

Integrating the 5Rs Framework into the Transforming Market System (TMS) Activity Design, Implementation and Monitoring, Evaluation, and Learning in Honduras

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Summary

This case story was developed from a collaboration between the USAID/Honduras funded Monitoring and Evaluation Support for Collaboration Learning and Adaptation (MESCLA) and Transforming Market Systems (TMS) activities to document and share experiences and lessons learned using the 5Rs systems framework in the design and implementation of the TMS activity. The case story documents integration of the 5Rs framework across three levels of activity design and implementation: 1) Activity Solicitation and Contract; 2) Design and Implementation of Activity Inception Phase; 3) Design of the Activity ME&L Framework. The document concludes with a brief discussion of the benefits, challenges, and opportunities for use of the 5Rs framework in design, implementation, ME&L of development activities seeking to affect systemic change.

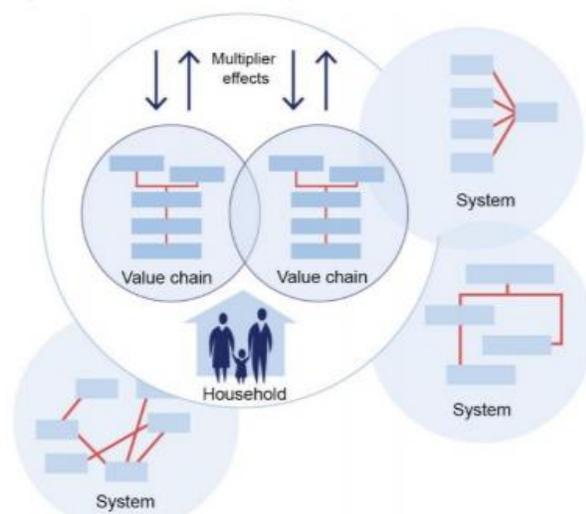
Background: The Transforming Market Systems (TMS) Activity

USAID/Honduras recently awarded a five-year (2018-2023) activity – Transforming Market Systems (TMS) to foster competitive, resilient, and inclusive market systems that provide increased economic opportunities that incorporate poor, marginalized Hondurans and reduce incentives to migrate.

TMS applies a market systems development approach to tackle the root causes behind the vicious cycles that marginalize people and businesses and identify leverage points that result in virtuous new ways of doing business and expanded economic opportunities.

The activity is a single-award IDQ. The unique design of this activity includes a 6-month inception phase under the first task order. Within the inception phase, the TMS team is implementing a collaborative, co-creation process with USAID, other public, and private-sector actors for the design and development of approaches, actions, methodologies, and tools which will be used during the inception phase and life of activity to identify, test, implement, monitor and evaluate activity affect on market systems change. This has included the 5Rs framework.

Figure 1 – Inclusive Market Systems Development



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5Rs Framework in the TMS Activity

The 5Rs framework has contributed to the design and implementation of the TMS activity on multiple levels. This case story will look at three levels which are building the foundation for integration of the 5Rs framework through activity implementation:

- TMS solicitation and contract
- TMS inception phase design and implementation
- TMS ME&L framework

1) TMS Solicitation & Contract

Reference to the 5Rs system framework within the USAID/TMS activity solicitation established an explicit expectation around the use of the 5R framework in processes for understanding and analyzing the Honduran market system. Within the solicitation, two references to the 5Rs framework were particularly important for establishing an expectation for use in the activity design and implementation processes:

Defining key concepts and approaches. The TMS solicitation presents a definition of market systems defined by the USAID funded LEO Activity which clearly outlines the roles of the 5Rs in a market system:

“ A dynamic space – incorporating resources, roles, relationships, rules and results – in which private and public actors collaborate, coordinate and compete for the production, distribution and consumption of goods and services.”

Guidance for analysis, priority setting and work planning. The solicitation promotes the use of 5Rs to inform activity design. This includes guidance for how the activity will carry out analysis:

“ In collaboration with USAID/Honduras, the Activity will invest in early and ongoing analysis to map the key elements of the market system, potential intervention points, and identify signs of change resulting from USAID’s investment... seek(ing) to define the inter-connection in the system using a framework of relationships, roles, rules, resources and results.”

