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TRANSFORMING MARKET SYSTEMS (TMS) ACTIVITY AND LOCAL SYSTEMS

Working with the 5Rs framework to discover, craft interventions, and monitor and evaluate changes in the feedback loops which underlie performance patterns of Honduran market systems.

MESCLA

TRANSFORMING MARKET SYSTEMS

AT A GLANCE

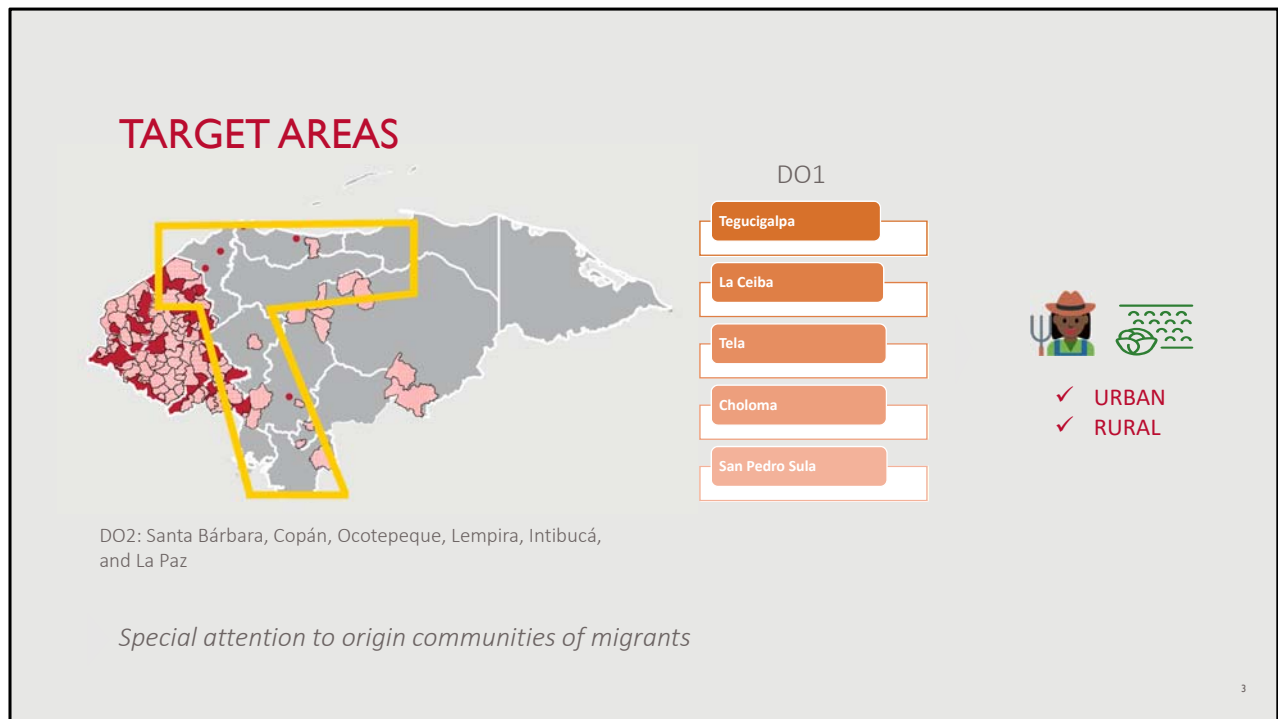
- Single award IDIQ type contract
- TEC \$49.5 million
- Small grants fund total \$4.9 million
- TO1 TEC: \$17.3 million
- Small grants fund TO1 \$2.0 million
- Initial obligation TO No.1: \$5.1 million

