

From paper to practice

An internal review of the quality and use of ILO market system and value chain analyses

Market systems development (MSD) is an analysis-driven approach. As such, MSD programmes need to be guided by a sound understanding of how market systems are failing, the underlying reasons why they do, and what can be done to improve their performance for disadvantaged groups.

As set out in the [Value Chain Development for Decent Work Guide](#), the International Labour Organization (ILO) seeks to bring a systemic lens to its whole value chain development portfolio. This means seeing each link in the value chain (from conception through production, processing and distribution up to end-user) as part of a wider network made up of rules, regulations and supporting functions. A market systems lens helps interventions get beyond addressing narrow, firm-based issues to instead tackle those problems that are considered underlying and systemic – positioning programmes to achieve sustainable results at scale.

This review took place between October 2018 and January 2019. It is a follow-up to a [2014 exercise](#) that applied an evaluative framework to assess the 'systemic' quality of market system and value chain analysis reports that had been submitted to the ILO. This current review applies the same evaluation framework, adding an additional assessment criteria to consider how reports have actually been used to shape programme and intervention design.

The review found that 77% of reports reached a level of understanding that can be considered adequate in order to identify the critical 'root causes' as to why the market system was underperforming. This represents a marked improvement from the 2014 review, which found that only 5% of reports were adequate.

However, almost two-thirds (64%) of MSAs and VCAs were either not used or used to a limited extent to inform intervention design. Only 4 reports (24%) could be considered to have a high degree of use – where the majority of the interventions were based on the findings of the analysis.

Part 1: Why review quality and use?

The ILO's Value Chain Development work focuses on sectors that have the potential to create more and better jobs. The aim is to drive competitiveness, job creation and job quality by using a market systems development (MSD) approach.

MSD is analysis-driven: It requires understanding the life cycle of products and services from raw materials through to end-use, and how each link in the chain is embedded within a larger influencing network made up of many players performing supporting functions, rules and regulations. The reasons for underperformance in the value chain can often be found in this wider market system.

Market System Analysis (MSA) – or Value Chain Analysis (VCA), which we take to be a synonym – helps programmes identify these underlying 'root causes', and therefore to shape an effective portfolio of programme interventions and activities to address them.

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This present review seeks to provide empirical evidence on the extent to which MSAs and VCAs, which the ILO has been involved with, have led to a sufficient level of depth of understanding about the reason(s) for market systems under-performance. It also assesses how successful these reports have been in informing eventual programme and intervention design.

What is a market system?

A market system is the inter-connected network of actors and factors that interact to shape the outcomes of an economic exchange. In the case of decent work, the core exchange is between companies as employers (demand for labour) and workers as employees (supply of labour). These exchanges are governed by a range of:

- *Supporting functions.* The context- and sector-specific functions that inform, support and shape the quality of exchange; such as information, skills, infrastructure, finance and access to markets.
- *Rules and Norms.* The legislative and regulatory environment, including policies, voluntary standards and social norms that guide day-to-day attitudes and conduct.

Supporting functions and rules are carried out by a wide range of market actors, from businesses to financial institutions, trade associations, regulators and government agencies. When certain rules or functions do not operate well, a market system *constraint* is created, that reduces the effectiveness of the system.

Part 2: Methodology, sample and scoring

Twenty-three MSA and VCA reports were selected for the review. These were all reports that the Small and Medium Enterprises Unit in ILO Headquarters had either commissioned or collaborated on between May 2014 and November 2018¹. The sample can be found in Annex A.

A desk-based assessment was conducted by a team of two from the ILO Lab project. Each report was assessed for the 'depth' of their analysis into connected market systems, according to the following criteria:

- 1. Initial research.** The report presents basic research assessing the relevance of the sector for the target group, the potential for job and income improvements and the feasibility of intervening. The study has captured a general picture of sector performance.
- 2. Value chain mapping.** The report contains a value chain map outlining the flow of goods and services from raw materials/inputs to the final consumer. It describes general problems in the core value chain. The report remains descriptive, not analytical.
- 3. Value chain research (symptoms).** Value chain research (interviews, surveys, focus group discussions, among others) has been conducted and the supporting functions or rules that are undermining the performance of the value chain have been identified, but not analysed. The report is more analytical, but the analysis is not extended into connected systems (i.e. supporting functions and rules), so it remains a list of symptoms.
- 4. Value chain analysis (constraints).** The study goes deeper into analysing the underperformance of supporting market systems and successfully identifies underlying constraints. The reader is satisfied that causes of why the value chain is currently underperforming have been

¹ While we did not include an analytical tool known as a 'Rapid Market Assessment' (RMA) in the scope of the review, we did collect a sample of 3 RMAs that had been recently completed in order to provide a comparison with the MSAs/VCAs

identified and analysed, with reference to the incentives and capacities of the actors performing the supporting functions.

- 5. Value chain analysis (prioritised constraints).** After evaluating all the findings generated by analysis, the report prioritises which of the key underlying constraints are most suitable for 'action' to intervene and sets out a credible vision of how the market system needs to change for each function/rule.

The 5-point scale was used as a proxy for quality: Where '1' represented the most superficial research (the lowest quality), and '5' represented the prioritisation of underlying constraints (the highest quality). The main evaluative method deployed by the reviewers was asking the question: *why?* If the reviewers assessed that the report had asked 'why' enough times and could pass a common sense test that they have gone deep enough into supporting market systems, then it was deemed that underlying constraints had been properly assessed.

