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# THE OPERATIONAL GUIDE

## FOR THE MAKING MARKETS WORK FOR THE POOR (M4P) APPROACH

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**02**

### DIAGNOSIS

HAVE YOU UNDERSTOOD THE ROOT  
CAUSES OF THE PROBLEM?

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# DIAGNOSIS

## HAVE YOU UNDERSTOOD THE ROOT CAUSES OF THE PROBLEM?

# 02

### 2.1 KEY PRINCIPLES AND STEPS

“We often preoccupy ourselves with the symptoms, whereas if we went to the root cause of the problems, we would be able to overcome the problems once and for all” Wangari Muta Maathai

“Lack of analysis of constraints is often translated into a wishful list of actions to be undertaken”  
Overseas Development Institute

Programmes need a good understanding of how the market system works – diagnosing how and why it fails to serve the poor – prior to intervening in it. This diagnostic process begins by identifying the disadvantages the poor face in a market system (the ‘symptoms’) and iteratively proceeds into a detailed analysis that explains the continued existence of these disadvantages (the ‘root causes’).

Market systems are complex, so locating root causes can be difficult and time-consuming, but ceasing the diagnostic process too soon can result in programmes exerting their intervention efforts in the wrong places: dealing with symptoms but not their underlying causes, ie ‘fighting fires’.

‘Paralysis by analysis’ must be avoided however. The diagnostic process has a practical purpose; information gathered should pinpoint what is responsible for maintaining the poor’s disadvantage and where intervention is most needed. It should:

- Identify the system-level constraints (root causes) that the programme can feasibly address
- Familiarise programmes with the incentives and capacities of market players associated with these constraints
- Generate intelligence and insights which can be used to influence market players during intervention
- Provide information that can be used for measurement purposes

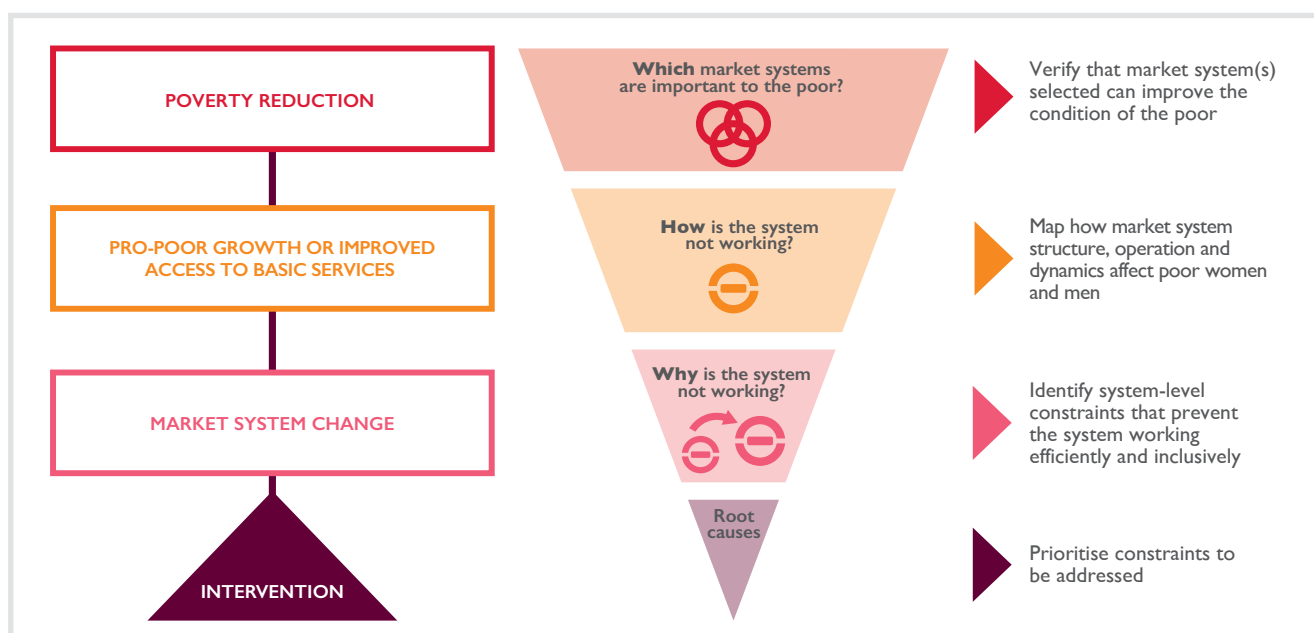


Figure 5: The diagnostic process

The diagnostic process is broken down into four steps to make it easier to explain. In practice, the process is never entirely linear. Narrowing down on system-level constraints requires exploration and experimental action, so programmes need to be prepared for some ‘back to the drawing board’ moments.