2) 5Rs and TMS Inception Phase Design and Implementation

The 5R’s framework has been featured in the design, communication and training of TMS staff, stakeholders and USAID personnel. The 5R’s has been integrated in:

Establishing a shared understanding of market systems development. The TMS team has incorporated the 5Rs framework into core communication materials. The 5Rs serve as a tool for communicating 1) what is a systems-based approach and how it differs from more traditional approaches 2) the

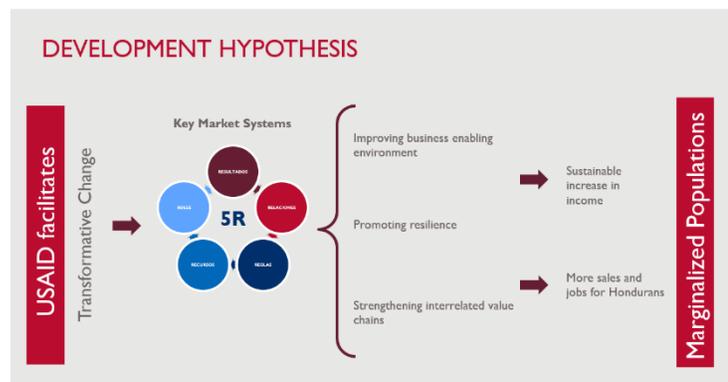


Figure 1 – Slide from Presentation to USAID/Honduras CORs, Key Stakeholders and Staff Demonstrating the Incorporation of the 5Rs Framework in the TMS Development Hypothesis



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different system elements of the activity will engage in 3) the link between a systems approach and the theory of change

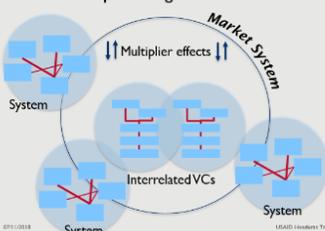
Training of staff and contracted service providers in systems approaches. TMS led a two-day Market systems Development training for TMS and USAID/Honduras staff. The training provided a shared understanding of, and comfort working with systems concepts, approaches, methods, and tools – including the 5rs framework. This introduction was also provided to contracted service providers that are doing formative analyses. The TMS team adapted the 5Rs to the context of the market system to explain and establish a shared understanding of the *core elements of a market system and market system analysis.*

Development of the TMS Theory of Change (TOC) - linking system changes to 5Rs and identifying leverage points. The has used the 5Rs to develop, revise and review the TMS theory of change and system map included in the proposal and forming the core framework for the activity design. Facilitated through the third day of the market systems training, this introduced to staff how to work with system’s diagrams, identify desired changes in the system to improve competitiveness, resilience, and inclusion, and identify potential leverage points which the activity could act upon to influence those changes.

Figure 2 – TMS Training Slide Demonstrating the Incorporation of the 5Rs Framework in the TMS Market Systems Approach

MARKET SYSTEMS DEVELOPMENT APPROACH

A **market system** refers to a dynamic space—incorporating resources, roles, relationships, rules, and results—in which private and public actors collaborate, coordinate, and compete for the production, distribution, and consumption of goods and services.



Results which are the outcomes and impacts that result from underlying dynamics,
Resources which are the flow of information, services, returns, labor and finance,
Roles which include actors, their functions, barriers to mobility and business models,
Relationships which include links between actors and degree of cooperation/competition.
Rules are the formal rules and informal norms, values, biases and beliefs that shape behavior.

USAID/USAID's Transforming Market System Activity

7 PRINCIPLES FOR MARKET SYSTEMS DEVELOPMENT

1. Address the root causes, do not treat the symptoms
2. Identify feedback loops that create self-perpetuating cycles
3. Direct investments towards leverage points for change
4. Zoom-in and zoom-out to gain focus and perspective
5. Look systematically across dimensions of change (5 R's)
6. Engage in an iterative and participatory CLA process
7. Apply a facilitative approach to affect systemic change

Figure 3 – TMS System Change Worksheet

 System Change		
Change in 5R's <small>Roles, Relationships, Rules, Resources, Results</small>	Leverage Points 	What do we need to learn?

