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THE UTILITY OF MARKET ANALYSES: KEY FINDINGS FROM A LANDSCAPE REVIEW



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ACRONYMS

FTF	Feed the Future
ISP	Industry Strategic Plan
LEO	Leveraging Economic Opportunities
M4P	Making Market Work for the Poor
MSA	MarketShare Associates
MSD	Market Systems Development
PMSD	Participatory Market Systems Development
PMSM	Participatory Market Systems Map
USAID	United States Agency for International Development
VC	Value Chain

EXECUTIVE SUMMARY

For the majority of market systems development (MSD) projects, conducting market systems analysis at the beginning of a new project is considered standard practice. Yet despite their widespread acceptance, some practitioners and donors are unconvinced that market analyses are living up to their promise. There are concerns about the quality of the analyses, their value for money, and their usefulness in informing subsequent intervention design and adaptive management practices.

This report examines this issue through a review of market analyses and in-depth interviews with key staff from projects seeking to apply an MSD approach. The purpose of this paper is to improve the practices of projects wanting to understand where and how to intervene to facilitate market systems development that creates inclusive benefits for target populations. The report's intended audience is implementers and donors of MSD projects. While recognizing that market analyses may be used for a variety of purposes, including by donors to inform portfolio investments and policy designs, this assessment focused on the utility of market analysis for implementers who seek to use it to design and constantly improve interventions.

This research yielded insight into a number of conflicting demands and motives in current market analysis practices, but all of them essentially came down to **two main tensions**:

1. Are market analyses intended as a one-off analysis at the start of a project, or to establish and synthesize a set of understandings about a market system that are to be updated as a project proceeds?; and
2. Should a market analysis focus primarily on producing the necessary outputs and use ample external expertise (as necessary) to do so, or should staff capacity building take priority?

Exploring these tensions with interviewees led to this report's **three main findings**:

1. If an analysis is meant to provide a foundation for an initial understanding, we (as a field) are overdoing our market analyses at the start of programs, then under-resourcing information gathering later in the life of the program.
2. If an analysis is meant to be updated as programs move forward, we are developing market analysis reports that are too lengthy and ill-suited for ongoing use.
3. If an analysis is meant to help staff start implementing, then there is a minimal set of information that appears to be useful for a "good enough" understanding of a market system – but no single framework or tool generates this information.

To build on these findings, this report offers the following recommendations, explored fully in Section IV:

For **right-sizing the process**:

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

For **packaging the result for ongoing use**:

- Adjust the research output to the learning style of the local team.

- Use modular outputs.
- Produce separate outputs for each audience, rather than creating the same output for donors and for staff.

For **getting to “good enough”**:

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

Adding on the list of minimum information pulled from analyses and interviewees, this research proposes a set of core information that should be included in any good initial market analysis. As explored more fully in Section V, this includes: an appreciation of time and the history of the system; size and growth (i.e., economic opportunities); significant influences on competitiveness (e.g. energy prices, currency swings, neighboring country competitiveness); power and gender differences; distribution of benefits (benefits accruing to different groups); level of innovation; existing business models; and common disputes between actors in the system.

Lastly, there are a number of areas this research was either not able to explore fully or that arose from this work as topics of value for future investigation. As articulated in Section VI, this includes: determining what is a ‘good enough’ analysis in different contexts (see finding 3 in Section II.C); applying action research during the market analysis phase; developing a new analytical framework or process that incorporates the recommendation components outlined in Section V; and developing modular outputs. The practice of market analysis and the theoretical basis underpinning their design, implementation, and utility remains a dynamic space that is certain to evolve in the years to come.

I. INTRODUCTION

This paper presents the results of the Leveraging Economic Opportunities (LEO) project’s research into market system analyses conducted to inform the launch and implementation of market systems development (MSD) projects.

For the majority of MSD projects, conducting market systems analyses at the beginning of a new project is considered standard practice. These analyses are so ubiquitous that they are typically included as early deliverables in project contracts, and significant resources are typically devoted to them. The prevalence of this practice is likely due to the focus of most MSD approaches on early analysis, and also as a reaction to the relatively ‘market blind’ nature of earlier sustainable livelihoods projects.

Yet despite their widespread acceptance, some practitioners and donors are unconvinced that market analyses are living up to their promise. There are concerns about the quality of the analyses,¹ their value for money, and their usefulness in informing subsequent intervention design.

This report examines this issue through a review of market analyses and in-depth interviews with key staff from 14 projects seeking to apply an MSD approach. These projects included three funded by USAID, five by the UK Department for International Development (DfID), one by the Australian Department of Foreign Affairs and Trade (DFAT), two by the Swiss Agency for Development and Cooperation (SDC), one by the International Labour Association (ILO), one by the Bill and Melinda Gates Foundation, and one by the UK’s Big Lottery Fund. It presents recommendations on the appropriate scope of market analyses, and how they can be tailored to be more helpful in informing project design and implementation.

The purpose of this paper is to improve the practices of projects wanting to understand where and how to intervene to facilitate market systems development that creates inclusive benefits for target populations. The report’s intended audience is implementers and donors of MSD projects. While recognizing that market analyses may be used for a variety of purposes, including by donors to inform portfolio investments and policy designs, this assessment focused on the utility of market analysis for implementers who seek to use it to design and constantly improve interventions

This study is divided into five sections. Following this introductory section, the research objectives and methodology are described in Section II. Section III presents two key tensions in current practice and two overall findings. This is followed by Section IV on conclusions and recommendations, and Section V proposes the minimum recommended contents of market analysis. Annex 1 summarizes the four analytical frameworks used by the programs interviewed for this survey, reflecting on their comparative utility.

¹ For example, the ILO’s “The Lab” project found in 2014 that more than 90% of the VCAs that the ILO commissioned included “only a superficial level of analysis, and that just one report out of eighteen was able to successfully identify underlying constraints to inclusive growth. Not a single report managed to identify and prioritize key underlying constraints which would serve as a sound basis to design future interventions.” See The Lab. [From Value Chain Analysis to Market Systems Analysis? An Internal Review of the Quality of ILO Value Chain Analysis Reports](#). 2014.

II. RESEARCH OBJECTIVE AND METHODOLOGY

The research effort collected market systems analyses, value chain analyses, and other formative market analytical documents used in the design and implementation of inclusive MSD programs. In determining what studies to include, the team looked for analyses that broadly fell into the second phase described in Box 1. In practice, analyses sometimes included phase 1 or 3 in their market analyses. As long as they also included an analysis of market systems (phase 2), they were considered. Such analyses, regardless of their official name (e.g., value chain analysis) are referred to generically as market analyses in this report.

Box 1: Market Systems Development Phases and Related Tools

1. **Sector Selection:** Conduct high-level research on numerous sectors to identify a prioritized short list of sectors that have the highest potential to contribute to the program's objectives.
 - a. Tools: Sector selection criteria diagnostic cone
2. **Market Systems Analysis:** Conduct research on performance of the short-listed sectors to validate initial hypotheses about potential of sector to contribute to program's objectives and identify potential programmatic entry points to achieve systemic change for beneficiary population. This process can also include separate (or integrated) analysis, such as social inclusion and gender analyses and political economy analysis.
 - a. Tools: Market systems map, value chain framework analysis, participatory market systems map, industry strategic plan, political economy analysis, gender and social inclusion analyses
3. **Intervention Design:** Building from the entry points identified during the market systems analyses, refine understanding of market actors, their incentive and underlying business case for change.
 - a. Tools: stakeholder map, 'who does/who pays', results chains.
4. **Implementation:** Pilot interventions
 - a. Tools: sweat, worry, struggle and luck.

Due to the immense diversity in development programs and consequently their market analyses, the study team did not aim for a representative sample of studies. Instead, the study team sought a purposive sample of projects that represented a range of program types and institutions, with an emphasis on programs that were experimenting with new research approaches. Hence, the particular focus on non-USG funded programs in the sample (11 out of 14 projects), as these often have longer built-in pilot and research phases than current USG-funded programs typically allow. This study does therefore not intend to present the generalized state of practice in the findings but rather to surface particularly useful insights from knowledgeable sources.