**Step 1:** *Verify that the market system(s) selected for further investigation remains valid*

**Step 2:** *Map the market system structure and understand its operation and dynamics to ascertain where the system adversely affects the target group:* Identify how the system isn’t working for poor people

**Step 3:** *Identify system-level constraints (root causes) that prevent the market system from serving the target group effectively:* Understand why the system isn’t working for poor people

**Step 4:** *Decide which constraints are the priority:* Determine the point(s) where the programme can focus its efforts to the greatest effect

## 2.2 PUTTING IT INTO PRACTICE

Market diagnosis cannot be done sitting at your desk: you need to speak to poor people and market players.

Gathering primary information is vital: internet searches or literature reviews rarely generate new insights.

If done well, the diagnostic process outlined below should test existing knowledge or assumptions, even in a system that already seems well researched.

If you are responsible for understanding a market system to help decide where your programme should focus its interventions, you will need to go through this four-step diagnostic process.

### Step 1: Verify that the market system(s) selected for further investigation remains valid

Begin by selecting which market system to focus on, ensuring it fits with your programme's objectives. The **key questions** you need to answer are:

**Is change in the market system likely to be feasible?**

**Would the change significantly benefit large numbers of poor people?**

Guidance for market system selection is provided in Chapter 1 using these criteria:

- Relevance to large numbers of poor people
- Opportunity to increase the poor's performance in growing markets or their access to basic services
- Feasibility to stimulate system-level change

If you are an implementer and your programme is already mandated to work in a specific market system, you still need to examine the rationale for this choice to ensure that: (a) the original selection remains valid, and (b) your programme team understands the reasons for this choice. This verification is important because:

- Considerable time may have elapsed between the funder's analysis and the actual start of your programme, leaving information outdated
- The funder's analysis might have been rapid or under-resourced, basing market system selection on inadequate information

If you conclude that you have been tasked to work in the wrong market system, renegotiate with your funder. Try to provide evidence that the funder's poverty reduction objectives stand a higher chance of being met by shifting within a market system or to another market system entirely.

#### Example 9: Validating market system analyses

Following delays in programme mobilisation, the market system selection made by the original programme scoping study in a post-conflict African country was revisited. The implementer found a substantial increase in the levels of funding and activity by other agencies and players in two of the five market systems in the intervening years. This led the programme to change its market system selection and prioritisation.

If you are satisfied that you have selected the correct market system, think of it as the 'principal' market system, ie the system where your target group exists, either as producers, entrepreneurs, workers or consumers.

## Step 2: Map the market system structure and understand its operation and dynamics: how the system isn't working for poor people

### Understanding structure and interactions

Start by mapping the roles of poor women and men and the transaction(s) they have (or don't have) with other market players, ie the 'core function' of the market system.

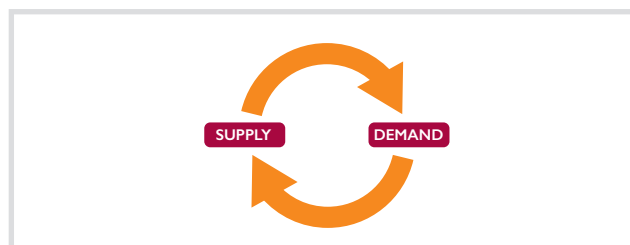


Figure 6: Core function of market system

Poor people may potentially participate on either side of the transaction:

- On the demand-side: as consumers of a good or service, eg soap, vocational training or antenatal services
- On the supply-side: as workers or producers, eg selling their labour or rice
- In some cases the poor might be both producers and consumers, eg small-scale seed producers selling to poor farmers

To understand the nature of transactions you will need quantitative (eg volumes, values) and qualitative (eg quality and relevance of relationships) information from demand-side and supply-side players.

You then need to identify the market system functions and rules that shape the terms of the transactions that involve the poor: 'supporting functions' and 'rules'.

Making a graphical representation of a market system can assist you, though don't try to map every supporting function and rule. Focus only on those that have a significant bearing on the target group's level of performance or access within the system.

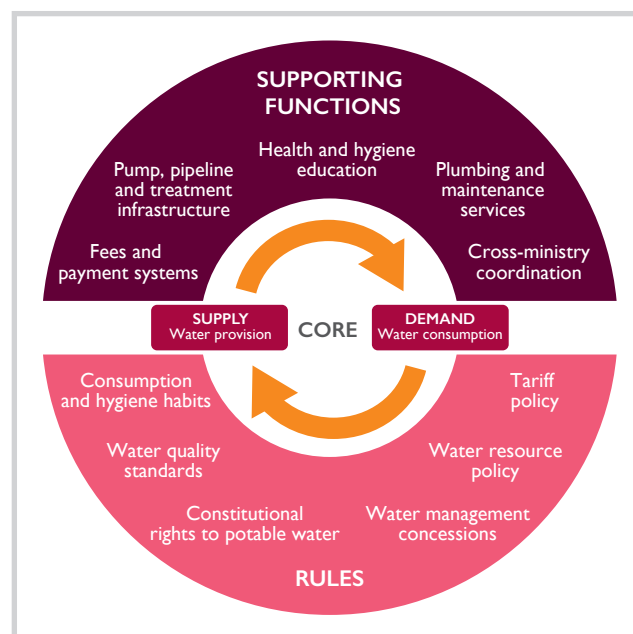


Figure 7: Principal market system: potable water supplies

Figure 7 depicts a potable water system consisting of core, supporting functions and rules. Its core function is the delivery of potable water supplies. The effectiveness of that delivery, however, depends on a range of supporting functions including water infrastructure, payment mechanisms, maintenance services, multi-authority coordination, consumer awareness and education, etc. Delivery also depends on prevailing rules including sector management, regulation, standards and legislation as well as informal factors such as consumer practices and hygiene habits.