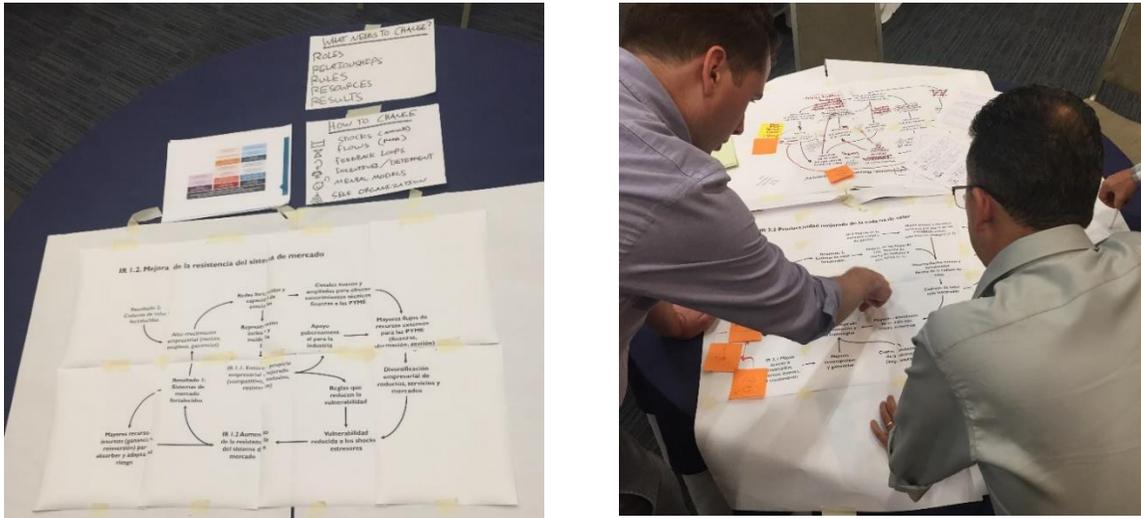


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Figure 4 – TMS Team Analyzing Different Parts of the Market System



For each system change, participants assessed the 5Rs, identifying changes in one or more Rs which would be important to realizing system change. For each R, participants then reviewed different leverage points, identifying those which would be important for the TMS activity to work with.

5Rs and formative analyses. TMS has also designed its formative analysis to integrate the 5R’s framework:

Figure 5: TMS Learning Framework for Formative Analysis

Analysis Components	Questions and Research Areas	Integrated Analyses
<p>1. the firms and actors that operate within the sector (ROLES)</p> <p><i>Learning question:</i> Who plays what function in the sector and what are opportunities for the adoption of more value-added functions?</p>	<ul style="list-style-type: none"> Who/what are the actors, their role in sector and their potential in facilitation of desired changes in TMS TOC Predominance of business models, barriers to upward mobility and other key gaps in system – e.g. too little or too many of a specific stock of role History and trajectory of roles, changes in the market and potential to adapt or expand in responses to changes. 	<ul style="list-style-type: none"> Will-skill matrix as part of subject-matter expert meetings to facilitate desired changes in TMS TOC Value chain or sectoral mapping to identify the firms and actors, and relationships in the sector Gender & social inclusion analysis to evaluate roles of marginalized groups and potential to take on more value-added roles.
<p>2. the nature of relationships between these actors, including their levels of cooperation and competition (RELATIONSHIPS)</p> <p><i>Learning question:</i> What relationships can TMS enhance to encourage more effective cooperation and competition within the sector?</p>	<ul style="list-style-type: none"> Effectiveness of alliances, cooperation and competition between firms within the sector, noting barriers to entry. Strength of relationships: cooperative to adversarial, effective to ineffective, strong to weak, formal to informal, value-added to extractive. 	<ul style="list-style-type: none"> Social network analysis to identify strength of relationships between enterprises and support services Gender & social analysis to identify differences and barriers to alliances, competition and cooperation of marginalized groups.