The following six key questions guided the research process:

1. *What analytical frameworks have proven most and least helpful in guiding market systems analyses, informing implementation and in other ways?*
2. *What is the minimum amount of information that is needed to inform good design and implementation of inclusive market systems programming?*

3. *What is the appropriate level of investment to put into market systems analyses in advance of (or as part of) design work vs. during implementation?*
4. *What tools, questions, and research methods have proven most and least helpful in guiding market systems analyses and informing implementation? What are the main gaps or weaknesses in the tools, questions, and research approaches that have been used? What important information have they not uncovered? What other features have proven unhelpful in practice?*
5. *What structure of presenting the data from the analysis has proven best for the implementing teams and why?*
6. *Have some analyses provided a more accurate analysis of the market system than others? What characteristics of the analyses influenced the accuracy, and how could any gaps have been addressed in retrospect?*

In order to obtain candid insights from practitioners, all findings, feedback and quotes are presented anonymously. With the condition of confidentiality in place, most practitioners generously shared experiences and insight into their respective experiences with market analyses, as well as the actual documents themselves. Nonetheless, the study team did encounter a few research challenges. This included non-responses by some of the contacted organizations (approximately 20 percent). Another challenge was that there is no method for testing the degree to which frameworks and tools were applied as intended, nor are there certifications of competence in most. Rarely are the applications independently reviewed for accuracy. Additionally, the research approach of interviewing implementers meant that market systems analyses procured by donors prior to tendering a project were not reflected in the report and its findings. Consequently, respondents may have conflated the utility of an analytical framework with the capacity of the team to use it properly. A final challenge concerned how broadly or narrowly to define the analytical frameworks. The frameworks generally include a tool for visualizing a market system, including what features an analytical process would seek to investigate - e.g. vertical and horizontal linkages; supporting service systems; rules and norms - but also a package of other tools that provide information useful to intervention design. To make the scope of this study manageable, we have focused our analysis of analytical frameworks primarily on the market visualization tool, as well as any other aspects that are used during the market analysis (as opposed to the intervention design) phase.

III. FINDINGS

Two key tensions on the purpose of market system analyses

This research yielded insight into a number of conflicting demands and motives in current market analysis practices, but all of them essentially came down to two main tensions. These tensions greatly influenced a program's perspective on the utility (or lack thereof) of an analysis framework, the methodology and tools employed to conduct it, and the areas of focus that are highlighted in the analysis.

The first tension is about the expected shelf life of market analyses. **Are they intended as a one-off analysis at the start of a project, or as establishing and synthesizing a set of understandings about a market system that are to be updated as a project proceeds?** A few of the people interviewed believed that the purpose of a market analysis is to provide the initial information required to start a project, and to satisfy relevant stakeholders (e.g., donors). Those practitioners did not actively refer back to the market analysis after it was first conducted though the information gleaned from the research, and retained informally by analysts, may have been used at subsequent project implementation points. Others, however, viewed the market analysis as a living document, to be regularly consulted and updated by staff over the life of the project. For those practitioners, the market analysis also serves as a knowledge management tool that helps staff gain a basic

understanding of market systems, putting them in position to begin implementing, and mitigates the institutional losses of staff turnover by formally capturing key learning from the initial research phase.

A second tension is closely related to the first. **Should a market analysis focus primarily on producing the necessary outputs and use ample external expertise (as necessary) to do so, or does staff capacity building take priority?** The process of conducting market analyses creates an opportunity for building staff capacity. As one interviewee stated, ‘the process [of market analysis] should be prioritized over the product.’ Several projects shared that they rarely rely on consultants to perform market analyses, pointing to the fact that the analysis is an experience that draws staff into the market system context, giving them an understanding of how it works and who the players are. Bringing in external consultants to lead this process could mean that a program loses the opportunity for staff to learn about the focus of their work, and risks staff not feeling ownership over the result.

Conversely, other projects needed the expertise brought by external experts. For example, some projects used the experts primarily to coach and empower the local team through the research process, who were responsible for leading the process. This is particularly the case when donors have stringent requirements on the timeframe for completing the analysis. For USAID projects, a typical contract requires project startup in under 90 days and a work plan presented within 60 days. Given the time required to hire and mobilize staff – which can take up to four months owing to recruitment, interview processes, and staff notices to current employers – this can easily shift the emphasis towards relying on external expertise out of sheer necessity. Other factors that can favor using external expertise include a lack of internal staff capacity during a project phase with many competing demands on staff time, a lack of technical staff on board at the time that the analyses need to be completed, and a lack of English writing skills. Another important priority for some is to use outsiders to avoid bias, introduce different ways of thinking, and to incorporate global learning into the recommendations.

Exploring these tensions with interviewees led to this report’s **three main findings**:²

1. If an analysis is meant to provide a foundation for an initial understanding, **we (as a field) are over-doing our market analyses at the start of programs, then under-resourcing information gathering later in the life of the program.**
2. If an analysis is meant to be updated as programs move forward, **we are developing market analysis reports that are too lengthy and ill-suited for ongoing use.**
3. If an analysis is meant to help staff start implementing, then **there is a minimal set of information that appears to be useful for a “good enough” understanding of a market system – but no single framework or tool generates this information.**

These findings are explored in turn, below.

² These findings are informed by an understanding that **the purpose of a market analysis is for a program to use it in designing (and constantly improving) interventions.** Donor needs for documentation should follow program needs for insight, naturally. This is to say, if a donor wants to see analyses that prove a program is learning adequately, then a donor’s preferences for what is included in documentation of that learning should follow the program’s preferences for what information is useful.

A. Finding I – We are overdoing our market analyses at the beginning, then under-resourcing them later

There is reason for concern that the MSD field is putting too much time, money and focus on upfront analyses, at the cost of building long-term capacity to periodically (if not continually) update analyses as programs move forward. This concern includes program investments in upfront analyses, the use of analytical frameworks that require lengthy analysis but hold less promise of useful insight, and the form analyses take when they are finished.

A.1 Typical investments are high and front-loaded

The fieldwork and writing for market analyses in our sample lasted from 45 to 90 working days, with the typical study taking about three months of work for a team to complete. Some interviewees noted that analyses will expand to fill whatever time is available, which can be a danger especially for projects with long inception periods. Yet conversely, implementers funded by other donors such as USAID felt the challenge is the opposite: there is too short a period to do meaningful analysis. Analysis teams often combined national staff with international consultants, and in these cases consultants were often ultimately responsible for developing the finished product. The research found that doing a comparative analysis on the actual amount of money spent on market analyses is of relatively limited value, given that the variances in costs by geography make it impossible to objectively compare cost data. One aspect that was raised by interviewees, however, was the importance of allocating funding for market analyses throughout the project lifecycle and not just at the beginning. As programs learn more about their respective sectors, new opportunities may emerge and other previously promising sectors may fade. It is important, according to these practitioners, to have the financial resources to continue to explore new opportunities as they emerge, instead of using the entire analysis line in a program's budget early on.

One problem that surfaced relates to the restrictions often placed on many programs by one donor, in which market system analyses are required within the first few months of a program. This analysis then informs a work plan that constitutes a significant part of the early package of deliverables for a new program. As mentioned previously, it is questionable that staff learning or good program design results from this rapid timeline and kind of restriction. It may be more sensible to rethink the time period for early analysis and work plan development, allowing at least for the full hiring of local staff whose job it will be to implement the work plan. If this is not possible, then other ideas for building staff capacity are presented in the recommendations section below. Related to this, some donors conduct market analyses prior to the solicitation phase. These insights, while often reflected in a procurement tender, can be outdated by the time a project is ultimately launched, and in some cases the full pre-solicitation analyses are difficult for the implementation teams to access.

A few programs have been exploring ways to make the process more efficient. Representatives of two programs stated that they were able to reduce the total investment in their respective market studies by conducting pre-scoping analyses to refine the study objective and engaging the local team in preparing in advance the stakeholder meetings; thereby minimizing unproductive or downtime of the entire study team. Another program found value in holding regular stock-taking exercises so that information collection was continually tailored to remaining gaps.

One good way to reduce the drawdown on an analysis budget is to avoid using international consultants. Some of the projects we spoke with rarely rely on consultants to support market analyses, recognizing that the analysis is an experience that draws staff into the market system, giving them an understanding of how it

works and who the players are. “We don’t do a call for proposals to find who to work with. We find whom we’re going to work with,” said one project director. “Then we also need to train new staff. Your market analysis is how you hone their tools, otherwise what are we offering [to partners] aside from money?” Nevertheless, there are a number of situations outlined above where using external staff is unavoidable – and not without merit. In those cases, several strategies for maximizing their value are presented in the recommendations section.

A.2 Common analytical frameworks are not fully generating the information needed to inform implementation

The time and effort taken to produce a market analysis can be frustrating when programs are dissatisfied with the output, but feel obliged to use one or another analytical framework because it is common practice. All of the market analyses we examined used at least one of four analytical frameworks to guide their research and order their findings: the value chain framework, the Making Markets Work for the Poor (M4P) framework, participatory market system development (PMSD) and the industry strategic plan (ISP).³ The value chain map (a visual representation of the value chain framework) and the doughnut (representation of an M4P framework) are by far the most widely used. The PMSP and the ISP are each only used by one organization. As discussed in the next section, none of these frameworks address all the information needs of a MSD program, although each holds parts (or topics of information) that interviewees found to be essential. Nonetheless, each is a coherent framework in and of itself and requires a significant amount of work to complete. The strengths and weaknesses of each framework are detailed in the table below; Annex 1 further explores each framework.

Framework	Description	Market Systems Analysis	
		Strengths	Weaknesses
Value Chain Framework	Focuses on both structural factors (end markets, business enabling environment, vertical linkages, horizontal linkages, supporting markets) and dynamic factors (value chain governance, inter-firm relationships, upgrading). ⁴	Clearly summarizes the process of value addition from raw material to final product for a chosen sector. Helps quantify end market demand and supply volumes. Visual VC map makes it easy to identify bottlenecks and potential entry points	Snapshot in time; no indication of trends Mainly designed to look at a sector and commodities; not other types of systems. Captures some market rules but is weak in social norms and informal rules Absence of information on social norms and informal rules limits types of interventions

³ Each of these tools is discussed in detail in Annex I.