The **key questions** to ask when mapping the structure of the market system are:

**What is the role of the target group in the market system?**

Identify how poor women and men participate in the core of the system, as producers, workers or consumers.

**What is the nature of the disadvantage they face?**

Identify how the performance or access of poor women and men can be improved. Make sure you isolate any gender-specific differences.

**What supporting functions and rules are hindering the core function?**

Understand which supporting functions or rules affect poor women and men's transactions in the market system.

**Who are the players that perform the functions or set the rules relevant to the poor's transactions?**

Identify the players whose actions/inactions affect the poor. These players may be private, public or civil, large or small, formal or informal.

**What are the relationships between key players?**

Understand the nature of commercial and non-commercial interactions between players in the core of the system (eg schools and pupils/parents), and between core players and those that perform supporting functions and rules (eg schools and parents' associations). Again, it is important to be alert to gender-specific differences in relationships.

**Are there any 'embedded' or hidden transactions, or other forms of informality?**

Not all interactions are obvious at first sight. For instance, a seemingly poor commercial relationship between farmers and a commodity trader might persist because the trader provides farmers with additional benefits, such as inputs on credit or transport to market.

**Example 10: Looking for the less obvious**

During a research exercise, a Central Asian herder confirmed that he only sells animals to one specific mobile trader. When asked if this is due to personal connections, price or other considerations, the herder responded that the trader operates near the boarding school attended by his daughters and he could, if the need arose, request his daughters to take credit from the trader in lieu of future animal sales. The informal credit service embedded within their livestock transactions explained the relatively fixed nature of this trading relationship and highlighted the need to develop alternative financial services if livestock trade is to become more competitive.

**Are there any 'positive deviants'?**

Look for signs that performance is clearly better among some players or within some areas than is the case on average.

## Understanding dynamics

Don't just copy a decade-old subsector map from the internet. Understand the dynamics of the system in which you are looking to intervene. This means understanding whether the performance of market players has improved or worsened over time, or stagnated in a low-level equilibrium. And it means looking for signs the situation might change in the future.

**Key questions** include:

**How have transactions changed over time?**

Trends in terms of value, volume, type, suppliers, consumers, inclusion levels and nature of relationships.

**Have any major events altered the way the system works?**

Such as new entrants, new legislation or regulations, technological innovation, etc.

**How has the behaviour of key players changed in response?**

For instance, evolution in business models, recent investments, geographic expansion or withdrawal, new products or services launched.

Exploring dynamics gives you a first insight into how feasible it will be to stimulate change. Be realistic: avoid wasting time on those things that your programme will be unlikely to alter.

## Assessing performance of market players

As you map a market system's supporting functions, rules, players and relationships, you will begin to gain an insight into their performance. The **key question** is:

**How is 'function A' or 'rule B' being performed?**

Performance might be inadequate, or the wrong players are involved, or certain roles might be missing altogether:

- **Inadequate:** a function or rule has attracted the 'right' player(s), but they do not have adequate capacities or incentives to improve their performance of it. For instance, a customs authority may lack the capacity or power to adequately enforce standards designed to restrict the import of fake pharmaceuticals
- **Mismatched:** a function or rule is ineffective because the player(s) performing it is 'wrong' for the role, and unlikely to have the capacities or incentives to perform a function/rule more effectively in the future. For instance, poultry vaccination services may be restricted to qualified veterinarians too few in number and expensive to meet demand
- **Absent:** a function or rule is missing because capacities and incentives are not in place, or do not exist, for any player(s) to perform it. For instance, commercial media services for rural communities are often constrained by a lack of understanding of the needs of rural audiences and their potential interest to advertisers. Audience research services are often absent and as a result would-be advertisers lack information on the media usage of this target group and are unable to identify media channels and products relevant to rural and poor communities

**Example 11: How is the system serving the poor?**

Poor rural households in an East African country cannot access affordable, potable drinking water because of the policy of fixed water tariffs. The tariff-setting policy is not adequately serving the poor. Tariffs are set artificially low, discouraging water service providers from taking on service contracts outside of higher density, urban areas.

The aim of **Step 2** is to understand *how* the system is currently not serving poor people effectively, ie inhibiting them from improving their performance in growing markets, or accessing the basic services they need.

However you are still describing the symptoms of the problem at this stage. In the Example 11 above, policy-setting does not serve the poor; in spite of good intentions. Why? You need to identify the system-level constraints that are the root cause of the problem.

