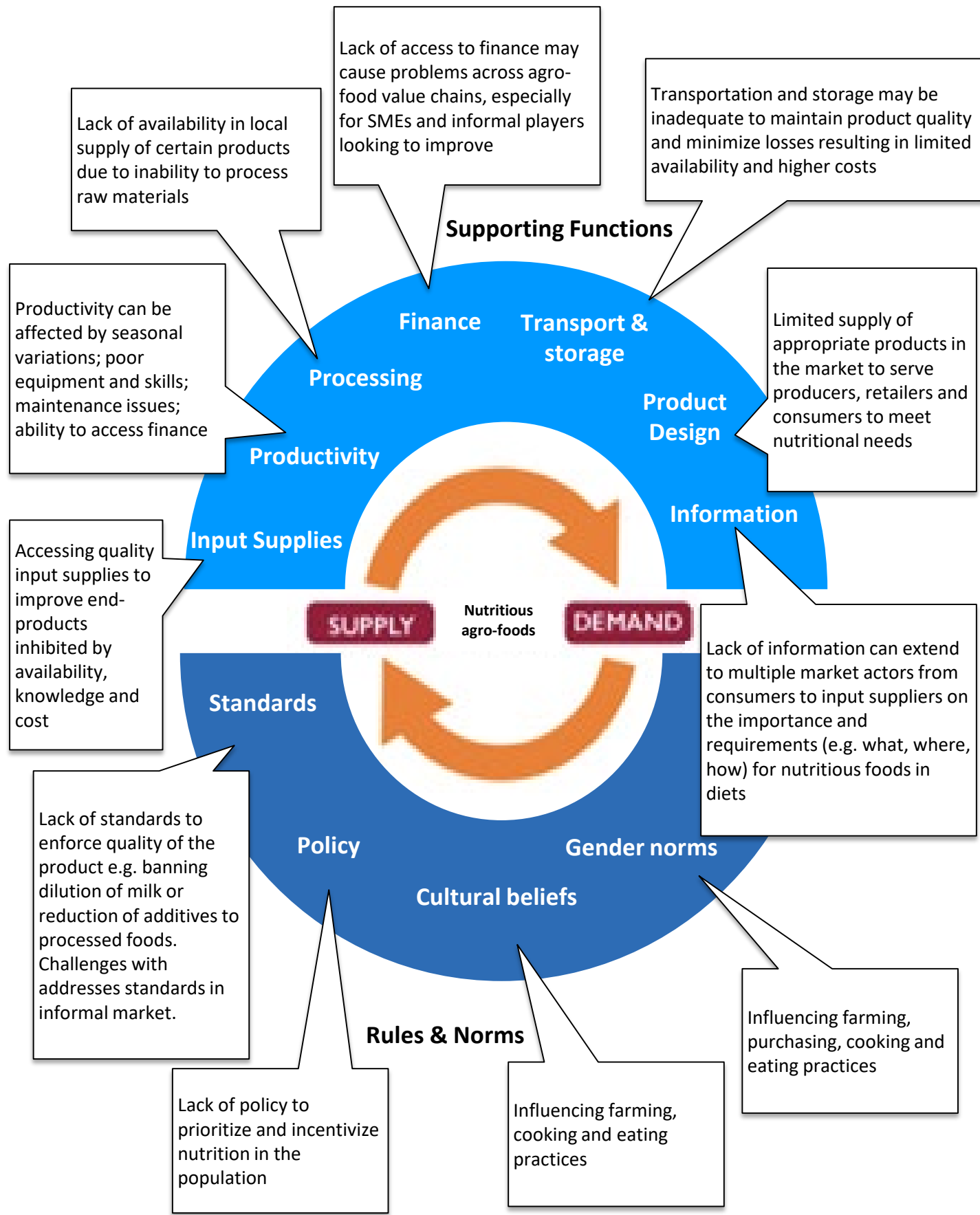
From earlier in the module we learned that there could be a range of different consumers in a market system.

Consumer groups in agro-food markets could include the following in addition to just households:

- Single-headed households
- Aid dependent households
- Low income, subsistence farmer households
- Low income, urban households
- Small, informal vendors
- Small, formal vendors
- Commercial or industrial SMEs
- Public health and educational facilities
- Private health and educational facilities

Understanding this may help us identify opportunities to target groups with access to nutritious foods in different environments by understanding how each consumer group accessing the market and serves the target group.

Agro-food Market System & Common Constraints



Another Perspective: Constraints to Nutrition in the Market System

The lists below have been collated from interventions from multiple programs in the following publication: *UNICEF (2020): [Evidence and Guidance Note on the Use of Cash and Voucher Assistance for Nutrition Outcomes in Emergencies](#)*

This is important to know as different programs and organisations discuss and present market systems in different ways. You need to feel comfortable seeing market system information laid out in different ways.

Some of the constraints (also known as *barriers*) listed below were shown in the donut diagram but they are grouped without categorising them specifically into groups as supporting functions, rules and norms.

Instead they have been presented showing the different barriers to the exchange:

Demand-Side Barriers are issues that are affecting those needing nutrition.

Supply-Side Barriers are issues affecting the supply of nutritional products or services

The table below shows a good list of market system constraints in the nutrition sector. It might be useful to consider how you might have shown this in a donut form.