⁴ <https://www.microlinks.org/good-practice-center/value-chain-wiki/value-chain-framework>

<p>M4P Framework</p>	<p>Highlights the multi-dimensional and interconnected nature of market systems. Comprised of three components; the core market, the supporting functions and the rules which govern the supporting functions and the core exchange.</p>	<p>Clearly identifies related systems of relevance</p> <p>Very flexible; can focus on very narrow or broad systems</p> <p>Identifies intervention entry points outside of the core market</p>	<p>Snapshot in time; no indication of trends</p> <p>Difficult to see the entire picture of a sector</p> <p>Its complexity can create ‘analysis paralysis’</p>
<p>Industry Strategic Plan (ISP)</p>	<p>Analyzes the industry as a whole and then focuses in on the end market and the different components of the value chain</p>	<p>Comprehensive industry, end market and value chain analysis which clearly identifies constraints and feasibility of overcoming constraints</p> <p>Includes historical trends and predictive growth models</p>	<p>Requires very strong analytical skills</p> <p>De-emphasizes the systemic nature of markets</p> <p>Does not capture information on rules, norms and other social factors</p> <p>Does not explicitly consider the role of the poor</p>
<p>Participatory Market System Development (PMSD)</p>	<p>Examines how the enabling environment and business & extension services influence transactions within the core market, drawing on a participatory approach to develop insights about the system</p>	<p>Participatory process involves market actors in the analytical process</p> <p>Summarises roles and relationships of market actors in the core, supporting functions and enabling environment</p> <p>Lends itself to revisiting findings periodically with market actors</p> <p>Strong engagement with market actors with stated interest in changing the status quo</p>	<p>Requires significant time investment from market actors</p> <p>Questionable reliability of information provided by market actors</p> <p>Requires some pre-existing knowledge of sector</p> <p>Requires specialized facilitation skills</p> <p>Engagement with market actors may steer interventions to activities that benefit the actor and not the industry as a whole</p>

However, as mentioned above, none of the frameworks is considered to be completely useful – that is to say, no one came forward to champion one or another and say “this is the complete picture of information we need, with nothing unnecessary or irrelevant included.” A better list of what should be included in a good market analysis is proposed in the next section, but the point needs to be reiterated that **the current use of frameworks often makes teams work longer to gather information that turns out not to be necessary for a good initial understanding of a market system.** It would be better for programs to pick and choose information they need, rather than be beholden to a framework that includes unnecessary or irrelevant parts. This may seem like an obvious recommendation, but some less experienced managers will feel pressure to simply apply a framework, without critically engaging with the analytical exercise to select those elements that are most relevant to a program and its interests. This, of course, requires capacity building, but we feel the benefits strongly outweigh the additional investment in staff ability and the time associated with this analytical exercise.

B. Finding 2 – We are developing market analysis reports that are too lengthy and ill-suited for ongoing use

The prevailing practice of producing lengthy, artful reports does not seem to be serving program needs. Market analyses have become a key deliverable of many projects’ start-up periods or inception phases. This requires that they be assessed by the donor and tends to formalize the output into something that is well written, lengthy and professionally packaged. Donors frequently request that analyses be lengthy, for various reasons: to inform work plans, assess the technical capacity of the implementer, understand the targeted market systems and the rationale for program decision-making, justify the expenditure, and answer their questions. Program teams, in contrast, more often preferred shorter, succinct summaries with visuals (such as the value chain map) and tools that were easy to read and use. However, there seems to be a trade-off between length and formality, on one hand, and the likelihood that staff would continue to use the analysis on the other. One respondent noted that his staff felt editing a long market analysis to be a daunting process – they generally felt a need to revise the entire thing, which put them off doing so at all. This was particularly the case for non-native English speakers and for staff that did not help author the paper.

Advocates of written analyses felt that they help to support knowledge management within projects that may face eventual staff turnover. In such situations, having systematically written down the results of the market analysis can help to bring new staff up to speed quickly. A side benefit is that this documentation can accelerate the learning of subsequent programs operating in the same field. One practitioner stated that he got “a massive head start in the ginger sector in Nepal because he had hired a staff member from previously closed-out USAID program... who was able to bring with him the research conducted during the previous program.”

Conversely, some practitioners advocated not putting anything on paper at all, arguing that the process of writing the findings of a market analysis into a report served the predispositions of Western development staff in donor and headquarter offices, but did little good for national staff in many countries who were intimidated by large writing assignments and learned better through dialogue, anyway. They felt that large written reports fail to serve a program’s learning purposes, becoming a waste of time and a distraction. In addition to “unnecessarily formalizing” the analysis exercise, turning analyses into important professional deliverables also threatened to freez[e] in time a process that should be ongoing and somewhat intuitive. It also does not

align with the increasing emphasis on adaptive management by many donors, or ‘Collaborating, Learning, Adapting’ in the case of USAID.⁵

To address this issue of conflicting format and learning styles, two interviewees suggested dropping report writing entirely. One of them said he has had success with a dialectic process where he takes staff members through an increasingly sophisticated set of ideas. “I use lots of examples to get at difference between profitability and growth orientation. Always layering the learning on top. Constantly feeding them information, through articles and conversations. Tools to try out. Frameworks to think about.”

Both were also sceptical about what is done with reports after they are finished. Another interviewee made a similar point when he remarked, “the biggest problem is that a lot of people like reading the executive summary but don’t read the whole document. We have a lot of beautiful papers done, but nobody reads them.”

Not everyone, however, has the luxury of avoiding the written report or indeed wants to do so. One project found that to respond to the very different needs of its staff and donors, it should have actually produced separate outputs for each rather than trying to combine everything into a single report that became too unwieldy. Another program actually did produce different documents for different audiences. They repackaged their 50-page written report into a PowerPoint and several two-page executive summaries covering different aspects of potential interest to the private sector. This was done after explicitly confirming with their donor what format and length they wanted, rather than assuming that a long report was what they were looking for.

Still others find value in written documents but use a set structure to summarize the most useful information. One practice that stood out was a respondent’s use of six tables at the beginning of every market analysis to describe the main issues the team felt constrained improvement in market systems while also emphasizing the capacities and roles of individuals within each system:

1. Summary market analysis;
2. Systemic constraints, drivers and pro-poor opportunities;
3. Systemic market constraints in supporting functions and roles;
4. Sustainability matrix (i.e. Who does? Who pays?);
5. Gender division of roles and responsibilities;
6. Gender division of access and control over resources.

Regardless of one’s preference for the final product, it is clear that the primary focus of market analyses that are conducted by a new project at launch should be to inform project implementation. As one respondent warned, “most projects fail in how you implement it. It’s 80 percent the kind of staff you hire and how you give them the freedom to operate, the support. That’s finally what will make a project work or fail. You should start with the tools your local men and women need.” These tools include understanding how to analyze a market system and to assess priorities from a lot of complicated, sometimes contradictory information.

⁵ For further discussion of the adaptive management practices of different donors, see MarketShare Associates. Getting There from Here: Knowledge, Leadership, Culture, and Rules along the Path Toward Adaptive Management in Market Systems Programmes. 2016.

C. Finding 3 – There is a minimal set of information that appears to be useful for a “good enough” understanding of a market system – but no single framework or tool generates all this information

All contexts are unique; different teams want information about distinct aspects of market systems in which they plan to work. In that sense, all market analyses will look at least slightly different from one another. However, our analysis reviews and interviews with knowledgeable staff surfaced a somewhat surprising list of information topics that should be included in any good analysis, regardless of topic. We also profiled an additional group of tools (not to be confused with analytical frameworks for system mapping) that many interviewees found useful for rounding out their own analyses.

The list of “minimum information” is presented below as a group of information topics that lead a market development team to a “good enough” understanding of market systems, putting it in position to start implementing. The “good enough” concept is founded in the notion that market systems are too complex to ever understand completely, and that the bulk of learning will come from efforts to intervene and the necessary process of trial and error. A “good enough” market analysis provides an MSD team with the information it needs to begin piloting. As one respondent (somewhat rhetorically) asked, “do you move in only with full information, expecting to craft interventions exceptionally carefully and win on the first attempt? Or, do you move in expecting to learn through doing – with a high degree of trial and error and notable tolerance for failure?” It is important to recognize that some things are easy to know in a short amount of time (global demand trends, and principle end markets, for example), while others – often critical points – require time to having trusting relationships to get at the truth (e.g., enabling environment issues tied to political economy and corruption, business visions for nearer-term investments, social norm constraints). Any analysis will be able to capture some of these things, while others will be notional or absent and will require revisiting with more information later.