### Step 3: Identify system-level constraints: why the system isn't working for poor people

The next step is to find out why key supporting functions and rules are under-performed, ie the root causes of system-level constraints. It is these constraints that your interventions will seek to address. The **key questions** are:

**Why are key functions and rules underperformed?**

**Why have more inclusive, pro-poor solutions or alternatives not emerged autonomously within the system?**

To answer these questions, you need to investigate how market players' incentives and capacities cause critical supporting functions or rules to be underperformed. Understanding this will explain why these functions and rules are inadequate, mismatched, or absent.

Tracing problems in the principal market system (ie the one within which the target group exists) back to their roots often leads you to the capacities and incentives of players in another, 'supporting', market system.

### Investigating supporting market systems

When you need to analyse underperforming supporting functions and rules, it is useful to treat them as separate systems from the principal market, and to undertake a further diagnostic process of their underperformance (see Figure 8).

Identify who 'supplies' and who 'demands' each of the underperforming supporting functions or rules in the principal market system.

Then repeat **Step 2** for each one of these new 'demand-supply' transactions, mapping structure, operations and dynamics. This will help you understand the incentives and capacities of the key players who are maintaining the *status quo* or who are blocking the emergence of alternative solutions.

### Example 12: Assessing incentives to provide better services

Tariffs for the rural water services in an East African country (see Example 11), are set by regional water boards (the tariff 'supplier'), who fix one point-of-sale price per litre of water that contractors (the tariff 'taker') must comply with. This has resulted in rural water service provision being commercially unattractive to prospective contractors, confining service availability to urban areas only. The tariff-setting practice and political economy around it remains unchanged. Stakeholder consultation and industry advocacy processes are absent, and independent or in-house research fails to provide appropriate evidence to inform tariff-setting policies and procedures.

### Understanding incentives

Incentives drive behaviour. Programmes commonly ignore them, but in a market systems development approach you need to treat incentives very seriously.

Incentives operate at various levels: for and between individuals, and within and between groups or organisations. They are shaped by attitudes towards risk and reward (eg losing or gaining money, status, reputation, opportunity, assets or resources).

Incentives can be:

- **Materially-oriented:** based on a desire to get something, or not lose it, eg food, money, market share, property or freedom
- **Socially-oriented:** based on the need to belong to, or not be rejected by, a wider collective, eg being accepted into a group of peers with shared values
- **Purpose-oriented:** based on a quest to achieve a goal, which can be individual, eg becoming a village head or running a marathon, or collective, eg supporting a political cause

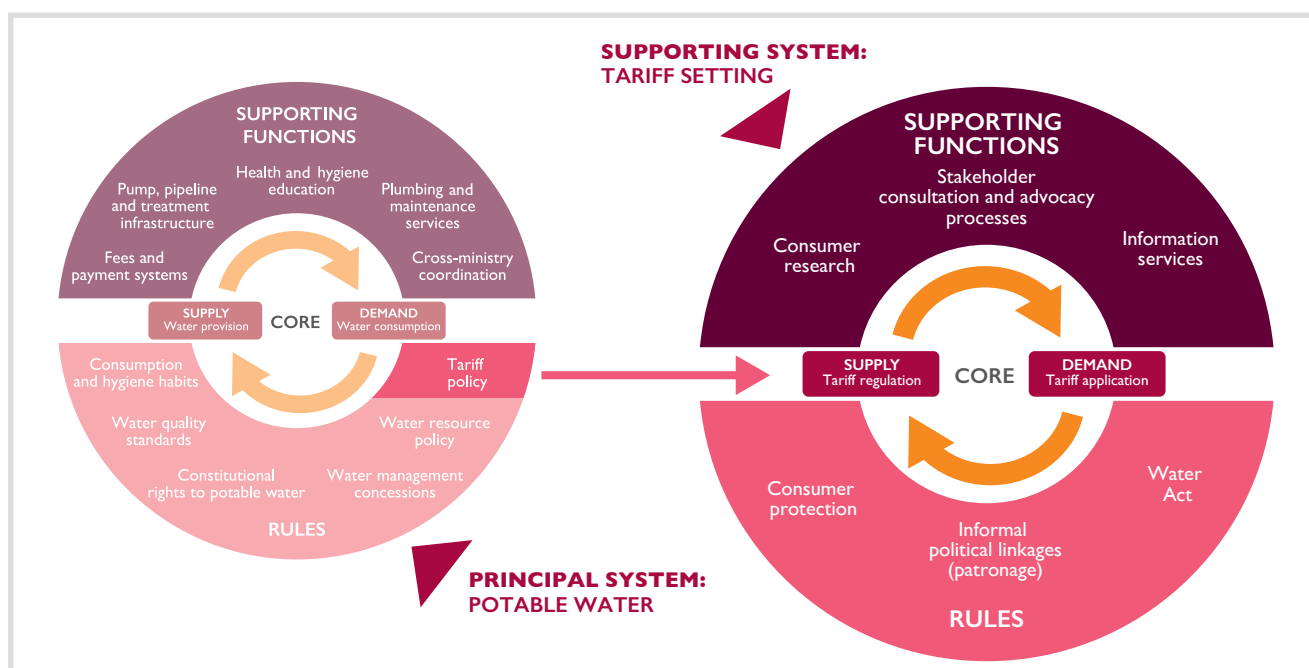


Figure 8: Supporting market systems

You will need to understand the motivations for specific behaviours and aim to reinforce positive incentives in support of change. Find ways to overcome negative incentives such as fear, vested interest or tradition, that cause resistance to change.