Another Perspective: Constraints to Nutrition in the Market System

Table 1. Potential demand and supply side barriers to adequate nutrition (Note: Economic barriers are underlined in their colour)

	Demand-side barriers	Supply-side barriers
Underlying determinant: adequate food	<ul style="list-style-type: none"> Inadequate production of nutritious foods for household consumption Insufficient knowledge and skills on nutritious diet preparation <u>Nutritious diet not affordable</u> <u>Transportation to markets not affordable</u> Markets not accessible due to distance, safety concerns, social and cultural factors, etc. <u>Cooking utensils and cooking fuel not affordable</u> Inadequate storage and preparation of food at the household level Household income not used to purchase nutritious foods Inadequate sharing of food within households (not child or women centred) 	<ul style="list-style-type: none"> Insufficient availability and/or quality of productive inputs Insufficient food production and/or importation Insufficient availability and/or quality of nutritious food in local markets Inadequate handling and storage of foods (especially fresh foods) along the supply chain Insufficient availability of cooking utensils and fuel in local markets
Underlying determinant: adequate feeding and care ⁷	<ul style="list-style-type: none"> <u>Preparation of adequate complementary food for children 6-24 months not affordable</u> Inadequate knowledge and skills on how to prepare nutritious complementary food <u>Lack of caregivers' time for optimal feeding and care due to economic pressure (e.g. work)</u> Inadequate caring practice due to lack of knowledge and skills Traditional beliefs, practices and perceptions that negatively impact adequate feeding and care of infants, young children and women Lack of caregivers' control over resources contributing to spending decisions that are not child or women centred Inadequate physical and mental well-being of caregivers 	<ul style="list-style-type: none"> Infant and young child feeding (IYCF) policies at central and local level not adequate IYCF services and support for adequate care (e.g. health services, IYCF counselling services, women support groups) are not available or not functional Insufficient availability of nutrition dense complementary foods Inadequate social protection policies (e.g. paid parental leave; support of breast-feeding in the workplace or in society)
Underlying determinants: healthy environment	<ul style="list-style-type: none"> <u>Accessing and using health services is not affordable due to direct costs (e.g. consultation fees, diagnostic tests and/or medicines) and indirect costs (e.g. transport or accommodation costs)</u> Health services not accessible due to distance, safety concerns, acceptability by community, social and cultural factors, etc. <u>Opportunity costs of seeking health and nutrition services are considered too high</u> Lack of knowledge on existing (preventive) health services Inadequate health seeking behaviour due to lack of knowledge of malnutrition and other disease, traditional beliefs, etc. <u>Hygiene items for general and specific needs (e.g. new-born hygiene, menstrual hygiene) not affordable</u> Lack of knowledge and skills on hygiene and sanitation practices <u>Safe water and water treatment not affordable</u> 	<ul style="list-style-type: none"> Health services not sufficiently available Health service of insufficient quality Adequate drugs, supplies (e.g. therapeutic foods) and equipment for maternal and child health services are not available Hygiene and sanitation items for general and specific needs not available in the local market Inadequate availability and quality of water at household, community and health facilities level Inadequate water and sanitation infrastructure Inadequate and insufficient water storage at household and health facility level Lack of hygiene items in the market

⁷ Optimal infant and young child feeding and care includes adequate protection, promotion and support of breastfeeding, adequate complementary feeding and adequate care practices.

Another Perspective: Constraints to Nutrition in the Market System

It is useful to explain why UNICEF are only looking at the demand and supply side barriers in the previous table.

CVA interventions look to improve nutritional outcomes by addressing the following constraints:

1. Affordability constraints
2. Incentivising a change in nutritional behaviour by conditioning what people can purchase with vouchers or tying access to cash to attending nutritional services

This is **not addressing the root cause** of the affordability or behaviour constraints in the different markets linked to nutrition.

CVA is often used by NGOs to address issues and can lead to good outcomes but it is important to know whether these outcomes could be maintained after the CVA intervention (especially in protracted crisis and development contexts). If the intention is to create sustained outcomes then we need to think about using MSD principles to address these issues, not just temporary CVA fixes.

Subsidies exist in non-emergency contexts and can be used to address chronic affordability issues to maintain quality of life / livelihoods or incentivise changes in behaviour e.g. subsidising the cost of solar energy to increase conversion to clean energy in homes.

However, these still need to be designed with sustainability in mind.

Who is financing a long-term subsidy? The NGO? The government? The business owner? Who has access to the subsidy? Why? For how long? When should it stop? Why? What is happening in parallel to the subsidy to address affordability or behaviour issues so the subsidies can eventually end?



EXERCISE

Consider the generic agro-food market system on the previous page and pick a constraint familiar to a program you have worked with previously.

Now we would like you to do:

- Which constraint you picked. *Please provide the location of the interventions you are describing in order to provide context of the market system to the readers of your post e.g. Addis Ababa vs. Bidibidi settlement in rural Uganda.*
- What interventions you did (or have seen in other projects) to address this constraint?
- Then, based on the MSD principles you have learned, please critically analyze whether the intervention would likely address the system constraint or not and why. *Did it address that root cause? How? Would it be scalable or sustainable? How? What might you have done differently instead?*