

# MARKET SYSTEM SELECTION DETAILED GUIDANCE

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**In a nutshell:**

Market System Selection enables you to identify market systems that will give you the best opportunity to achieve your goals. It involves explicitly comparing market systems against one another, and requires you to gather information, design criteria and ultimately make decisions on where to focus.

**Status:**

Optional/Advanced Tool

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After brainstorming a long list of potential market systems, you will identify a set of selection criteria against which to judge the market systems. The final decision must be evidence-based, but it is ultimately a subjective judgment call. Iterative investigation will help you to balance rigour with practicality and make a final decision that is based on informed discussion and deliberation.

## Overview of the selection process

Participatory Market System Development (PMSD) is about facilitating transformations in market systems to make them more efficient, inclusive and sustainable. Different markets will have different levels of potential to achieve these objectives which is why the process by which you select the markets to focus on is so important and is often a critical ingredient of programme success.

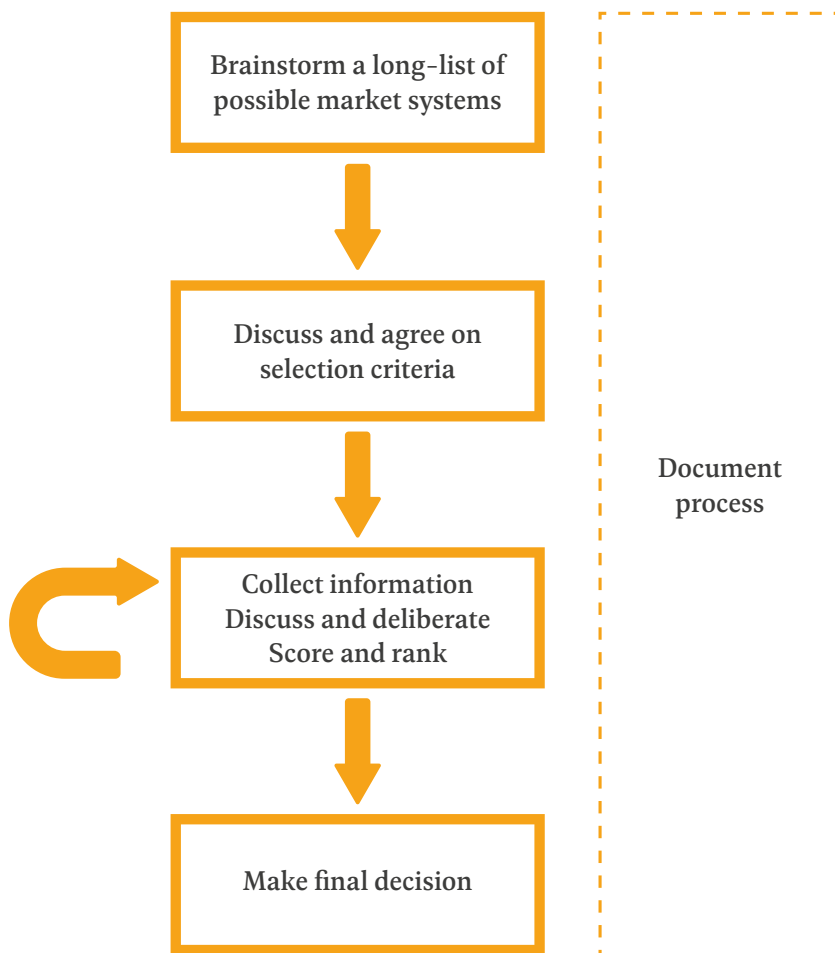
The PMSD process seeks to facilitate market actors to sustainably transform the way market systems work for a large number of people. You and your team need to be knowledgeable and very sensitive to the unique market context in which you are working, in order to create sustainable outcomes.

Given that the PMSD process is quite 'human resource intensive', it is important that you don't spread yourself and your team too thinly by trying to facilitate the process in too many market systems. Equally however, a focus on only one market system may be risky, and rather, the development of several complementary systems could be a strategy to promote resilience. It is important that you understand these issues and balance these tensions.

# Market system selection: step-by-step

Figure 1 presents an overview of the step-by-step process involved in Market System Selection.

**Figure 1: Market system selection process**



The process begins with the preparation of a long-list of possible market systems. This is a brainstorm and you can involve a wide range of stakeholders to offer their suggestions. Be clear to those you speak to about what you are doing and be careful not to raise their expectations at this stage about work, in any market system.

Before you can start assessing how appropriate the market systems are for the PMSD process, you need a set of selection criteria against which to judge them. The set of criteria you choose must be manageable. The criteria must also cover a number of different factors, including the long-term economic opportunity which each market system provides; their potential to impact poverty; and other cross-cutting and context specific issues.

Assessing the long-list of market systems against the set of criteria requires 'iterative investigation'. This is a flexible process which involves collecting information and evidence about market systems against the criteria, and then discussing and deliberating within your team. Scoring and ranking can help you organise your thoughts and reach consensus.