C.1 Minimum information requirements for a “good enough” understanding of a market system

As part of our research, we asked interviewees about information they thought was most essential to a good understanding of a market system, regardless of analytical framework or tool. This included information they would like to gather but have not yet gathered. Their responses are below:

- **Describing the target population** – Many interviewees put an understanding of their target population foremost in their analysis, arguing that understanding the “livelihoods, communities and context” around a program’s target group allows a team to learn about that group’s biggest challenges as well as potential opportunities. Keeping in mind that the initial analysis should be “fast and rough,” but useful enough to begin implementing, some key features of a description of the target population are ethnic and other demographic distinctions, asset levels, typical income portfolios, and skills and education. Also, disaggregating findings by sex and poverty profile is essential.
- **Analyzing power and gender dynamics** – Several respondents felt strongly that market systems development should recognize that an understanding of gender dynamics is a key part of any market analysis, not a politically correct gesture. “Calling it gender is a misnomer – you’re ignoring half the people in a value chain” if an analysis does not include it, one interviewee noted. Without integrating a power and gender analysis, market analyses not only ignore how a key part of the population can better benefit from an intervention, but also miss information about how markets are influenced by social norms and the interactions and relationships between people and how this determines market behaviors.

- **Identifying business models/strategies** – Surveying existing organizational models for (mostly private) actors to understand them, and evaluating their strategies for growth, gives insight into what is already practiced and what may be feasible. This also leads to a businesslike understanding of entrepreneurs’ incentives, or the likely business case for adopting a new set of behaviors. For agricultural programs, for example, this would include understanding prevalent aggregation models for smallholder farmer outputs.
- **Mapping of relational norms** – Understanding whether firms in a market system deal only within social structures (such as kinship) or whether open, merit-based competition is the standard helps a program understand what early interventions may be feasible as well as what a long-term change might look like. This topic speaks to the norms underlying economic behavior, in terms of who customarily does business with whom.
- **Profiling major actors** – Getting a picture of the major players in a market system is essential for starting interventions in a market system. This goes beyond understanding business models and categories of value chain functions (e.g. ‘buyers’, ‘traders’, etc), to identifying specific actors and their capacities and interests, giving insights into more and less promising partnerships.
- **Capturing historical trends (time)** – The history of a market system is “probably the most important factor we ignore,” according to one interviewee. This is predicated on the idea that market systems are dynamic and they show relatively persistent patterns over time. “From a systems perspective we’re trying to guide where [the market system is] going, not fix a thing that’s static,” so an understanding of a market system’s history should give insight into its potential for change in the future. Ideas for how to capture historical trends are elaborated upon in Section V below.
- **Analyzing end market segments and opportunities** – Understanding who is buying the final product and their specific requirements helped many programs in identifying potential entry points. The end market analysis helps programs identify the highest value channels with the most growth potential, as well as various opportunities for involving the poor in more lucrative activities within a market system.

A few of these information topics come directly from the common frameworks. End market analysis, for example, is a part of any good value chain analysis. However, interestingly, the above information topics do not all emerge clearly from any one of the four analytical frameworks – in other words, no single framework covers *all* of these elements. The fact that the frameworks capture only a few of these information topics highlights a lurking dissatisfaction with the MSD field’s current analytical capacity – the sense that we are overdoing analyses and often also looking at the wrong things.

C.2 Supplementary analytical tools

Practitioners use a range of supplementary tools to complement and deepen their market analysis and inform their intervention design. Though different programs relied on different tools to inform their market analysis, one recurring theme did arise from the interviews: there is a lack of comprehensive integration of findings from these tools into the market analysis. Many programs cited that the information generated from the tools was not woven into wider market analysis but rather presented separately. This was particularly true for gender and political economy analyses. One exception, however, is a program that succeeded in thoroughly incorporating gender constraints analysis throughout their market research. The interviewee credited both the analytical framework and supplementary guidance provided by an external consultant in providing gendered prompt questions in each section of the market analysis. This established a clear analytical lens for the entire program staff.

This table summarizes the different supplementary tools used by practitioners to guide market analysis and intervention design

Tools	Description	Value	Limitations	Resources
Political economy analysis	Identifies key decision-makers and influencers within specific market systems, and dynamics in how power is exercised	<ul style="list-style-type: none"> - Provides an important lens through which to examine the feasibility of an intervention - Examines incentives of system actors to champion or thwart change to the system 	<ul style="list-style-type: none"> - Requires specialized expertise - Local experts may not be willing to provide information - Risk that information being provided is biased - Can be presented as a standalone piece rather than well integrated with market analysis - May have limited shelf-life (particularly in highly dynamic contexts) 	<p>https://www.odi.org/sites/odi.org.uk/files/odi-assets/events-documents/3797.pdf</p> <p>https://www.microlinks.org/sites/default/files/resource/files/Report No 29 - USAID SME-Assessment Serbia - JUN2016.pdf</p> <p>http://pdf.usaid.gov/pdf_docs/PBAAA891.pdf</p>
Stakeholder mapping and actor analysis	Identifies and profiles actors in a market system	<ul style="list-style-type: none"> - Provides insights into willingness/capacity of market actors to partner - Can be used to show relationships between system actors in a simple network 	<ul style="list-style-type: none"> - May not capture historical relationships - Relationship map can have limited shelf-life (particularly in highly dynamic contexts) 	<p>http://pdf.usaid.gov/pdf_docs/PNABR482.pdf</p> <p>http://www1.worldbank.org/publicsector/anticorrupt/PoliticalEconomy/PDFVersion.pdf</p> <p>http://policy-tools.org/Tools/Understanding/docs/stakeholder_influence_mapping_tool_english.pdf</p> <p>https://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/6459.pdf</p>

Business model canvas	Describes nine features of a business model in a simple one-page table	<ul style="list-style-type: none"> - Generates an easy-to-communicate visual of the key features of a business model - Can facilitate the brainstorming of solutions for business problems by exploring different business models - Can facilitate discussion on the viability of potential business models 	<ul style="list-style-type: none"> - Can inadvertently ‘rubber-stamp’ existing ideas if not facilitated well 	http://diytoolkit.org/media/Business-Model-Canvas-Size-A4-2.pdf http://www.businessmodelgeneration.com/canvas/bmc https://commons.wikimedia.org/wiki/Category:Business_Model_Canvas
Dispute landscape and market governance research	Analyzes sources and outcomes of common disputes between actors in a market system	<ul style="list-style-type: none"> - Gives insight into the level at which loyalty affects transactions, and the degree of dissatisfaction with existing norms around transaction - Can indicate the degree to which people outside favored networks are not benefiting. 	<ul style="list-style-type: none"> - None 	No published examples available.
Mental models research	Queries market actors on why they behave in particular ways	<ul style="list-style-type: none"> - Uncovers the ‘why’ behind critical decisions of market actors - Can identify leverage points to change key perceptions and behaviors 	<ul style="list-style-type: none"> - Can be culturally difficult to uncover desired information 	No published examples available.
Gender and social inclusion analysis	Assesses the role, access and agency of women and men within a given market system	<ul style="list-style-type: none"> - Identifies opportunities and barriers to women’s economic empowerment - Provides qualitative and more nuanced insights - The tool itself can empower women and men 	<ul style="list-style-type: none"> - Requires specialized expertise - Can be time and resource intensive 	https://www.usaid.gov/sites/default/files/documents/1865/201sab.pdf

Conflict analysis	Describes past, present and potential future conflicts and key drivers	<ul style="list-style-type: none"> - Guides project on how to avoid exacerbating conflict and potentially how to mitigate it 	<ul style="list-style-type: none"> - The research process itself can be contentious - Not always easy or necessarily even legal to collect desired information 	http://pdf.usaid.gov/pdf_docs/pnady739.pdf
Network analysis	A tool for mapping relationships between actors in a system and the flow of resources via those relationships	<ul style="list-style-type: none"> - Identifies well-connected entities that projects can work with to leverage their influence in a system - Determines how well or poorly flows happen within a network 	<ul style="list-style-type: none"> - Requires highly specialized expertise - Takes significant time to conduct, particularly during its first application 	See <i>Assessing Systemic Change Tool Trials: Network Analysis</i> , available at www.microlinks.org/leo
Action research	Hands on research into the nature of a market system by piloting potential solutions direction with market actors	<ul style="list-style-type: none"> - Tests hypothesis in real time - Engages market actors in learning process - Uncovers insights that could not be understood through traditional market analysis 	<ul style="list-style-type: none"> - Can jeopardize relationships with market actors and or beneficiaries if outcomes differ from expectations - Requires upfront commitment from market actors - Can require significant time to launch - Push for urgency can cause projects to use non-facilitative methods and jeopardize their reputation in the market 	https://www.meda.org/images/meda/Publications/Market_Links/Market_Research_Toolkit.pdf

These tools have proven useful for program teams who want to answer vital questions about the market systems in which they are planning to intervene. However, it should be reiterated that these tools fall under the same guidance as that for market analyses, in general: it would be a mistake to use them only at a program's outset. Instead, they should be applied and continually revisited as a program progresses, deepening insights as teams develop new questions and greater information needs over time.