The challenge is that incentives aren't always obvious: they are rarely written down. Smart investigation is therefore required. You need to cross-check or 'triangulate' what people claim with their actual actions, and with information from other sources (eg employees, former employees, competitors, sub-contractors and other informed observers, such as analysts from the media).

### Understanding capacities

Understanding the capacities of market players means assessing their ability to perform relevant functions in market systems. Capacity can be viewed at different levels: individuals, groups and organisations.

Capacity can be:

- **Technical:** the knowledge and ability to execute actions to a required standard
- **Financial:** the money to execute actions
- **Physical:** the structures, assets, human resources, scope or outreach (customer base, distribution system) to execute actions
- **Strategic:** the vision, governance and networks to perform appropriate roles in the system
- **Personal or cultural:** the ethos, attitudes and leadership to shape effective performance

Programmes tend to consider capacity in superficial terms, overestimating the capacity of players to perform a function. Be careful to assess capacity realistically: look for tangible evidence of it (or the lack of it).

Analysing conditions that result in above-average performance (ie positive deviants) can help programmes identify the root causes of under-performance. Do positive deviants have stronger incentives or capacities than the 'average'? If so, why aren't these incentives or capacities more widespread?

The aim of **Step 3** is to tightly define the root causes – system-level constraints – that affect your target group. It should not result in a long list of all issues that afflict the system.

It is important that programmes establish and agree a common understanding of: (a) cause and effect relationships, and

(b) when you have found the true 'root' cause. This is most effectively achieved through a well-managed process of team discussion and consensus building.

**Step 3** also provides programmes with invaluable information on the current state of the market system in terms of its key functions, players and interactions. This provides programmes with baseline data against which to measure change (see Chapter 5).

### Step 4: Decide which root causes are the priority

Programmes have limited time and resources at their disposal. You can't fix everything, so you need to prioritise. To prioritise which root causes to address, ask the following **key questions**:

#### What is the opportunity for change?

The root cause of most, if not all, market system constraints can be expected to be entrenched within the *status quo*. Change requires a 'disruptive' innovation in order to modify or transform the *status quo* and trigger the emergence and adoption of new practices or behaviours. Assess the relative opportunities for stimulating disruptive innovation.

#### Is it definitely a cause of under-performance, system-wide?

You should not provide direct solutions to an individual's problem. Strengthen systems so they provide solutions to a common problem faced by many individuals or organisations.

#### Is it feasible to address?

Building on the initial assessment made in Chapter 1, judge whether you can achieve significant change within the life of your programme. This often depends on the presence of 'blockers' or 'drivers' of change, as well as the capacity of your programme.

#### Is it the most important constraint?

Compare the potential impact on the target group of addressing the different root causes identified. For guidance on projecting results, see Chapter 5.

#### Is sequencing important?

Determine whether there is any interdependence between constraints: whether one system-level constraint needs to be addressed before another.

Prioritising is important. Programmes must strike a balance between what is feasible and where improvements and impact can be greatest (see Figure 9). The farther away from the principal market you work, the more complicated, slow, and