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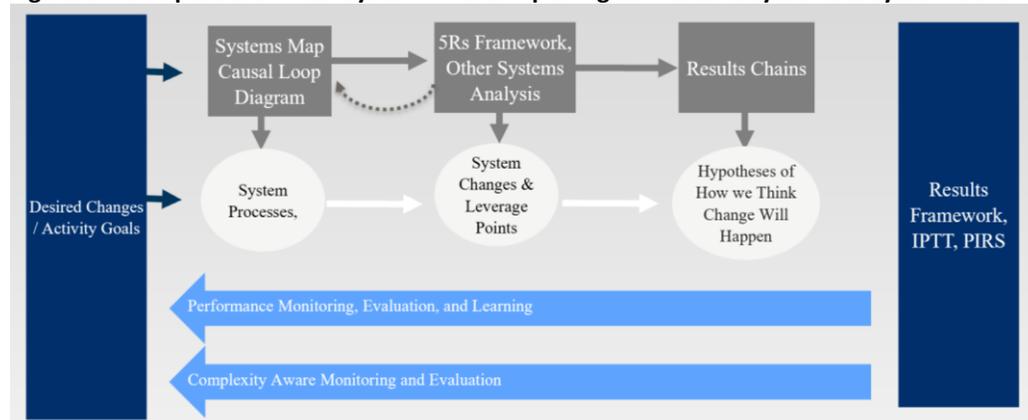
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<p>3. financial and non-financial resources available, including technical, business and financial services (RESOURCES)</p> <p><i>Learning question:</i> How effective are providers and channels for investment of resources (information, finance, etc.) into the system?</p>	<ul style="list-style-type: none"> • Flows within and into/out of the system. Resources include information, services, finance, donor/public funding, retained earnings, labor and services. • Availability of these resources and critical resource gaps to facilitate more competitive, inclusive and resilient growth of sectors and systems 	<ul style="list-style-type: none"> • Social network analysis to evaluate access to and use of different resources by enterprises • Entrepreneurship system mapping to understand resource availability for start-up and growth enterprises • Included business services and financial services as two of the target economic sectors to analyze • Gender & social inclusion to evaluate differential access to resources by marginalized actors
<p>4. formal and informal rules, which drive the behaviors of these actors (RULES)</p> <p><i>Learning question:</i> What are the rules that govern / influence how the system operates (policies, incentives, formal informal rules, social norms and values)?</p>	<ul style="list-style-type: none"> • Formal and informal rules including laws, policies, procedures, implementing and supporting institutions that impact the sector. • Informal values, biases, and beliefs that shape how firms behave. • Identify firm engagement in the policy process -> monitoring, development, advising the formulation and implementation. 	<ul style="list-style-type: none"> • Commercial, legal and institutional reform analysis to evaluate the legal framework, implementing and support institutions around reform • Gender & social inclusion analysis to evaluate formal and informal rules that marginalize people
<p>Competitiveness, Inclusiveness, Resilience (RESULTS)</p>	<ul style="list-style-type: none"> • Growth opportunities, requirements, competitiveness factors, inclusiveness potential, stressors, adaptive capacities • The root causes of why the sector fails to generate more competitive, inclusive or resilient results • Hypothesized leverage points at which TMS Activity could intervene to enable systemic change 	<ul style="list-style-type: none"> • End market analysis to identify competitive advantages in target market segments and positioning to take advantage of opportunities • Gender & social inclusion to evaluate potential for inclusion within the economic sector

3) 5Rs and the TMS ME&L Framework

The TMS activity is developing their ME&L system to monitor and evaluate the TMS activity. This includes a tiered analytical framework to link Activity Goals, to Systems Changes, to Leverage Points to Intervention Plans. The activity will be using systems diagrams in lieu of more traditional, linear logic models to articulate the activity ToC and how the TMS activity will catalyze systemic change.

Figure 6 – One possible ME&L System TMS is Exploring to Measure Systems & Systemic Change



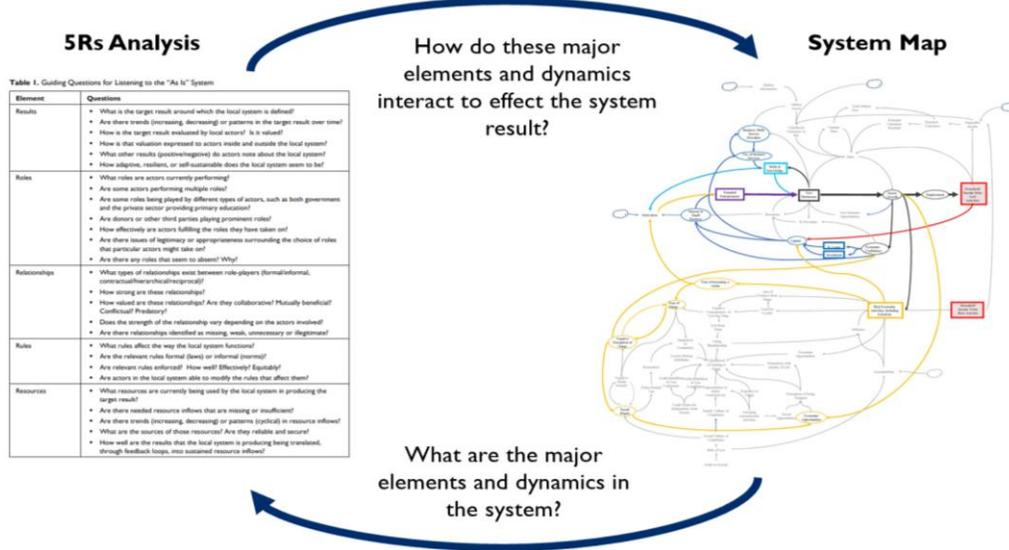
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Systems diagrams maps are developed and validated using the 5R's framework and related analytical tools. It also includes the use of a mix of performance and other indicators to be able to effectively track performance at various stages of change, evaluate validity of change pathways and test for unintended consequences. TMS is considering developing a systems health index, which may relate to the 5Rs.

