

Inclusive Market System Development – Handout for companies

Introduction

The aim of the Austrian Development Agency (ADA) is to enable sustainable, inclusive and thus poverty-reducing growth.

The methodology used is called Inclusive Market Systems Development. It is an approach that attempts to improve the participation of poor people in market systems. People who live in poverty usually have little power to improve their situation on their own, so they are dependent on systems that surround them.

With the help of external impulses - from politics and business, but also from development cooperation – these systems can be designed in such a way that they offer opportunities for people who do not have the opportunity to shape things themselves. Through market systems, poor and marginalized people gain access to work, products, services, information and income.

The role of the international economy

International businesses that want to contribute to this, i.e. do business sustainably, must first be clear about their role in the existing system. Are they providers of services? Of products? Do they bring innovations to the market?

It is also necessary to examine who and where the poor are in the system/industry/economic sector relevant to the company.

Investments must be made in a socially and ecologically responsible manner.

Of course, existing norms and laws must be observed as well as informal rules that have an influence on the system, e.g. in connection with gender roles.

As many people as possible should benefit from the improvements. The changes in the system should have an impact beyond the action duration.

Local companies should also benefit from the investments, e.g. through an innovation that is introduced with the action or with new growth opportunities through access to value chains.

Procedure for action preparation and implementation

- Understanding the initial situation and describing the most important players (state, private, civil society)
- Describe the poor in the market system: Exactly who and where in the sector or market system are they?
- Developing a vision: What should the system look like after the intervention? What will have changed?
- Develop and describe ideas: What activities are planned? What effects are expected - in economic terms and regarding the situation of the poor in the market system?
- Develop a tactic that fits the respective context and that recognizes and addresses the specific challenges: How do the planned activities interact? Which local partners are particularly important for implementation?
- During implementation, the effects must be monitored and adjustments made if necessary. Can the activities be implemented as planned? Are they working as expected? What other effects are there?
- To learn strategically from the intervention, an external evaluation must be carried out.

Challenges

- The beginning of every action following the quality criteria of ADA is a detailed analysis of the initial situation. This is time-consuming, but necessary to identify and pursue the approaches with the greatest potential for poverty reduction and economic development.
- A certain degree of flexibility is required when planning and implementing an action. Adjustments to changing circumstances are often also necessary during implementation.
- A market is not a closed system whose boundaries are immediately recognizable. This makes the selection of implementation partners more difficult.
- As with any intervention, there is a risk that existing power structures will be reinforced. It is important to make addressing or improving power inequalities a focus and to target interventions outside the market system, e.g. through gender mainstreaming or for comprehensive environmental management.

Summary

ADA's declared goal is to achieve sustainable improvements for the poor. For this reason, actions funded by ADA are focused on the long-term capacities of a market system and its actors, not on short-term successes.

It is important to carefully examine the existing system; only then can we start thinking about interventions. Only when it is clear how a market system could function better - vision! - the development of the necessary changes begins.

Actions are designed pragmatically: Planned interventions should lead to lasting change and at the same time be feasible within the specified duration.

Sources and Links

<https://beamexchange.org/>

<https://www.enterprise-development.org/>

Abbreviations

ADA Austrian Development Agency

DCED Donor Committee for Enterprise Development

EZA Development cooperation

IMSD Inclusive Market Systems Development

PSD Private Sector Development