

Strategy

05

Selecting the market system

How do you decide what market system is the most important for your target group?

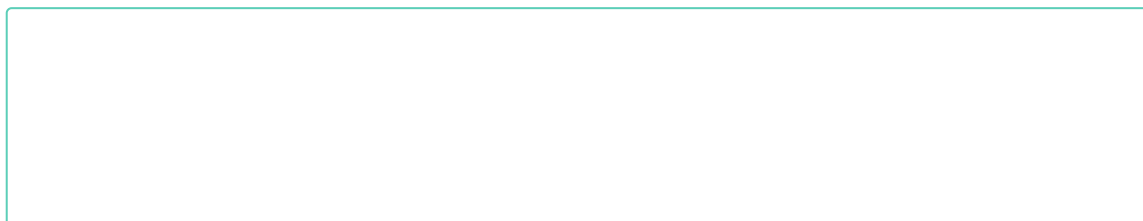
Assess each market for its potential to:

- Affect large numbers of poor people
- Increase the poor's performance in markets, or improve their access to basic services
- Stimulate systems-level change

To understand your target group and their context, experienced practitioners recommend speaking to many market actors and consulting with a wide range of stakeholders. Different criteria for selecting your market exists in various studies. The M4P Operational Guide's three criteria, for example, are:

- **relevance:** whether there are poor people working or consuming goods in the market
- **opportunity:** opportunities for pro-poor change within the market context
- **feasibility:** the likelihood of success in the current social and political climate

This criteria can be used in a detailed table of questions, which can be used to assess individual market systems or to compare different market systems, using transparent ranking, such as a 'traffic light' scheme.



POTENTIAL CRITERIA		TRAFFIC LIGHT		
		High	Med	Low
RELEVANCE	Number of poor women/men with potential to be active in the market system			
	Scope for poor women/men to improve their incomes or access basic services			
	Ability to address vulnerability and/or disadvantage			
OPPORTUNITY	Economic and/or social value of the market system			
	Previous and forecast growth of market or access trajectory of service			
	Likelihood of economic growth/service access being genuinely pro-poor			
	Apparent dynamism/robustness of the market system			
	Prospects for attracting public and/or private sector investment			
FEASIBILITY	Availability of market player 'drivers' with leverage			
	Prospects for attracting more players or services			
	Conduciveness of political economy (eg absence of conflicts, barriers to reform etc)			
	Willingness of market players to change business model/adopt new practice			
	Likelihood of distortion/inability to apply market system development principles			

Source: M4P Operational Guide (2015)

Market system comparison and selection

☐ **M4P Operational Guide. Chapter 1 - Strategy**

Initial steps for setting programme strategy to guide analysis and action.

Action for Enterprise suggests similar criteria with an emphasis on more conventional value chain considerations such as market demand and the presence of 'forward' and 'backward' contract linkages between enterprises at all levels of the supply chain.

☐ **Information gathering and analysis to facilitate selection of value chains**

Action for Enterprise template to gather information to select a value chain.

Practical Action's Participatory Market Systems Development (PMSD) Roadmap's additional criteria includes: gender equity, social inclusion, and environmental considerations. The Roadmap also suggests making decisions with strategic considerations in mind, such as potential funding sources and organisational priorities.



How to select market systems(s) to focus on.



PMSD iterative investigation in market systems selection

Selecting your market system is an iterative process. Market systems are complex and dynamics can and do change quickly. If one market meets a reasonable set of criteria, it may still not be feasible to work in even after a few years of implementation. Re-engage in the selection process throughout the implementation cycle so your team can continue to focus on the root causes of market failure.

☰ Value chain development Wiki

Online guide to USAID's approach to selecting value chains.

Go to *Market Analysis* next or return to *Guidance*.

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