



Market Systems Development (MSD) Approach a brief introduction

Never heard about MSDⁱ? Take 4 minutes to see this excellent, easy to understand [video](#).

You want to know more? Take 15 minutes to read this document.

Let's start with an example. The **Katalyst projectⁱⁱ in Bangladesh** was a very successful project measured in terms of impact at scale. The project was able to reach out to 4.75 million small farmers and entrepreneurs who were able to generate an increase in their income of USD 724 million. The project achieved this by increasing the competitiveness of micro, small and medium-sized enterprises in urban and rural sectors through better access to quality services, technology, inputs and more. Katalyst pioneered and experimented with the **Market Systems Development (MSD)ⁱⁱⁱ** approach from 2002 to March 2018 which proved to be a key factor for its implementation success. One of the project's interventions even won the OECD DAC Prize 2014^{iv} for *Taking Development Innovation to Scale*. In this particular intervention, Katalyst created a market for improved vegetable seeds for poor farmers in Bangladesh. It facilitated the provision of high-quality seeds in for the poor affordable mini-packets, which helped increase the income of poor farmers. The breakthrough came, when Katalyst partnered with two leading seed companies to introduce mini-packets. Seed distributor companies could develop new markets. One of the companies sold almost 3 million mini-packets in 2013. This success has encouraged more seed companies to adopt this strategy, enhancing the sustainability of results. Finally, with this intervention, Katalyst managed to reach 2.4 million farmers in 55 out of 64 districts!

What were the **key elements of the approach** that helped Katalyst to be so successful?

The starting point was the **understanding** that poor people act in market systems – as laborers, producers, entrepreneurs and consumers. Their livelihoods depend on markets. All too often, however, the poor are excluded from benefitting from markets. Katalyst identified the barriers that prevented poor people to benefit. These barriers may include for instance no access to quality inputs such as seed. Katalyst developed **innovative solutions** to overcome the barrier by **partnering** with seed companies who had always ignored poor farmers as potential customers in the past. Together with the private companies Katalyst demonstrated that mini-packets of high-quality vegetable seeds can be sold profitably but at an affordable price to farmers. The farmers increased their productivity and income, while the sale of such small units of seeds became a new line of business for seed companies. In the end **both sides benefitted** – private companies and the poor.

Programmes such as Katalyst using a MSD approach have been designed and implemented in a wide range of countries and contexts during the past 15 years. SDC's MSD portfolio currently includes around 40 ongoing projects, mainly addressing agricultural value chains and youth employment. Social inclusion and women's economic empowerment are central themes across the portfolio. SDC published an [Internal Guidance Paper](#) for head office and cooperation office staff on how to manage MSD projects.

Key features of projects using a MSD approach are the following:

- The project must develop a very good insight into how the market systems operate: who are the market actors and how do they relate with each other? Which of the market systems hold the greatest potentials for poor women and men? What are the barriers and root causes why poor people do not benefit from participating in these markets? What may be the incentives of companies to cater for the needs of poor people? This is an ongoing **research and analysis effort** that projects must undertake.
- Novel solutions to overcome the exclusion of poor women and men must be **viable and sustainable** beyond the lifetime of the project. Do they hold potential only for a small number of market actors or



can they be expanded to benefit large numbers of people in future? Do new business models have sufficient incentives for all actors involved?

- The project takes on a **facilitative role**. That includes dialogue with stakeholders and actors, pointing out and discussing new opportunities; it includes supporting new linkages between actors from private, public and civil society sectors, who may not have collaborated before. The project will also facilitate learning processes among all actors to evaluate the experience, adapt innovations and develop strategies for expanding the use of new practices in support of a wider system change.
- Market systems are dynamic in nature. Actors change, relationships shift, and new opportunities emerge. This requires project management to be **adaptive** to respond to changes in targeted market systems, respond to new opportunities and adjust strategies to learnings that emerge throughout the implementation of interventions.

The MSD approach is a response to the experience of many development agencies on the ground. Development projects too often lack sustainability and large-scale, system-wide impacts, particularly with regard to the inclusion of marginalized people in market systems.

The MSD approach is not a precise science or rigid methodology. It is an approach that provides a set of principles, frameworks, and good practices.

What is the evidence that MSD works?

BEAM Exchange, *the* knowledge sharing platform for the wider MSD community, regularly collates and analyses different types of published evidence, i.e. results achieved by programmes. Currently there are around 100 evidence documents in the BEAM Evidence Map^v. The current evidence base indicates that programmes using a MSD approach can achieve significant scale through positive systemic change and thus help poor people access services, generate jobs and income and reduce poverty. Initiatives contribute to making market systems work in a more pro-poor manner including crowding-in by other market actors (e.g. copying inclusive business models), improving regulations and government policies and influencing the way buyers and sellers behave in a variety of ways. Empirical observations have shown that impacts in MSD projects take longer to emerge compared with projects that provide more direct support to target groups. A MSD approach requires system actors to adopt and implement new practices based on incentives from within the system. This tends to take more time than a direct approach. However, over time the impact is more likely to be sustainable (Fig. 1) and at a greater scale.

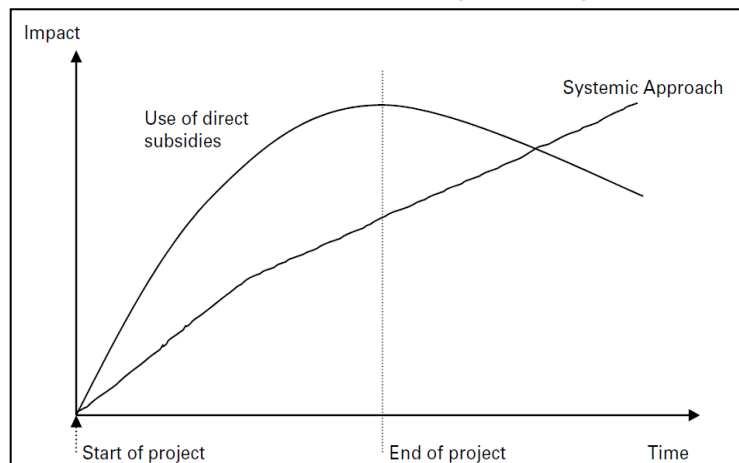


Figure 1: Impact of MSD approach over time. DCED (2011), *Why have a Standard for measuring results*

You still want to know more? Go to beamexchange.org or participate in a 5 days course, ask your e+ focal point for advice.

ⁱ The Market Systems Development (MSD) approach is also known as Making Market Work for the Poor (M4P) or Inclusive Systems Approach.

ⁱⁱ <http://katalyst.com.bd/archive/>

ⁱⁱⁱ The Market Systems Development (MSD) approach is also known as Making Market Work for the Poor (M4P) or Inclusive Systems Approach. A short (4 min) video introduction to MSD can be found here: <https://beamexchange.org/market-systems/video/>

^{iv} <http://www.oecd.org/dac/dacprize.htm>

^v <https://beamexchange.org/resources/evidence-map/>