IV. SUMMARY OF RECOMMENDATIONS FOR MARKET SYSTEMS ANALYSES

This section summarizes the study team’s recommendations for designing and conducting market systems analyses. They are relevant for implementers of MSD projects, as well as donors who are designing and managing them. They draw from the findings presented above, as well as the experience of the research team, the suggestions of the external reviewers, and the recommendations of the respondents.

a. Right-sizing the process

- **Keep initial market analyses fast and rough.** Given that a project’s understanding of a market system will rapidly change once it starts operating, limit the scope of information to be collected during a market analysis to the minimum information topics. Recognize that while some things are easy to know in a short amount of time (e.g., global demand trends, principle end markets), others (e.g., enabling environment issues tied to political economy and corruption, business visions for nearer-term investments, social norm constraints) require time to develop trusting relationships to get at the truth. Also, avoid the temptation to get a “complete” picture of each topic – a rough understanding that allows for a start to implementation is enough. One indication of the minimum necessary information is that a program feels confident that it has sufficient information to avoid 1) harming beneficiaries with poorly informed interventions, and 2) harming the future viability of program interventions by damaging a program’s credibility at the outset. Where contracting allows, this should be at most two months of time, but probably less.
- **Identify and use pre-existing research materials when available and of good quality.** In many countries, there is a wealth of pre-existing studies on market systems. Using these reports can dramatically reduce the time needed to complete a new study. The role of desk research in identifying such materials – often overlooked – is crucial. Adequate time needs to be allocated to the desk research phase, the team responsible for using that time effectively, and the findings used to adjust the field research plan prior to launch. Whereas desk research is usually only included prior to conducting field research, there is typically a range of relevant documentation identified during or after the field research that requires processing following the end of the field research phase.
- **Allocate funding for market analysis throughout the project’s lifecycle, not only at the beginning.** This reserves resources to investigate issues that emerge later in the project’s lifecycle (e.g., a new market opportunity; the exclusion of women from specific functions or benefits) and to explore new sectors or value chains if it is determined that the initial selections are no longer appropriate. At minimum, programs can build an ‘analysis check’ component into their work planning process, having lead technical staff re-read, reflect on, and then facilitate group discussions around what from existing analyses remains the same, what changed, and what do we now need to explore more in order to properly design interventions for the coming period being work planned.

- **Emphasize process over product.** So much of the research phase is framed in terms of producing a high quality final report for the donor. While it is certainly important to build trust and confidence with your donor, and high quality technical analysis sometimes requires bringing in senior level, short-term assistance, this objective can overshadow the actual learning process and alienate local staff from the information that was gathered for their use in the first place. It can ultimately undermine intervention design and implementation. It is important to strike a better balance between the two. Where analysis timing or other factors do not permit the first analysis to heavily involve local staff, a program should ensure that local staff lead follow-on analyses. If an external consultant is used when local staff are in place, program leaders should ensure that local staff are involved in developing the research methodology, designing research tools, planning the research process, and that they work as a team throughout the data collection and analysis process. They should also be closely involved in draft review. These steps can build the capacity of a team to understand what questions are more or less useful, when to probe, when sufficient information has been collected, and how to use the information to inform the design of pilots.

b. Packaging the result for ongoing use

- **Adjust the research output to the learning style of the local team.** One of the key findings to emerge from this research is that standard research outputs may not be a good fit for the learning style of the local team. There is a real need to adjust the output format (e.g. minimize writing, easy to update) so that it becomes valuable to and useable by local teams.
- **Use modular outputs.** Instead of putting all of the captured information into a single, narrative-based report that is daunting to revise, test the use of simple tools to capture information that can be reviewed and updated periodically, such as prior to team meetings. These could include a stakeholder mapping tool, simple tables, a one-page key takeaway, or a summary of key norms and biases observed in the system. No single format has emerged yet; however, programs are experimenting with various formats including modular outputs using PowerPoint and Excel.
- **Produce separate outputs for each audience where necessary, rather than creating the same output for donors and for staff.** What is useful for a donor is not always suitable for the program team. Think through the different information requirements and produce separate outputs that are tailored to the different audiences. This requires having a clear understanding of what each stakeholder wants, which should be confirmed upfront rather than being assumed.

c. Getting to “good enough”

- **Strive to collect enough information to develop an informed hypothesis of change and do not seek to understand every market dynamic from the onset.** Plan to learn through doing, expecting and tolerating failure rather than expecting initial interventions to immediately hit the mark. It is very likely that initial market insights will be proven wrong (as new information comes to light) and/or irrelevant (as market systems change over time). The ability of a project to implement in this way depends, of course, on the alignment of their donor to this perspective. Open lines of communication between the project head and the donor technical representative, including involving the donor in the logic and evidence behind the theory of change, and co-developing sentinel indicators, will go a long way towards creating an environment conducive to flexible intervention approaches.

- **Conduct action research to inform formal market analyses.** The knowledge gained through direct interaction with market actors can be invaluable and save significant expense in uncovering otherwise undetectable issues that would preclude or significantly alter interventions. Rather than waiting until a market analysis is completed, then beginning to pilot interventions, projects can launch small action research pilots during the market research process, once a minimum amount of research on the sector has been conducted to frame the appropriate focus of the action research. This is a healthy process to continue throughout the life of the project to refine and adapt interventions.
- **Look to integrate methodologies targeting specific issues (particularly gender) throughout the market research process, rather than in a stand-alone study.** When tools are applied separately from the market analysis, they are frequently sidelined and their recommendations ignored or treated as an afterthought. MarketShare Associates’ research for the Donor Committee for Enterprise Development and USAID has found that segregating research on gender and power makes it easy to ignore it during subsequent programming.⁶
- **Use the research process as a vehicle for staff capacity building and empowerment.** The research process frequently brings together a mixed group of individuals with varying backgrounds and levels of expertise. It is an opportunity to strengthen staff capacity in the research approach and engender ownership of the material. Most importantly, it gets staff to understand the context, identify partners, come up with ideas for early interventions and start working – all other priorities should be subservient to that goal (in an ideal world). To facilitate this transfer of capacity it is important that as much emphasis is given to the learning and discovery process as the production of the final product. Program staff should articulate the value of this process to the donor to build buy-in for this as a companion goal in analysis-related deliverables.

V. SUGGESTIONS FOR THE CONTENT OF MARKET ANALYSES

Lastly, adding on the list of minimum information pulled from analyses and interviewees, this research provided insight into what information should be included in any good initial market analysis. The list is partly a result of responses to the research question about minimum information requirements, and partly from broader learning from the other questions and the researchers’ own experiences. We recommend this as a set of topics, and comment on how they might fit into a visualization of a market system.

1. **Time** – A systems understanding of markets sees them as historical creatures, with a unique path that brought them to their current state and a trajectory into the future, or a likely path that can be inferred from its past. From our review, interviews and experience, time seems to be the single biggest missing element in the way the market systems field currently seeks to understand markets.

⁶ Markel, Erin. [Measuring Women’s Economic Empowerment in Private Sector Development: Guidelines for Practitioners](#). 2014; and Markel, Erin and Lindsey Jones. [Women’s Economic Empowerment: Pushing the Frontiers of Inclusive Market Development](#). 2014.

Therefore it seems that a useful market analysis should describe its market over a period of time – perhaps the previous 25 or 50 years – almost like a biographical exercise. Time then becomes the ordering principle for presenting all of the other elements of an analysis (e.g. a VC that changes structure over time, gender dynamics that change over time). This historical analysis is probably best depicted through a table or narrative description in which each stage is described. The ISP framework is the only one of the four to explicitly incorporate history, by showing changes industry features (production scale, government involvement, actor diversity, etc.) over time.

2. **Size and growth (i.e., economic opportunities)** – As features that give basic insight into the opportunity for improving market system performance, the size and growth of a market system and specific channels over time can be used to set parameters for a market analysis. This can be depicted through a VC map, for example, that shows high potential market opportunities.
3. **Significant influences on competitiveness (e.g. energy prices, currency swings, neighboring country competitiveness)** – This is not looking so much at current levels of these factors, which can shift quickly and quickly become dated, but at the factors that most shape competitiveness and which need to be considered throughout programme intervention. These can be visually noted in a VC map, for example, near the relevant end markets that they influence.
4. **Power and gender differences** – Gender is a basic feature that should be addressed in any good market analysis, as programs that are not aware of gender dynamics merely play to them. Gender is just one aspect of a broad set of power differences that impact the way actors behave in a market system. Power dynamics can be reflected within market systems maps, for example, wherever the links between actors are depicted, or else in a short narrative.
5. **Distribution of benefits (benefits accruing to different groups)** – Related to power differences is an understanding of how benefits produced by the market system accrue to different groups. This can also be depicted where relationships between actors are reflected – either within the map or separately.
6. **Level of innovation** – Understanding whether the actors in a market system are tinkering with their business models in efforts to solve problems they face, or are simply following the same business model over long periods of time, gives insight into the market system’s potential for significant change. It also provides a useful metric for tracking change over time.⁷ Moreover, understanding the extent to which market actors are learning and seeking and using knowledge provides a key insight into a systems present capacity for innovation. Areas of strong and weak innovation can be depicted next to the relevant actors in a market system map.
7. **Existing business models** – As part of profiling innovation level, a useful feature for an initial analysis describes the existing business models in a market system, using a business model canvas or other tool. This should not only include prominent models, but also nascent ones that may offer strong improvements over the status quo. This informs the tactics of interventions (the lower third of most results chains). Given the qualitative nature of these business models, they are best described

⁷ Sparkman et al. “Tools for Measuring System Health.” USAID, 2016.

separately from the market system map, either by visually depicting the various existing business models or describing them using tools like the business model canvas. (See table in Section 3.2.2 for information on a business model canvas).