Figure 7 – Using the 5Rs Framework for Analyzing and Diagramming the System:



When does System Change Become Systemic? An important element of the TMS activity will be monitoring and measuring to what extent changes in the system (i.e., changes in the 5Rs) are influencing system shifts which result in systemic change: Change in one or more component (5Rs) of a system which fundamentally changes how a system produces (processes) outputs of the system (results) in a sustained way. The TMS and MESCLA team is currently experimenting with a couple different frameworks including the Transform, Scale, institutionalize¹ framework, and the Satisfaction, Continuation, Innovation, Investment, Replication² framework which they will ultimately use to help them monitor and measure the extent to which the 5Rs are influencing systemic change.

Benefits of Working with the 5Rs

TMS and MESCLA have noted some of the benefits of working with the 5Rs during the early phases of TMS activity inception including:

- The Rs in themselves are recognizable and readily communicable to new audiences. In this way, they are helpful to facilitating comprehension and an entry into getting people to think systemically and appreciate the complexity behind some issues
- Establishes a clear point of difference in approach – it makes it clear that this is not the same framework or way of thinking - than what people are traditionally used to doing



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New Framework for Systemic Change, Retrieved July 10, 2018, <https://www.jenal.org/a-new-framework-for-assessing-systemic-change/>

² Disrupting Systems Dynamics: A Framework for Understanding Systemic Changes. USAID LEO Report No. 47.

- The orientation around the result has been insightful in focusing in on the ‘why’ behind activities and in helping the TMS team and stakeholders to think more broadly and define larger boundaries and answer “what system are we working with”?

Lessons Learned and Opportunities for Working with the 5Rs

The TMS and MESCLA team have encountered a few challenges and identified opportunities for advancing use of the 5Rs framework in TMS, and more broadly, market systems development activities.

- **Definitions are important.** Establishing an activity-espoused definition for the target system which is based on the 5Rs has resulted in integration of the 5Rs within the activity design itself, and the processes the TMS team will use to further develop scope, priorities, interventions and ME&L of the activity. However, despite the consensus around the definitions of 5Rs, there is less consensus on the definitions for relevant concepts – such as systems vs. systemic change, leverage points, etc. Establishing clear definitions for these terms is important to ensure the concepts are similarly communicated and understood by different stakeholders.
- **Change in 5Rs and measuring systemic change.** The relationship between when and how a change in the system – vis a vis – a change in one or more of the Rs becomes or influences a “systemic” change – meaning one that results in significant, sustained in how a system produces results is still a bit of a black box. Monitoring and measuring how changes in the 5Rs influence systemic change is an important area to further advance practice through development of tools and processes and sharing practical experiences and learning.
- **Defining boundaries – systems within systems.** Systems are made of systems. In some cases, the result of one system may be a resource for another system. In facilitating discussions about the 5Rs for a system, frequently the “resources” individuals identify – such as “Community Will” are the type of resource which may be both an intermediate result and a resource for a longer-term result: “Retaking Ownership of Public Space”. Defining “resources” can be a bit difficult for participants.
- **5Rs and Leverage Points.** One of the big conceptual and design challenges is defining what is a leverage point. The work from Donella H. Meadows on “Thinking in Systems” currently provides the most comprehensive source for defining leverage points for systemic change. The TMS and MESCLA team is working internally to clarify the relationships between “leverage points” and the 5Rs. Questions raised in workshops have included: Can a R in a system be a leverage point? Do leverage points result in a change in one of the Rs? Or a change in the system itself? Would an activity use an R, such as Relationships to move a leverage point? Or would a leverage point result in a shift in the R?

This challenge originates around lack of clear definition and understanding of leverage in a system. Bringing clarity to leverage points is an important opportunity which could significantly help those working in systems change better understand the relationship between leverage points, 5Rs, and systems change



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