IDIQ & Exemplary Task Orders



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- We set this up as a single award IDIQ. This mechanism allowed us to have a high degree of flexibility in implementation which we need when working in dynamic systems. In addition, because we did not request targets be included in the contract (specific market systems would be selected after a 6 month inception phase, indicators developed and targets set) it helped minimize some concerns about what USAID/Honduras was buying with the contract by breaking it into smaller, more specific TOs with indicators and targets.
- Small Grants Fund is basically set up to fund small-scale pilots across the target market systems. Promising interventions, partnerships, etc. may become primary interventions in ensuing TOs.
- Task Order (TO) 1 Underlies all of the anticipated future Task orders as it funds ME&L and CLA across life of Activity
- Additional Task Order can have a number of different structures:
 - Type 1 - Completely different set of interventions with little overlap
 - Type 2 – A set of interventions which integrate, sequence, or layer with one or more existing TOs
 - Type 3 – A set of interventions which address cross-cutting issues across all TOs. In this way

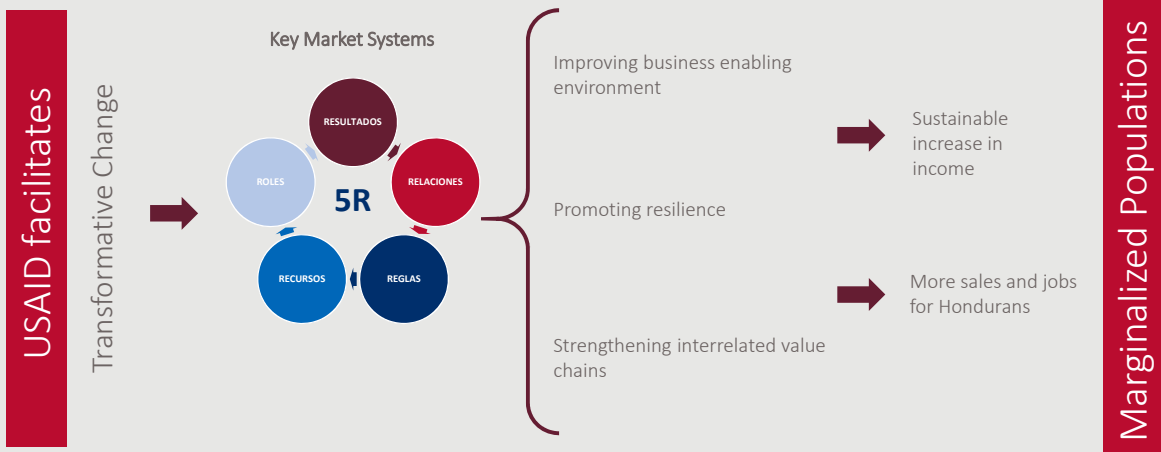


Geography

(DO1) Facilitate systemic and transformative changes that increase demand for products and labor from USAID beneficiaries at a scale, depth, and geographic concentration. Reduce poverty in western Honduras and increase citizen security in urban, high-crime areas. Anchor firms with potential to link backwards to western Honduras

(DO2) Improve public-private participation for a more needs-based policy process and expand municipal services that will lead to a stronger business enabling environment. Support rural enterprises in off-farm and non-farm sectors.

DEVELOPMENT HYPOTHESIS



INCEPTION PHASE

HONDURAS ECONOMY



10 Sectors



5 Sectors

BUSINESS ENABLING ENVIRONMENT

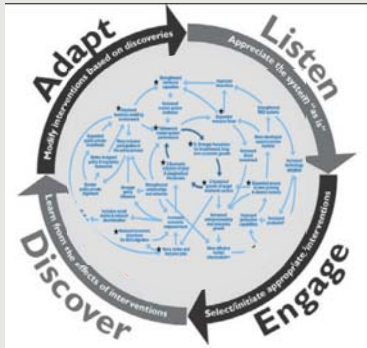


- ✓ COMPETITIVE
- ✓ RESILIENT
- ✓ INCLUSIVE

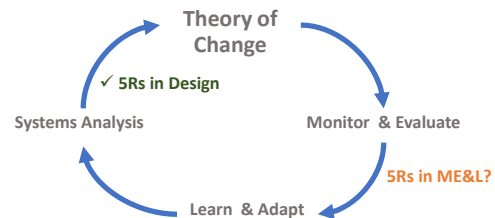
FORMATIVE ANALYSIS
Listen - Explore - Discover - Adapt