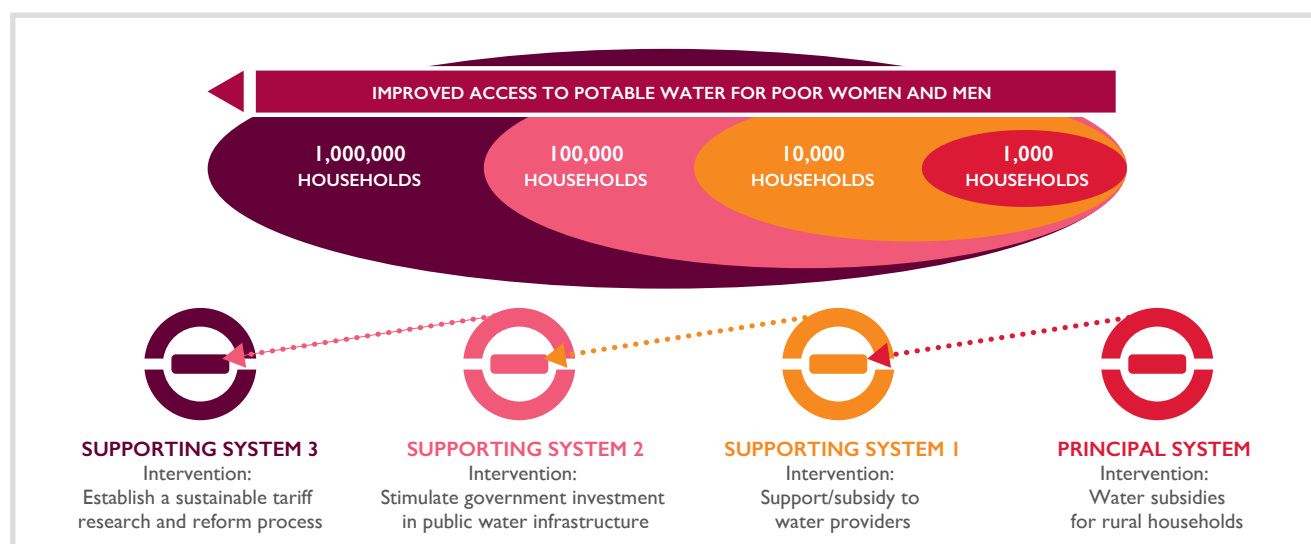


Figure 9: Deciding where to focus



perhaps political, intervention becomes. This is, however, often where the greatest rewards of intervention can be found.

At this stage you should have sufficient understanding to inform what needs to change, but will not yet be able to articulate your vision of how the supporting and principal market systems, and the players within them, should operate in future. This is the focus of Chapter 3.

### Action research is part of the diagnostic process

The diagnostic process is messy; it won't be entirely linear. You will never have perfect knowledge. Some trial and error will be needed to locate system-level constraints. Pilot interventions to test a clearly defined 'hypothesis' are usually necessary (see Chapter 4).

This may lead you to work with a single partner to test whether you have found the root cause and are able to address it.

These 'experiments', where solutions may be tested and concepts proven, can help you to gauge the commitment of market players and to generate evidence with which to influence other players at a later date.

When deciding how and with whom to experiment, check that your actions will not accidentally distort the system, by disincentivising or displacing other players.

### Diagnosis provides the foundation for measurement

The information gathered during the diagnostic process provides the 'starting point' against which you can assess the effectiveness of subsequent interventions and measure your programme's progress.

The diagnostic process generates invaluable baseline information across your strategic framework: the poverty

profile of your target group, their level of performance or access within a market system, the specific constraints in the system, and the level of performance of key market players, including their behaviour, capacity and incentives. You can measure the effects of your interventions on all these variables. In simple terms, you 'diagnose down' and then 'measure up' your strategic framework (see Chapter 5).

#### Reality check: Linking the diagnostic process to baselines

Many programmes conduct extensive (and expensive) baseline studies for measurement purposes, only to find that the information that they have collected doesn't relate to where they actually end up intervening. They mistakenly separate their baseline from their theory of change and diagnostic process.

## 2.3 TOOLS AND SOURCES OF INFORMATION

The diagnostic process is all about getting the information required to make informed decisions and narrow down options. There is no single tool for diagnosing system-level constraints.

As you become clearer about the information you need, pragmatic choices can be made about where to get information, what tools to use, and who should do what.

The diagnostic process described here guides you to increase your knowledge of the way a market system functions, through information collection, analysis and, in some cases, action. During this time, different tools can be utilised to generate the information, analysis and insight required (see Figure 10).

