

Sida's Market Systems Development (MSD) Toolbox provides background information as well as a simple set of tools and guidelines on how to adopt an approach which prioritises scale and sustainability of impact for poor and disadvantaged people. This approach has become a priority for Sida in recognition of the need to increase the long-term impact of Swedish development cooperation.

The primary intended users of this toolbox are Sida's partners, who are encouraged to utilise the tools and principles in their collaborations with Sida, especially when applying a systems approach. The toolbox is not intended to be exhaustive as MSD is a comprehensive approach and should be considered as an entry point to further learning.

SUMMARY: WHAT IS MARKET SYSTEMS DEVELOPMENT?

MSD is an approach to development that works through public and private actors to generate sustainable large-scale impact. It is analysis-led and does not prescribe or prohibit any particular instrument or tool of intervention. Instead, interventions are developed to respond to align with the capabilities and incentives of those public, private, and civil society actors, and adapted based on piloting and learning. Instead of focusing on what MSD programmes can 'deliver', emphasis is placed on how systems can work better to deliver impacts for disadvantaged people.

THREE KEY FEATURES

1. **A rationale and objective: To deliver sustainable development impact for large numbers poor and disadvantaged people (why we do what we do).**

Each part of this rationale is important. **Sustainability** is at the core of a market systems approach. MSD

recognises that, despite major achievements, much of the impact of development has been short term. When the money runs out, so do the results. A key driver of this is seen as being the direct way in which aid interventions have been implemented, working around, rather than through, local public, private, and civil society actors and so MSD seeks to intervene in ways that embeds change in the local systems.

Impact for **large numbers** of people is also an important feature of the approach. Despite huge increases, development assistance constitutes a fraction of a percent of the budgets of low-income economies and more than one billion people remain in absolute poverty. It is essential that as many people as possible have access to the benefits that development assistance can bring. As such, MSD aims to change the root causes of disadvantage and have a larger scale impact as a result. This scale of impact also means greater efficiency and resources go further.

The **targeting of poor and disadvantaged people** is the third crucial element of the MSD approach. In striving for sustainability and scale of impact, in all likelihood contributions will not be working with poor and disadvantaged people, but it is essential that it works for them. The systems of production and consumption that disadvantaged people are involved in are often quite detached from other systems in the economy. It is essential that the targets of development assistance are the ones that benefit, even if they are not those with whom interventions directly engage. As such, any analysis of where interventions should focus begins with the poor and disadvantaged people who should ultimately benefit.

Sustainability, scale, and impact are collectively referred to as systemic change; intervention aims not to buy impact, but to buy change to the systems capable of delivering impact so that this impact continues to be generated into the future.

2. A framework for analysis: Understanding the institutional underlying causes of negative outcomes (what we want to change).

MSD applies a range of analytical frameworks to understand the on-going and underlying causes of these development challenges of underserved and excluded people. These frameworks are grounded in economics, politics, and sociology and can be applied to a wide range of development problems across sectors.

Key frameworks identify the supporting functions and rules which dictate the price, quality, and quantity of transactions in key goods and services involving the disadvantaged people. They look not at the symptoms of disadvantage but at the root causes underpinning them. They look at the key behaviours which lead to these root causes and incentives and capabilities of actors that drive these behaviours.

It is the application of these analytical frameworks that determines the intervention to be pursued. According to this context-specific analysis, every programme will be different and there is no blueprint for success.

3. Guidance for action: A method of intervening in systems so as to achieve these objectives sustainably (how we bring about change).

MSD provides advice on how to employ different interventions to catalyse sustainable change. These are based on understanding whose behaviour needs to change to address the causes of the development challenges and then developing strategies which are aligned with the incentives and capabilities of these different actors to enable this change. It is thus embedded in local systems and engages in relationships with a broad set of local actors.

MSD uses a range of soft and harder intervention tactics which are tailored to address the constraints causing disadvantage in a given context and the particular characteristics of firms, governments and civil society organisations and the individuals within them.

Crucially, intervention in MSD programme is evidence-driven and iterative. MSD programmes follow an adaptive management approach meaning that piloting and effective gathering information lead to cancelling, adapting, or scaling up of interventions.

FURTHER READING

[The BEAM Exchange](#)