How We've Used the Local Systems Framework

Systems Practice



- Trained staff and local contractors in market systems approaches and 5Rs
- Aligned the Market Systems Analysis (MSA) research and report with 5Rs
- Designed our partnership, grant and technical implementation approach around systems practice
- Designing ME&L approach and systems to align with 5Rs



While the 5RS is the bigger focus of this presentation, the listen-engage-discover-adapt framework has been as essential of a tool in TMS approach as the 5Rs. TMS is a systems practice Activity. This approach was prioritized because it is suited to the challenge at hand and is expected to generate results for USAID. The question of how to we have designed our entire Activity to reflect this practice:

1. Formative analysis and inception phase (listen)
2. Co-creation process for implementation (engage)
3. Pilot first, then scale-up (discover)
4. ME&L system (adapt)

How We've Used the Local Systems Framework

Design

Benefits

- **Easy to Handle** – Intuitive, familiar handles for people from different backgrounds and disciplines to transition to a systems perspective.
- **Conceptually Clean** – A very helpful way to organize analysis and communicate about system change.
- **A Good Anchor** – Using a “result” as an anchor is helpful to defining boundaries, and to frame discussions of interdependence between the 5Rs.

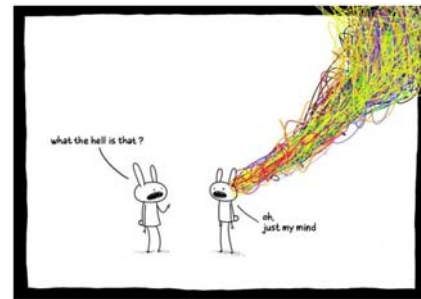


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- In facilitating training with staff and local service providers who carried out the Market Systems Analysis (MSA) research, the 5Rs was a good tool to help individuals from different backgrounds and disciplines see their own experiences and expertise through a “systems” lens.
- Discussions of systems get very messy very quickly. By its very nature, discussion of inter-relationships in a system are somewhat boundless – they quickly cross political and social and economic boundaries, etc. It was helpful using the 5Rs AFTER the initial discussion to help organize that complexity.
- In facilitating training and MSA workshop sessions, it is helpful to visit the ‘result’ frequently – testing “we are now talking about x, y, or z – how does that affect, or relate to the system result?” In addition, it is easy to get siloed into thinking about Rs independent of one another. The TMS MSA report places the “results” discussion at the end of the report following discussion of all of the other Rs. This helps both the author, and the reader to describe the findings about each of the other Rs in relation to one another under one or more system “results”. It helps create a bit more of an integrated system perspective.

How We've Used the Local Systems Framework in Design

- 5Rs are deceptively simple
- Avoid thinking in 5Rs buckets
- Start with a conversation
- Navigational tools
 - Iceberg model (altitude)
 - Systems mapping (rotation)
 - Segmentation (direction)



How to avoid this ↑



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- The 5Rs are deceptively simple. There is a tendency to see an R and say “I know this, this is nothing new, I can keep doing what I am used to doing.” When you train in the 5Rs you see a lot of heads nodding. However, our experience based on reading the reports from activity staff and local service providers is that... while they understand the basics of each of the Rs, the analysis was not as dynamic – discussing the relationship of the R with the system – as we had hoped.
- The real trick, and USAID’s guidance mentions this, is thinking between the Rs. It does take a bit more practice, but it also takes a bit more intentionality in teaching someone. This gets you out the bucket mentality where people are simply sorting facts into different categories and into a more analytical mindset that is needed to do systems practice.
- It also helps to start with a conversation. Describe the problem you see to someone in a simple conversation. Then ask them to look at the 5Rs and think about which if any Rs are reflected in how they described the problem. This is better than starting with an R and trying to round about articulate the issue, it also helps to avoid the buckets
- We’ve found to bend the mind to a more systemic way of thinking two additional frameworks or tools are helpful. The first is an iceberg model so that when someone is analyzing a R you can ask them about what level they are thinking – symptoms or underlying causes. Even soliciting feedback from others in a group about what depth you are operating from in a group discussion is helpful to continually try to get people to think deeper and more systemically.
- The other is system mapping. Starting with an issue look at its causes and keep asking why. Then try to help them shift out of more linear thinking to where they can start to see how issues reinforce each other, or how there are multiple ways in which issues are affected. It’s been helpful as someone talks just to get on a whiteboard and to start to trace the logic, pull out the assumptions and then put on your 5R’s hat to think about what is driving these cycles.
- Finally, and a bit more traditionally, is that when you are working in market systems don’t forget about market segmentation as a tool to help you set boundaries, prioritize issues and maintain focus. I think there is a real risk of losing out on some of the really good things about the value chain approach, which has been a source of results because of its clear market orientation. Here’s our hurrah to keep the MARKET in market systems.