8. **Common disputes between actors in the system** – Examining common sources of dissatisfaction with relationships gives insight into the degree to which relationships are open and based on value, or relatively closed and based on established social relationships. This in turn should help a program understand the degree to which actors are likely to take advantage of new opportunities versus continue working within established structures. Disputes are best depicted outside of a market system map.

VI. AREAS FOR FURTHER RESEARCH

This research was not able to explore fully the following, and sees value in further exploring these topics in future:

- **Determining what is ‘good enough’ in different contexts.** The appropriate amount of up-front research to get started is often apparent to a seasoned market analyst, but can be difficult to explain to teams that are new to the process. This is particularly the case for issues like political economy that cannot be fully understood in an up-front market analysis – regardless of the time available – and issues where there is a risk of doing harm (e.g., gender relations).
- **Applying action research during the market analysis phase.** While the notion of piloting potential interventions is well understood and used, the concept of actually incorporating action research into the market analysis phase has not been well integrated. While one organization from among the interviewees was piloting this, and another wished that it had, there is still limited evidence on how this could be done in a way that does not risk doing harm to either the project’s reputation in the marketplace as a facilitator, or to the end beneficiaries if little is known about potential risk factors. Further research in this area would greatly support and complement USAID’s recent emphasis on the Collaborating, Learning, and Adapting approach.
- **Developing a new analytical framework or process.** Given the gaps that identified above in existing frameworks in terms of addressing minimum information requirements, it would be worth exploring whether a new framework or analytical process is needed that: (a) includes all of the minimum information requirements; (b) is structured as to present a ‘quick and dirty, good enough’ output; and (c) is more modular in nature (see next bullet).
- **Developing modular outputs.** In the absence of a framework or process (see previous bullet), at a minimum creating sets of modular tools that can replace sections of a long narrative report as stand-alone outputs while still being meaningful to all stakeholders offers significant promise and warrants further development.

ANNEX I: UTILITY OF ANALYTICAL FRAMEWORKS

In examining which analytical frameworks proved most and least helpful in guiding market systems analyses and project design, four primary frameworks were identified. The most commonly cited framework, given the predominance of non-USG-funded projects surveyed for this research, was the M4P framework, visually depicted by the market system map (or ‘doughnut’) followed by the value chain system framework, visually depicted by a VC map. The Industry Strategic Plan and Participatory Market System Map frameworks were each only cited by one organization. Sometimes programs used multiple frameworks in the same report. Combining the value chain with the doughnut was the most popular combination.

Value chain framework

The value chain (VC) framework was developed by Michael Porter and disseminated in 1985 through his best-selling book, *Competitive Advantage: Creating and Sustaining Superior Performance*.⁸ The VC framework has been widely used by development practitioners in agricultural development programs. The VC framework represents the value chain visually through a VC map. USAID has invested in supporting the application of the value chain approach, through the Accelerated Microenterprise Advancement Project (AMAP). Through the follow-on Leveraging Economic Opportunities (LEO) project, USAID has also embraced systems thinking to support the evolution of the VC framework to incorporate a more deliberate systems lens.⁹

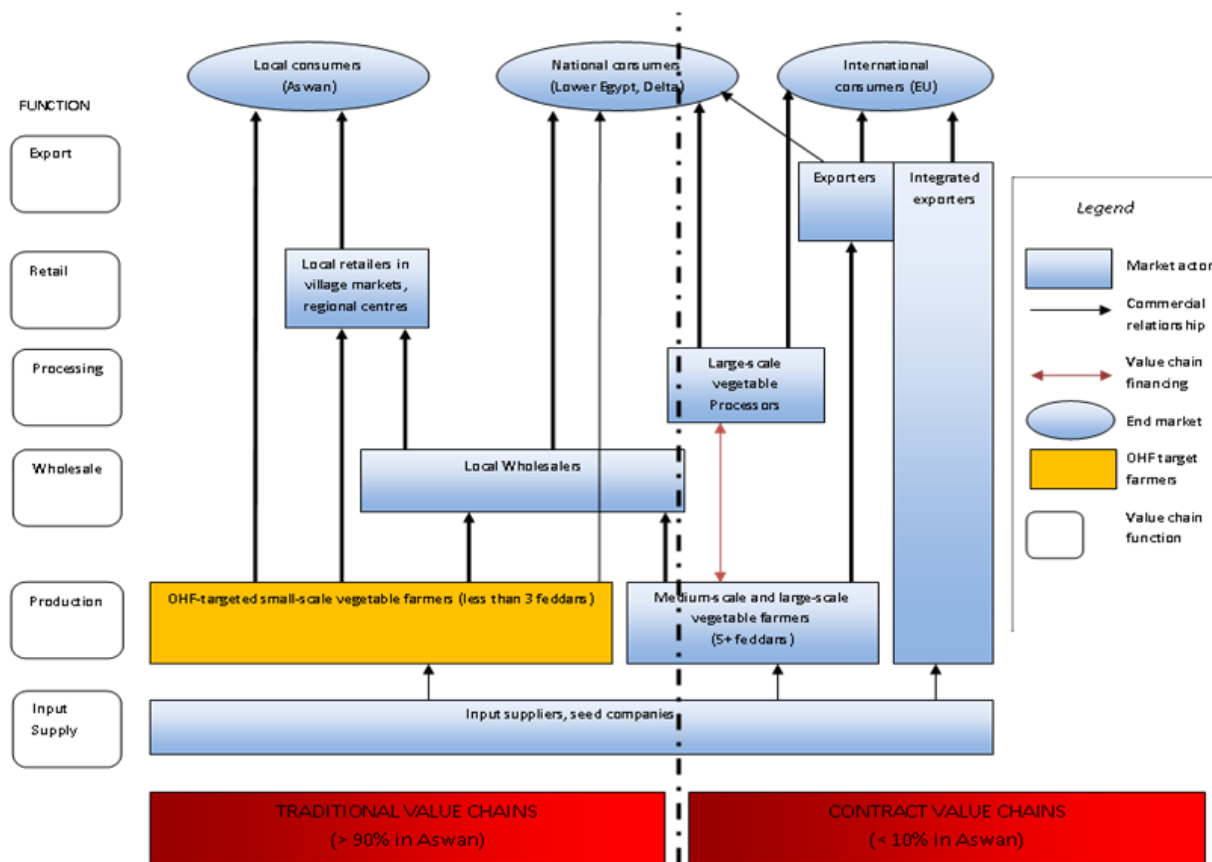
The value chain framework focuses on both structural factors (end markets, business enabling environment, vertical linkages, horizontal linkages, supporting markets) and dynamic factors (value chain governance, inter-firm relationships, upgrading).¹⁰ It is the structural factors that are typically depicted in a VC map, such as the one below:¹¹ a visual depiction of the key actors and their relationships linking production to end markets.

⁸ Porter, M. E. *The Competitive Advantage: Creating and Sustaining Superior Performance*. NY: Free Press, 1985. (Republished with a new introduction, 1998.) <http://www.hbs.edu/faculty/product/193>

⁹ Campbell, Ruth. A Framework for Inclusive Market Systems Development. 2014. <https://www.microlinks.org/library/framework-inclusive-market-system-development>

¹⁰ <https://www.microlinks.org/good-practice-center/value-chain-wiki/value-chain-framework>

¹¹ Fowler, Ben. Value Chain Analyses of Vegetable Subsectors for the Om Habibeh Foundation (Aswan): Summary Report of Deliverables and Findings. 2010.



Four of 14 programs interviewed used the VC framework. The programs had different takes on the usefulness of the framework.

- ‘value chain studies are not overly useful because they do not really provide clarity on institutional biases and or drivers of behavioral norms. [Our project] has a pretty comprehensive study and it did not provide much value in understanding why the markets, functions or people act the way they do. We have tried other ways to get at this via a disputes landscape and governance study, a mental module analysis of farmers, and other studies. These have provided more clarity on why things work the way they do and what we could do to catalyze a change.’
- ‘it was not super useful. It captured existing public knowledge. It lacked important information on labor force capacity, standards and infrastructure. As a result, it was difficult to properly evaluate the investment proposals we received. We needed more information on the enabling environment and rules’
- ‘I prefer the value chain framework as it lends itself to more detail than the market systems map. It also makes it easier to highlight relationships between value chain actors.’