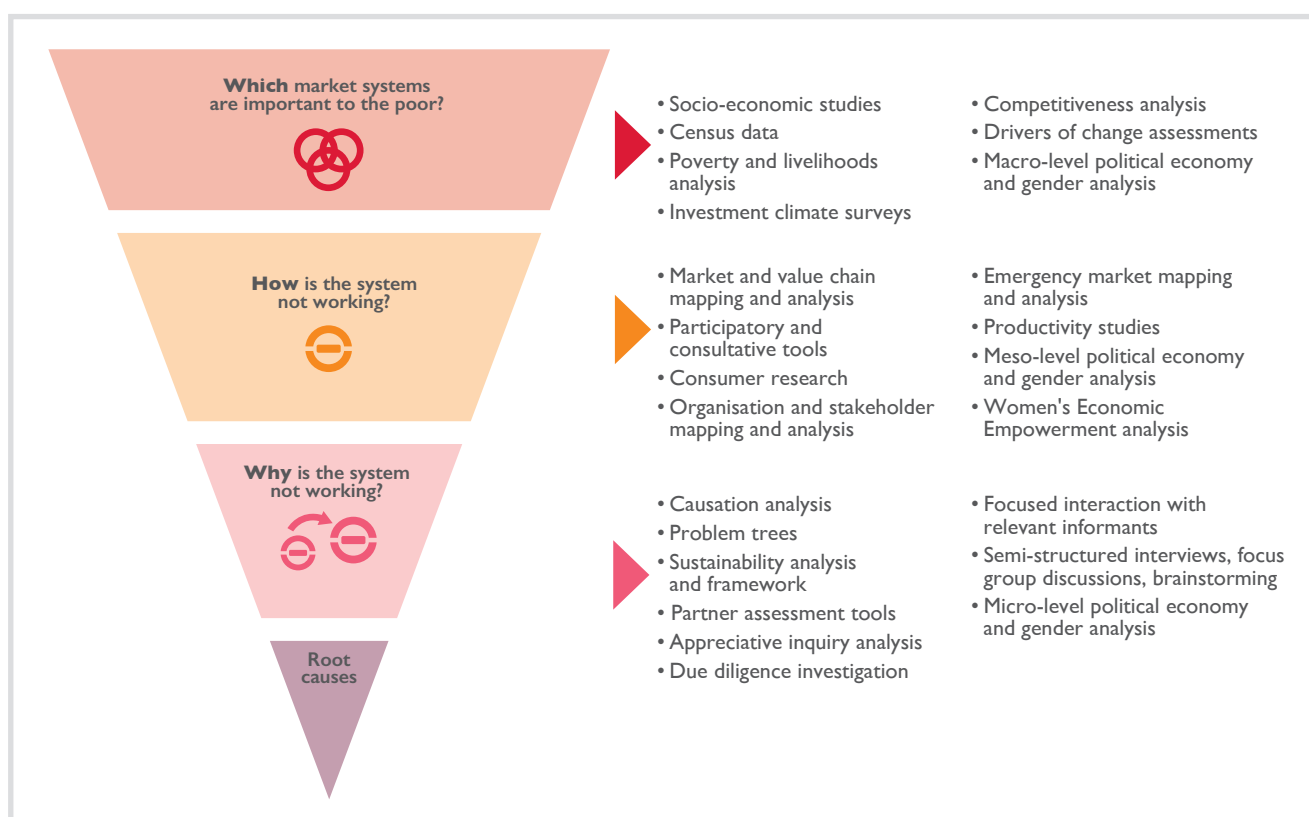


Figure 10: Diagnostic tools and information sources



The way in which you choose to gather information can also help you to build consensus or induce a greater willingness to act amongst market players. For instance, exploring options for addressing an identified constraint with different market players can lead to increased recognition of the need for a solution and improved understanding of the perspectives of other market players upon whom a lasting solution may depend.

Triangulation should always be a guiding principle throughout the process: use more than one tool or source of information to double (or triple) check your findings.

The aim is to make an assessment from multiple perspectives, to test assumptions, and expose natural biases of individual tools or sources, in order to develop a balanced view.

### Example 13: Information triangulation and verification

When researching the recent use of artificial insemination (AI) services in cattle in the Caucasus, a programme complemented its sales data from the country's AI providers with rural household visits in the areas where the providers were known to operate, in order to validate the AI provider data.

### Some considerations when choosing which tools to use

Different tools suit certain contexts, as well as the time, budget and staff skills available to your programme:

- *Geographic, political or public administration focus:* in situations where key players define themselves by geo-political boundaries or mandates (eg a district or province) participatory or stakeholder-based assessment tools are well suited for information gathering. They are less useful in situations where key players operate across boundaries (eg in a value chain)
- *Population density:* certain kinds of tools, such as formal surveys, are easier and cheaper to conduct in locations with high population densities. In more remote areas, the costs of achieving appropriate levels of coverage can be prohibitive
- *Nature of players:* it is important to think about what type of tool works best for different types of market player. More formal assessment methods that require direct 'interrogation', such as large-scale surveys, can be intimidating for micro-/informal enterprises and marginalised groups, who often fear they are a form of scrutiny by the authorities. Gender and cultural considerations might also influence the types of tool or method you choose to use. Informality presents a challenge for accurate sampling and identification of potential respondents because, by definition, these groups are seldom included in formal public records. Public sector players are often comfortable with the openness and time required for participatory discussions. Commercial players only tend to engage in such methods (eg focus groups) when they see value in doing so. They are also cautious about disclosing what they regard as sensitive information to broad groups of participants

### Example 14: Understanding and quantifying the informal

The growing number of low cost private schools in middle and low income countries are largely unregistered and operate in continual fear of harassment and closure by officials. Consequently, researchers tasked with mapping the incidence, growth and educational outcomes of such schools were unable to rely on either government statistics (which often don't include them) or on government perspectives (which are often biased and hostile). From the schools owners' point of view, it is usually better to remain hidden, to avoid punitive regulations, demands for bribes and official disapproval.

Given this context, finding and understanding how these informal schools work required relatively intensive and extensive on-the-ground research. Researchers had to go street by street, approaching teachers and owners directly, and asking parents within specific low income neighbourhoods where they send their children to school. Once 'inside' the informal system, introductions and engagement with other players (eg school associations, community groups and schools suppliers) became possible.

- *Nature of activity:* certain tools are better suited to assessing specific kinds of activity. For instance, value chain analysis is easier to apply to sectors where there are clear stages of production or transformation. It is more difficult to map out sectors which are less linear or transformational in nature, eg service industries. Tools for assessing regulatory conditions are well suited to formal policies and regulations, but less able to explore non-statutory or informal rules. Value chain analysis tends not to assess the operation of supporting functions and rules

What really matters for designing and implementing effective interventions is accurate, up-to-date knowledge of the market system in question, however it may have been acquired. Tools are important but experience indicates that the most useful skill all facilitators should have is curiosity: continually asking 'how?' and 'why?.'