How We've Used the Local Systems Framework in Design

- Patience, ability to sit with discomfort
- Assumptions are bound to get in the way
- Language is important
 - Avoid jargon, keep it simple
 - Re-defining to meet use-purpose

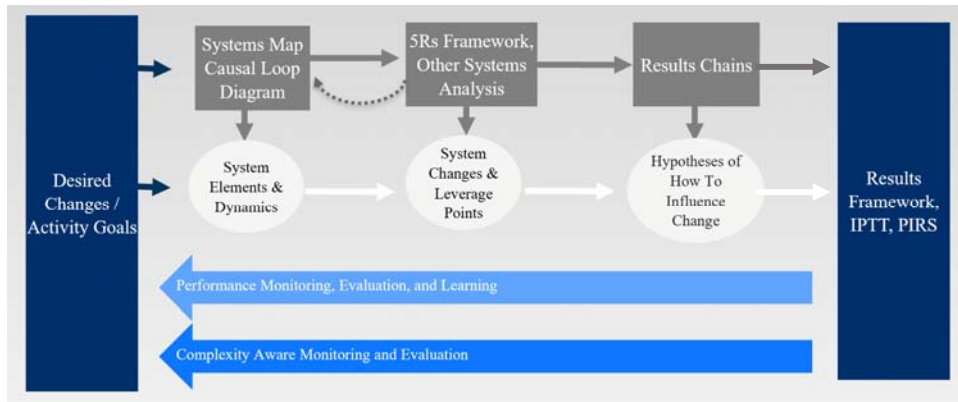


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- Systems work can be really uncomfortable. As 'experts' – we often – consciously, or unconsciously – believe we have the 'right answer' – whether that be an approach, a perspective, an experience, etc. With 'bounded rationality' (meaning – we only know what we know) about systems – we often are faced with contradictory information. In the back of the mind, there is a little voice telling you to ignore conflicting evidence and stick to what you think you know. But this is a trick to protect ourselves. Getting to real discovery and understanding requires us to recognize the limitation of our 'expertise', and sit with the discomfort of 'not knowing'.
- The first step in systems practice – listening – is a misnomer. So is a Pause and Reflect. They seem to imply a meditative, relaxed or quiet state. First when you listen, there is a lot of noise, conflicting information and volumes and volumes of data you have to digest. It's an exhausting process to digest the huge volumes of information. Then when you come up with a hypothesis that you present for discussion in a Pause and Reflect, you expect nodding heads and admirable applause, instead you realize your idea is swimming in a shark tank and being picked apart bit by bit by your colleagues.
- This results from the reality that all our judgements are biased at some level by experience that preconditions us to make necessary assumptions. The way we see the world is just that – how we see and experience it, not necessarily how it is. We often hear in workshops "check your assumptions at the door." Our experience has been this is unrealistic. What may be better is – "be aware of your assumptions and biases, and be willing, and unguarded to receive questions and feedback from others". Doing this well is really important to be able get to real discovery and understanding.
- Finally, language is important and I think systems practice has a language problem. Try explaining even what a leverage is in English among experts and three people will have three different explanations. Now try to translate that into Spanish. I think in market systems there has been a necessary shift in language to be able to describe more accurately the complexity in the system. There is an unintended consequence to this language, in that it can also create barriers for new people to understand. It's a call to everyone to be as deliberate and simple in your use of language as possible.
- Patience. It is going to get really messy. Know this, embrace it, and practice meditation.