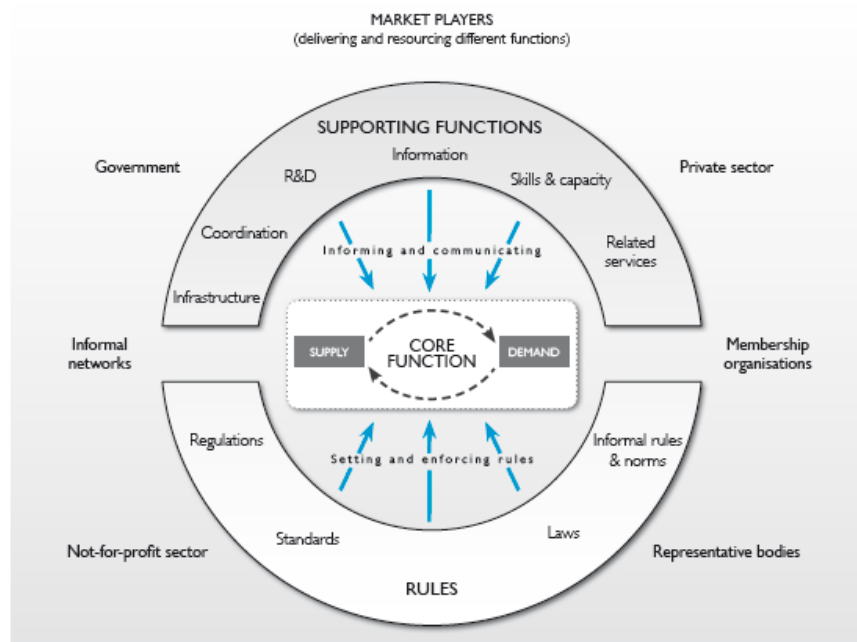
The conflicting experiences with the analytical framework may have more to do with the different types of programs being implemented and their explicit study objectives. For example, one program solicits agricultural investment proposals from the private sector in Eastern Africa and co-invests based on the feasibility and anticipated impact of the business plan. Given the nature of their program, the staff were already well versed in the high-level components of the selected value chains and needed much more specific information related to the enabling environment and end market demand than the traditional VC study could provide. In con-

trast, one program used the VC framework successfully to map current agricultural value chains in new geographical region of South East Asia and calculate potential demand for certified seed. The VC analysis enabled them to identify and evaluate the existing agricultural inputs infrastructure.

The main strengths of the VC framework are its emphasis on quantifying product flow and value addition throughout a value chain. One program stated that this market intelligence helped them to establish their credibility with the private sector. The VC framework also illustrates the relationships between value chain actors providing a more holistic view of the performance of the value chain than the doughnut. The VC framework, however, fails to capture the influence of rule and norms governing a market and as a result may lead to a misdiagnosis of systemic constraints and superficial intervention design.

The Market System Framework (or ‘Doughnut’)

The fundamentals of the market systems map framework first emerged in 2000 in a DFID sponsored paper on making markets work better for the poor (M4P).¹² By the mid-2000s the popular ‘doughnut framework’ began to emerge¹³ and in 2008 was picked up and disseminated by the Springfield Centre in an M4P operational Guide, which was updated in 2015.¹⁴ The market systems map over the years has undergone some modifications. The framework is intended to highlight the multi-dimensional and interconnected nature of market systems and is comprised of three components; the core market, the supporting functions and the rules which govern the supporting functions and the core exchange.¹⁵



Eight of 14 programs interviewed used the market system map as a framework to inform their market system analysis, which, methodologically, looked similar to the process followed for a value chain framework analy-

¹² http://www.opml.co.uk/sites/default/files/%28Final_Markets_Framework_Paper_main_text__amended_16.11.04_0.pdf

¹³ http://www.meyer-stamer.de/2006/JMS_M4P.pdf

¹⁴ The Springfield Centre. [The Operational Guide for the Making Markets Work for the Poor \(M4P\) Approach, 2nd edition](#). 2015. Funded by SDC & DFID.

¹⁵ The framework is one of many tools, often used in conjunction, developed to assist practitioners to design and implement a MSD program

sis: basic desk research, followed by key informant interviews with representative actors at multiple levels throughout the system, often some focus group discussions with groups such as farmers or workers, and in some cases a formal vetting-of-findings process through stakeholder workshops or industry groups. Practitioners had the following comments on its value and limitations:

- ‘as an organizing framework the doughnut covers most of what we want to know about a sector’
- ‘staff found that [the framework] not only helped identify market actors who were high potential partners, but that the strength of the analysis supported partnership formation by showing that the program had useful market intelligence to offer prospective partners. Further, the framework presents market information in a logical format which lends itself to identifying market failures within the system.’
- ‘the framework worked well in terms of laying out areas that needed to be explored and having a broader understanding of the context. It was weaker in facilitating the transition between data collection and intervention design’
- ‘the market system analysis brought the analysis from 30,000 feet to 15,000 feet, but much more work was required (3-5 months additional research) to get the analysis to be detailed and relevant enough to make a convincing pitch to potential partners’
- ‘I find the market systems map sometimes encourages non-contextual thinking, as people just copy and paste the generic doughnut into their proposals and analysis documents... or just automatically insert ‘infrastructure’, ‘skills’ etc. as functions into their maps just because that’s what the ‘model’ market systems map has in there’

The interviewees stated that the framework is comprehensive and, when used correctly, leads to the gathering of sufficient contextual information to facilitate analysis, identify potential programmatic entry points and in at least one case even supported partnership formation.

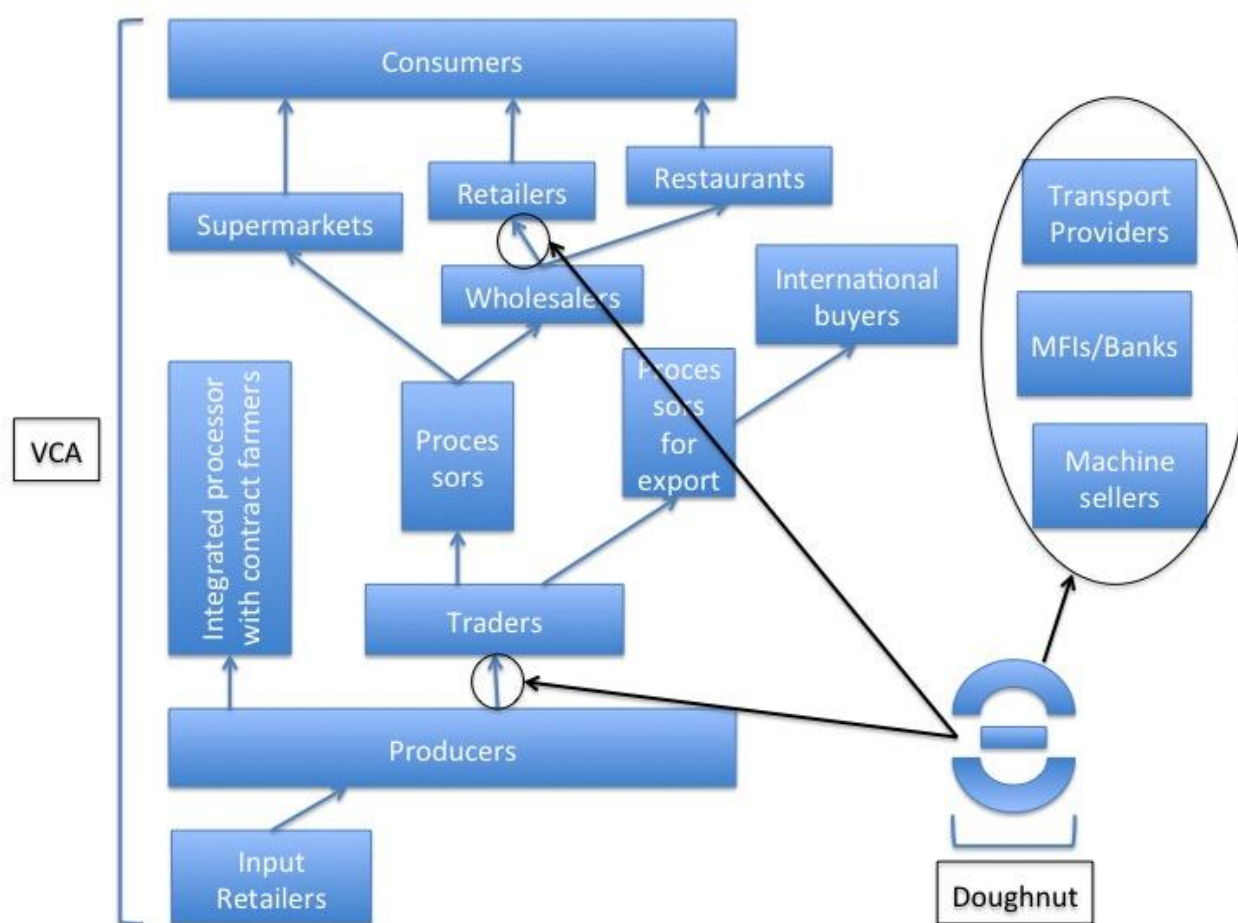
The main criticisms of the framework centered upon its usefulness in generating the information needed to develop interventions. Many practitioners noted that the emphasis on interconnected systems and identifying root constraints often led to ‘analysis paralysis’, in which users would create increasing numbers of maps but continue to feel that there was more to uncover. Another critique is that the market system map does not explicitly include several lenses that are important in understanding a market system and therefore determining where and how to intervene. These missing lenses include power dynamics, gender¹⁶, past trends, and the relationships between actors. And because most attention in a doughnut is often paid to support services – which are where most interventions focus – it can be easy to gather insufficient detail about informal norms.