## 2.4 "DON'T MAKE THE SAME MISTAKES I DID..."

### Do your homework, but remain open-minded

When interviewing market players make sure you are prepared. Read up on them. Ask other informants. Improve your knowledge of the market using secondary data. Use this knowledge as a conversation opener. Being ill-prepared for meetings wastes their time and damages your credibility, sometimes irreversibly.

Before a visit, be sure you are clear about what you hope to gain from the interaction. Prepare a list of semi-structured questions and likely follow-up questions. Sticking to the plan is not vital, but having it to hand keeps you focused on what you have and have not covered.

Try to enter any interaction with information of your own to offer. This makes the interaction feel more like a dialogue and less like an interrogation. Ideally the market player should feel that they are getting something from the interaction too.

You must be prepared to listen, learn and challenge your assumptions. No matter how much of an expert you might be, you won't know everything: there's always something new to discover.

### Outsourcing is risky

Information and insight are powerful ways of changing the perceptions or behaviour of market players. They are often more effective than financial support.

When you outsource diagnostic activities, you often miss out on detailed insights (you usually only get a summary) and risk never properly understanding the system you're working in.

When you undertake the diagnostic process in-house, you avoid this risk. You also establish relationships with market players and may identify opportunities for collaboration before intervention actually begins.

External specialists or secondary sources can provide important technical expertise that informs decision making. The process of diagnosis should always include some primary research, and be led by programme staff, however. It is vital therefore that your programme team contains people with an inquisitive mind-set and analytical capacity (see Chapter 6).

### Avoid paralysis by analysis

The diagnostic process is not a fixed, sequential procedure but a way of filtering information needs (*'what do I really need to know?'*), filling knowledge gaps (*'where do I get it?'*), and interpreting information (*'what is the information telling me?'*) to guide your strategy and action.

Your understanding of how systems work and how players think and act in different scenarios can never be perfect. Aiming for exhaustive analysis often results in programmes getting carried away, generating lots of information of limited practical value, at considerable time and expense. Stay focused on how diagnosis is going to inform potential interventions.

### Don't stop too soon... be curious

Paralysis by analysis is a common mistake, but so is stopping your diagnosis too soon. Don't stop your diagnosis *'because there is a lack of X...'* or *'because Y is unaffordable...'* or *'because Z is too risky...'* You need to ask why access, costs and risks are problems and why market players have not resolved these problems by themselves.

In the case of basic service markets, analysis often hinges upon so-called 'affordability'. But are services really unaffordable to the poor? Often the poor's self-engineered solutions (eg to access water or energy services) can result in higher unit costs (for a lower quality service) than better-off people who access mainstream services. If analysis concludes that services are genuinely unaffordable then it is important to continue to ask *'why?'*: why does it remain this way? Why have suppliers not pioneered more cost-effective means of delivering services? Can costs be reduced, shared, paid or defrayed in some way? Why have other players, such as finance providers, not responded with an 'offer' (eg credit products specific to the context)?

### Be careful about making assumptions

Examining functions and rules means examining the players which perform them and pay for them. Do not assume that only one type of player can fund or deliver a particular function or rule.

A common mistake is to go straight to the obvious without questioning it. It is important to think about 'function' before deciding on 'form'. For instance, an organisation might have an official title or mandate stating that it is a coordinating body. In reality, coordination is actually being performed informally, perhaps through a group of senior civil servants and industry figures, or a trading intermediary.

Pay attention to who actually does and pays for what in the system. Triangulate your findings by using two or more tools or sources to double-check findings. Public agricultural extension services, for instance, are never the sole source of information for farmers; explore the presence of alternative suppliers such as input retailers, traders, lead farmers and neighbours, local radio and television.

Programmes commonly make ill-founded assumptions about the incentives and capacities of players. In reality these are rarely clear. Test 'obvious' positions and received wisdom. Private businesses, for instance, are often assumed to be short-termist and profit-maximising entities, yet some are content to expand their presence into new areas so long as costs can be recovered in the medium to long-term. Others are prepared to pursue low risk and low return options, especially when failure or individual blame looms large.

### Diagnosis isn't a one-off task

There is a tendency to regard analysis as something that is only done at the start of a programme. Up-to-date information is required throughout the life of a programme in order to guide actions. Rapid feedback allows you to adapt interventions and avoid big mistakes.

You might also need to start new interventions, for instance when new priorities emerge, interventions fail and funders make new demands. New interventions (or entire market systems) require fresh diagnosis. Ensure that provision is made in programme planning and budgeting for diagnostic processes to be repeated throughout the period of intervention.

### Don't rely on one tool or source of information

The diagnostic process is an iterative one. To answer the questions posed in the steps outlined above, you will have to use a number of tools and information sources.

The market systems development approach does not preclude the use of any tool or source. Which you use depends on factors such as market type, population, accessibility, resources, time, security of travel and availability of secondary sources.

The key is to recognise that relying on a single tool or source is risky: it can give you a skewed and unreliable perspective. Similarly, if you hire a technical specialist to identify constraints, you may find that they identify constraints (and solutions) that closely match their area of expertise or the tools they feel most comfortable with. Triangulate, and keep triangulating.