Iterative investigation and assessment will lead to your final decision(s). The level of investigation you use in the process will be dependent on context – for instance the level of resources and timeframe you have available. But in all cases you must not select a market system based on uninformed hunches. Reasoned assessment is essential.

Throughout this entire process you should document what you do and the decisions you make, in order to remain transparent.

# Step 1: Long-list of possible market systems

In your team, brainstorm a long-list of market systems that might be appropriate for the PMSD process in the context that you want to work. Ask for opinions from as many relevant people as possible including your colleagues, contacts in other agencies, donors, government officials and representatives from the private sector, among others. Additionally, Chambers of Commerce and Industries and other private sector coordination bodies are often particularly helpful. Existing economic reports which provide statistics on which sectors and subsectors are important in the regional and national economy could also be useful.

Don't forget to make sure that the perspectives of marginalised actors, and the populations you ultimately seek to serve, are also heard.

## Step 2: Selection criteria

Criteria are used to judge potential market systems against each other. Essential criteria are economic opportunity, potential impact on poverty, and gender. Other criteria concerning resilience and environmental sustainability are also very important.

### What criteria should we include?

The selection criteria needs to include a diversity of factors. Each factor you include will influence the choice of market system and therefore contribute to the outcomes of the entire process.

### Economic opportunity

The potential of the market to generate an economic opportunity for your target group is an essential criterion to include. This criterion is concerned with the performance of a market system and how it is expected to evolve in the future. As part of an assessment of the economic opportunity presented by each sub-sector in your long list, you should consider the following issues:

#### **Demand from the existing end markets**

Who consumes the product? Is there an unmet demand for the product? Is the demand for the product robust and is it likely to grow in the next 10 years?

#### **Potential increase in income and wealth**

Are there significant opportunities to create wealth and increase incomes and profit across the market system by increasing production and the supply of the product to meet the demand from the end markets?

#### **Potential for improvement**

Is the market system likely to be able to meet an increase in demand from the end markets? How realistic is the potential for the market system to increase its efficiency? Are there realistic opportunities for the market system to move into new, higher value products (upgrading)?

#### **Realistic opportunities to reach new end markets**

Are there new end markets that the market system could reach with a realistic level of improvement to efficiency or upgrading?

## Potential impact on poverty

This criterion is concerned with the inclusiveness and equitability of the market system: whether the growth and development of the market system is likely to be able to lead to poverty reduction.

**As part of potential impact on poverty you should consider some of the following issues:**

### **Involvement of the poor:**

What are the estimated current numbers of poor people deriving incomes from the market system? What kind of functions are they undertaking? What are their returns from their efforts and investments?

### **Income gains:**

If the market system improves, what income gains are realistically possible for the poor?

### **Competitiveness of the poor and small-scale actors:**

Are small-scale and poor producers able to compete in the market system with other producers? Are they likely to be able to maintain or increase their competitiveness if the market system improves?

### **Share of the value:**

How is the value distributed across the market system? Are there realistic opportunities for poor actors to increase the value that they keep by increasing their productivity, by engaging in new value addition activities or by negotiating new terms with other market actors?

### **New entry:**

If the market system improves, is it likely that it will create new opportunities for the involvement of the poor in employment or by integrating greater numbers of small-scale producers and enterprises?

## Gender equity and social inclusion

In order to take the economic equity and inclusion of both women and socially marginalised groups in the market system into account, we recommend that you disaggregate the questions above relating to potential impacts on poverty. Specifically this means asking:

- How many women are in the market system? What functions do they support? What are the characteristics of these – are they low or high value? Are these precarious or lucrative opportunities? It is not just the presence of large numbers of women that is important, and rather it's also critical to understand the types of opportunities women have access to. We do not want to simply encourage more women into precarious, exploitive opportunities.
- Is there a realistic opportunity for women to increase incomes or move into more lucrative, less precarious roles? Is there a realistic opportunity for significant numbers of new women to move into the market system if it grows?

- Are women able to gain access to the services, support and resources needed to be successful in this market system?
- To what degree are social norms (e.g. mobility or access to services or the roles considered 'suitable' for women) going to limit opportunities for women in this market?

## Resilience and environmental sustainability

The need to support increased resilience in the face of climate change is of central importance. Ideally, the market systems we support will all provide opportunities to support local adaptation to climate change and at the very least they should not make communities more vulnerable. Supporting a highly commercial crop that needs a lot of water in an area in which rainfall is declining might be an example of market systems support that leads to increased vulnerability, and which we should avoid.