¹⁶ The Operational Guide explicitly notes both power and gender are ‘wider development concerns’, but the map itself does not provide a way to incorporate these and the framework does not provide significant guidance on how to do so.

Combining value chain maps and ‘doughnuts’

It probably makes sense to use the VC framework and M4P framework (represented by a VC Map and Doughnut) together, considering their complementary strengths. A VC analysis quantifies supply and demand and gives insight into weak points and market dominance in the core market, while the doughnut supports a detailed understanding of weak points in supporting services and the influence of (formal and informal) norms – in most market systems programs, supporting services are where interventions focus.

The diagram below illustrates how a VC analysis and a doughnut could fit together. Because doughnuts focus on transactions, they are useful at any stage in a product’s pathway up a VC – the diagram focuses on transactions between wholesalers and retailers, and between producers and traders, simply as examples. After conducting that analysis, an analysis of interconnected markets then focuses on the transactions between those service providers and the original set of VC actors in the product’s pathway.



Using the two frameworks together would also help an analysis focus with a useful amount of distinction on the supporting services and norms that are specifically relevant to a particular transaction in a market system, whether that is the interaction between producers and traders, the sale of finished products from wholesalers to retailers, or the provision of transport services by lorry owners to processors. Each of those transaction points in a market system warrants separate attention as they have unique supporting service and (especially) behavioral norm features. Related to that point, there should probably never be a market analysis that features only one doughnut, unless the analysis focuses exclusively on one point of transaction.

Industry Strategic Plan

The Industry Strategic Plan¹⁷ (ISP) is an analytical framework that is associated with TechnoServe, a US-based international non-governmental organization, who asserts that its origin traces to management consulting practices that were integrated into TechnoServe’s approach through its recruitment of former management consultants and use of volunteer consultants that come from McKinsey and Bain, among others over the years. It draw from sectoral competitiveness analytical frameworks such as Structure-Conduct-Performance.¹⁸ The framework has gone through many modifications throughout the years. The ISP analyzes the industry as a whole and then focuses in on the end market and the different components of the value chain. It provides recommendations on how to grow the industry and more specific feedback on potential interventions. The ISP is typically conducted by an external consultant with a management consulting background and two local staff members. Information is gathered using a mix of desk research and key informant interviews, among which the interviews are the more intensive of the two. The following table presents the key aspects that are analyzed in each of its three areas of focus.

Area of focus	Industry	Market	Value Chain
Analytical lenses	<ul style="list-style-type: none"> - Total Consumption (domestic production and imports)/revenue - Households directly involved in industry - Domestic and export market value/volume/ trends - Import breakdown by country of origin - Industry trends (e.g. scale of production, gov’t, subsidies, processing, exports) 	<ul style="list-style-type: none"> - Production volume by product - Key drivers of market growth (e.g., population growth, per capita consumption benchmarking, GDP growth rate) - Status and projected growth by market segment and product (e.g., price per unit per market segment) - Price index per product - Factors influencing purchase decisions - Import trend analysis 	<ul style="list-style-type: none"> - Functions, key activities and characteristics - Value addition by function (share of revenue, price) - Structure, conduct, performance by product - Structure, conduct, performance by function - Constraints analysis

According to one program manager, ‘the ISP provides a broad overview of the entire industry and identifies potential entry points which would require much more detailed research and specific expertise. I believe this is the most efficient way to research particularly in the context of a program which has lots of [design] flexibility like DFID market systems programs. One drawback, however, is that the ISP does not cover rules and norms.’

¹⁷ While none of the ISPs have been officially published, documents like the following incorporate many of the findings that emerged from an ISP: <http://www.technoserve.org/files/downloads/technoserve-bmgf-regional-presentation.pdf>

¹⁸ <http://www.policonomics.com/structure-conduct-performance-paradigm/>

The ISP provides a very robust understanding of industry trends, value chain performance and end market dynamics. The framework provides insight into both obstacles to industry growth and poor farmer participation in the value chain. It also, in contrast to the other frameworks, includes a historical perspective of the industry development and a much more detailed breakdown of market segmentation and dynamics. These characteristics enabled the program to revisit the ISP several times throughout the program to identify additional entry points after the initial ones were exhausted.

Although there are several strengths to the ISP framework, there are also few potential drawbacks to applying it in MSD programs. First, the ISP framework does not emphasize the systemic and inter-connected nature of a market. Instead it favors a focused look at each function of the value chain and the industry as a whole. Second, with the exception of the consumer preferences analysis, the ISP does not include any analysis of rules and norms which govern the functioning of the system. Lastly, expert analytical skills are required to produce a high quality ISP.

The ISP framework generates a substantial amount of information, however, the ISP's limited applicability in developing specific interventions and some of the limitations of the framework mentioned above suggests that in spite of the additional insights produced by the framework it is not necessarily a better analytical framework for market systems programs than the doughnut or VC frameworks. It may, however, be useful to identify the most useful analytical tools from the ISP such as the industry trends analysis and consumer preferences and integrate them into the other frameworks.

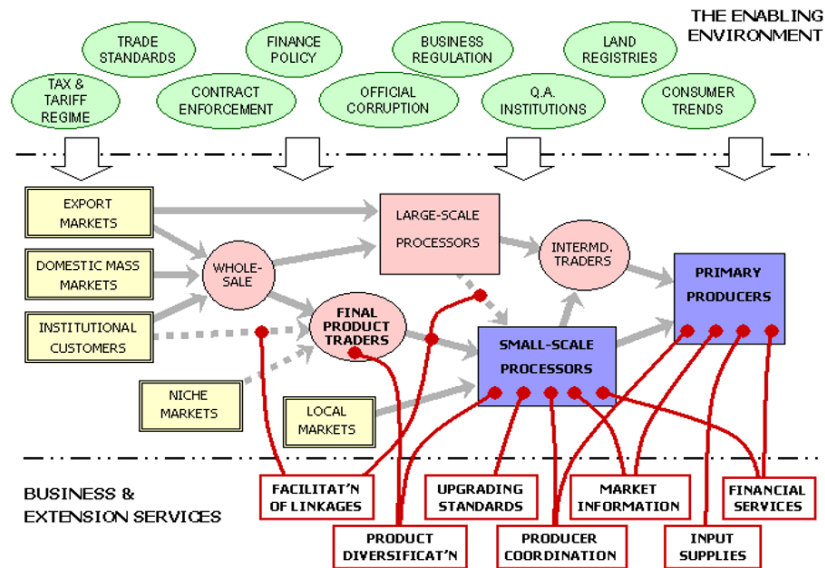
Participatory Market Systems Development

The participatory market systems map (PMSM) is one of several frameworks developed by Practical Action, a UK based international NGO, to facilitate a 10-step joint industry learning, action and monitoring process called the Participatory Market Systems Development (PMSD) process. The PMSD process was initially tested by Practical Action in 2004 and has undergone subsequent modifications over the past decade¹⁹.

The objective of the broader PMSD process and the PMSM in particular is to 'increase the understanding of market actors about how their market system works, and to facilitate a dialogue between them to build the conditions of trust on which coordination and collaboration are based.'²⁰ Similar to the doughnut, the PMSM framework examines how the enabling environment and supporting functions influence transactions within the core market. It should be noted that in contrast to the doughnut, the PMSM depicts an entire value chain rather than just one transaction in the market. The framework and facilitative process go beyond just listing the actors to also examine the relationships (e.g. relative influence and relevance) between these market actors. The PMSM is developed by the industry actors through a workshop lead by a specialized facilitator and trained local staff.

¹⁹ <http://www.pmsdroadmap.org/about.html>

²⁰ http://www.pmsdroadmap.org/uploads/2/2/6/3/22638306/mainguidelines_participatorymarketmapping_betav1_oct2012.pdf



The PMSM framework blends the doughnut and VC frameworks to capture both the individual and collective transactions in a market system. An advantage of the framework is that it maps and evaluates relationships between market actors and the supporting services from which they benefit. And, the highly facilitative nature of the process, according a Program Manager, ‘helps to build relationships, identify blockages and figure out who is better placed to address the challenges.’ It also leads to more ownership of the findings and leaves a door open for the program to revisit and update the PMSM with market actors regularly. As a result of this regular engagement, one Program Manager cited that ‘the framework became an operational tool’ for his program.

The main critique of the PMSM framework and process is its intensive time and resource requirements, particularly from the private sector. The Program Manager acknowledged that some market actors were reluctant to participate in the PMSD process, which can include several different workshops. Another issue is the reliability of the information provided by the market actors during the workshops, if this information is not independently verified by the facilitator. The quality of information and diversity of opinions captured during the workshops is heavily dependent on the quality of facilitator. Lastly, the PMSD process and the PMSM framework require skilled facilitation. In one case, program staff underwent a five-day training in advance of the PMSM workshop and still relied on a specialized facilitator to conduct the event.

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