How We've Used the Local Systems Framework

ME&L – Current Thinking



This is a basic overview of the ME&L system as we have developed it now:

- **Desired Changes / Activity goals.** We have over-arching activity level goals – primarily around affecting changes which lead to more Competitive, Resilient, and Inclusive Market Systems.
- **Systems Map Causal Loop Diagrams & 5Rs Framework.** Within this context, we have carried out formative analysis and developed causal loop diagrams which illustrate the numerous processes and components of the target systems and how they interact. The 5Rs framework has been an instrumental tool in the analysis and generation of these Systems Diagrams.
- **Results Chains & Hypotheses.** Through this analysis, the activity identifies system changes and leverage points, and develops hypotheses of how the activity can affect change in these system elements and processes. Results chains link the activity interventions to the system diagram.
- **Results Framework, IPTT, PIRS.** Lastly, we develop our results framework, IPTT, PIRS and other measures to measure changes at the 1) Results chains level; 2) System change level; 3) Activity Goal Level
- **Performance & Complexity Aware Monitoring.** Monitor change using performance and complexity aware monitoring and evaluation methods.

How We've Used the Local Systems Framework

M&E

Challenges

- **Changes in Rs and Systemic Change.** It is unlikely that any single change in any one R will result in systemic change. Prioritizing which Rs to measure, at what levels in the system, in which combinations is challenging.
- **How, Not How Much.** Change in Rs is really helpful in identifying and describing WHAT in a system has changed and HOW, but more challenging to use Rs to measure HOW MUCH.
- **Systems Change vs. Systemic Change** - When does change in the system (in one or more RS and how they interact) become "Systemic?"
- **Decision Making Based on Change in Rs** – When is observed change in any combination of Rs enough? Still need another measure which measures where on the system to systemic change pathway the system is.

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- **Change in Rs and Systemic Change.** Local Systems Framework suggests that a change in any one R is unlikely to result in systemic change. It's more likely that multiple changes, in multiple Rs, at Multiple levels may interact and in so doing, shift the way a system works. The challenge – if you are working in a complex system – for example, our system maps which have potentially hundreds of system elements identified, any one of which has multiple levels of Rs which influence it... monitoring and measuring change in Rs could be a very complicated process. Prioritization is key - and perhaps prioritization along with the ToC would help.
- **How, Not How Much.** How do you measure how much a relationship changes, and how that change has contributed to a change in the system? How do you measure how much a role has changed, and how that change has contributed to a change in the system? 5Rs are really helpful in identifying and describing WHAT in a system has changed, and HOW. But more challenging to use the Rs to measure how much, without additional complementary analysis (such as OPI, MSC, etc.)
- **Systems vs. Systemic Change.** Change in one or more Rs can be considered a 'system' change, in that there is change in an element of the system. However, whether this change contributes to a shift in how the system as a whole produces a result – 'systemic' change, is a slightly nuanced, but important question, especially when thinking about sustainability.
- **Decision Making based on Change in Rs.** An important part of systems practice is to stimulate enough changes in the system to get to that sort of 'tipping point' where the system begins to, or continues to shift without further intervention. Identifying when changes observed in any combinations of the Rs reaches this point is challenging. We are playing with integrating the 5Rs into other systems/systemic change frameworks which describe a bit more of the pathway to systemic change (have a bit more directionality) such as the Transform, Scale, Institutionalize framework, or the Adopt, Adapt, Expand, Respond (AAER) framework.

How We've Used the Local Systems Framework

M&E

Q's

Questions for the Group

- What experiences, tools, processes are out there / have you had for measuring when a system change (change in one or more R) becomes "Systemic"
- What have you found useful in using 5Rs in your ME&L
- What recommendations do you have for us as we continue with our design and ME&L?

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