So therefore, we need criteria that enable the identification of sectors that contribute to adaptation. These criteria assume you have a basic knowledge of climate change in the area and the drivers of vulnerability. This could be linked to a number of different factors:

- How much does the sector enable production in the face of known changes to climate (e.g. crops suitable for irrigation in drought prone areas)?
- To what degree is the sector suited to predicted changes in climate (e.g. crops, livestock)?
- How much can the sector support sustainable management of natural resources?
- How much might the sector provide a new alternative livelihood opportunity for people displaced by climate change?
- How much would the development of the sector influence the drivers of vulnerability for men? How much would it influence the drivers of vulnerability of women?
- How much does the sector provide a service that is important in the face of climate predictions (e.g. water and sanitation services, climate information)?

Market System Selection in disaster-prone areas may require additional adjustments to the process. For example, a resilience project in flood-prone areas of Bangladesh recognised that all of the selection criteria were influenced by whether the community was flooded or not. In response, the team adapted the Market System Selection process to consider two scenarios:

- a "regular" or non-flood situation; and
- an "emergency" or flooding situation.

They collected data via interviews and focus group discussions with community members and market actors to understand how the market systems changed under flood conditions, for example:

- disrupted transportation routes;
- changes in land access and inputs; and
- changes in trader behaviours.

This helped the team select market systems that could provide economic opportunities for men and women in both flood and non-flood situations, to avoid exacerbating the existing risks the community faces.

In some cases, for instance when it is of the interest of donors, it may be valuable to also have a criterion that looks at the level of greenhouse emissions of the market systems. This can allow you to select markets that can support low carbon development, as well as provide the other economic and social impacts you want.

## Strategic influences

Market selection never occurs in isolation of the pressures of fundraising and maintaining relationships with donors. In these situations, you may choose to add a criterion that reflects a particular need. For instance, you may incorporate a criterion for quick impact, should there be a need to build up credibility with donors and other actors in a fast manner.

The example below illustrates all of the criteria described above and is from a project in Kenya that combines regenerative agriculture with youth opportunities.

**Figure 2: Market selection criteria from the Transforming Rural Economies and Youth Livelihoods Project, Kenya**

Broad Criteria	Specific Criteria
<p><b>Economic criteria</b> (how the market will perform?)</p>	<ul style="list-style-type: none"> <li>● Potential in the market for upgrading, leading to growth and new opportunities</li> <li>● Competitiveness of the product, compared to other regional, national and international products.</li> </ul>
<p><b>Poverty impact criteria</b> (how inclusive and equitable could the market be? (disaggregated by youth and women))</p>	<ul style="list-style-type: none"> <li>● Return on investment (quick and high rate of return).</li> <li>● The number of young people involved in the sector.</li> </ul>
<p><b>Social Criteria</b> (how could the development of the market shift social dynamics and reduce marginalisation?)</p>	<ul style="list-style-type: none"> <li>● The ability of the sector to change stereotypes about the economic roles of women and youth</li> </ul>
<p><b>Environmental criteria</b></p>	<ul style="list-style-type: none"> <li>● The potential of the market to support agro-ecology/ regenerative agriculture.</li> <li>● The potential of the market to support adaptation and resilience in order to reduce vulnerability to climate change.</li> </ul>
<p><b>Feasibility criteria</b> (is the change feasible in the market?)</p>	<ul style="list-style-type: none"> <li>● Presence of allies – other organisations who you can collaborate with to help achieve change in this market.</li> <li>● Presence of sector wide platforms (to support sector wide change, scale, partnerships etc.).</li> <li>● Market demand.</li> </ul>
<p><b>Project specific criteria</b></p>	<ul style="list-style-type: none"> <li>● Is the market equally important in both Kisumu and Homabay Counties?</li> </ul>

## **Step 3: Investigate, deliberate and make the final decision**

You must now collect information about the market systems and discuss what this information tells you about how the market systems perform against the chosen criteria.

To make this process easier, for each criterion, you should identify a set of research questions that you will attempt to answer. As you develop your knowledge you may want to adapt these questions or even add new ones. Through this iterative process you build up your knowledge in a systematic way so that your focus is on the information you need to select the right market.

### **Weighting, scoring and ranking**

When you have enough information, you may find it useful to give the market systems scores for each of the criterion. Adding the scores together can give you an idea how market systems compare with each other on aggregate.

You can always apply weights to the criteria in order to put special emphasis on a criterion you feel is particularly important. In the example above from Kenya (Fig 2), weighting was applied by adding additional scoring questions for issues considered important (economic potential, youth, gender, and environment). The final scores are thus biased by these criteria. The table includes the collated scores of different groups of stakeholders and was generated in a multi-stakeholder meeting – ensuring local market actors had a say in this important decision from the onset.

### **Make your final decision**

Your final decision is a subjective judgement and should come after evidence-based discussion and deliberation. You can use weighting, scoring and ranking tools to help you make sense of the different criteria to take into account, but don't make your final decision solely on the output of the ranking exercise. A final discussion should always be the last activity that takes place before the decision is made. Although it is not always possible, seek to make your decision by consensus. This will help to get the initial buy-in from the team and informants that will become valuable later in the process.