The team then conducted a series of key informant interviews with ILO staff to assess the extent to which each analysis has been used and useful in shaping project design and delivery. The reports were then rated against another 5-point scale:

- 1. Not applicable.** The project was either cancelled or never commissioned (for example due to insufficient funding)
- 2. Not used.** The findings of the analysis were either completely ignored or interventions were fixed in advance of analysis (and analysis failed to influence a change in direction)
- 3. Limited use.** Some constraints identified by the analysis were integrated into the programme, but overall a limited number of intervention strategies were informed by the findings of the analysis
- 4. Moderate use.** A number of intervention strategies were informed by the findings of the analysis, but the project may have certain 'set in stone' components with less systemic interventions, limiting the potential for the report to be fully utilised.
- 5. High use.** The majority of constraints identified by the analysis were integrated into intervention strategies.

In order to identify factors influencing report use, we collected a set of additional information about each report and the programme that commissioned it. This included:

- Details on who led the study, the programme implementer and the study funder;
- Whether core staff had MSD experience, and whether the programme had an explicit MSD objective;
- The sector focus and document length.

Three limitations in the review were noted:

- Firstly, as analysis is not a 'one-off', but part of an iterative process where initial analysis leads to action that leads to an updated understanding of constraints in the market system, it may be possible that the level of analysis in many of these 'formal' reports was deepened over time, but was not documented. However, this does not negate the fact that an initial analysis is an essential first step to maximise the chances of getting to an understanding of the supporting systems that are the underlying drivers of change in value chains.

“The vast majority of reports identified market system constraints. This represents a significant improvement from the 2014 review”

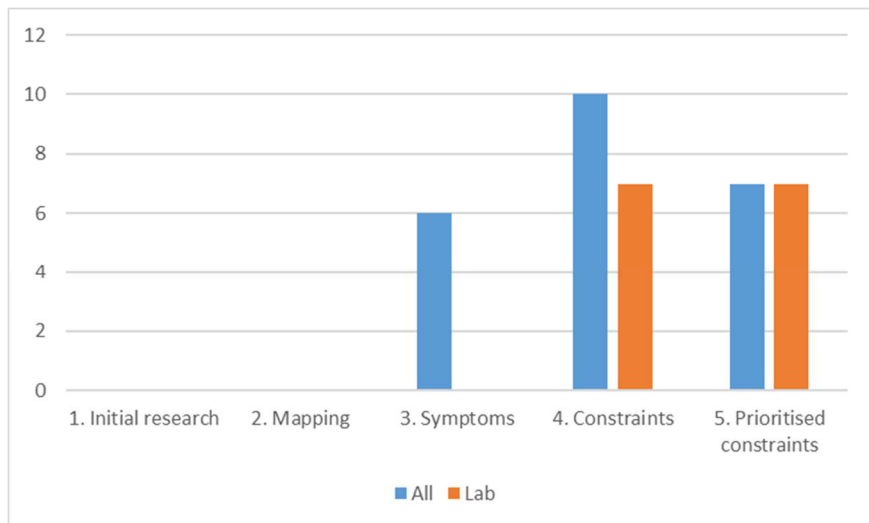
- Second, this is a broad review of the depth of the analytical exercise: it does not make any assessment about whether the constraints identified are actually valid. In other words, the analysis may have got deep into supporting functions but identified the wrong constraints.
- Third, the ‘use’ assessment focuses on whether systemic constraints identified in the initial MSA/VCA were reflected in programme design, or eventual programme interventions. We did not look at whether the interventions were actually executed according to their initial design, or, indeed, whether they actually delivered any results. This review should therefore be read as an assessment of the *intentions* to use the findings of the analysis, rather than their actual use.

3: Findings, conclusions and recommendations

As shown in Figure 1, below, the vast majority of reports identified market system constraints, or went even further to identify which constraints should be prioritised for project action.

The review considered an MSA/VCA report with a score of “4” or more as providing an adequate level of analysis and a sound basis for intervention, and a score of “3” or below as providing an inadequate understanding of underlying constraints and an inappropriate platform upon which to embark on a MSD programme. 77% of reports therefore reached a level of understanding that can be considered adequate in order to identify the critical ‘root causes’ of why the market system was underperforming. All of the reports that the Lab project was involved in arrived at the level of constraints analysis.

Figure 1: Assessment of MSAs/VCA’s systemic quality

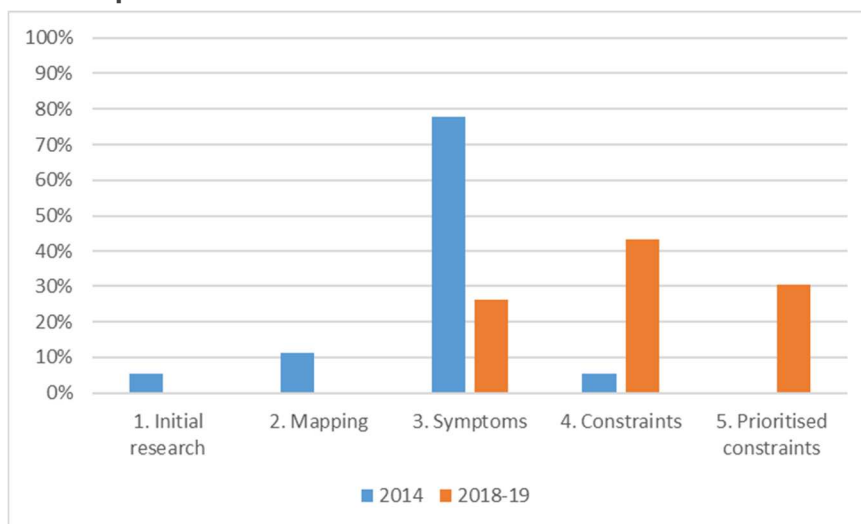


This represents a significant improvement from the 2014 review, which found that 95% of reports had an inadequate depth of analysis. Figure 2 compares the results of the 2014 and 2018-19 reviews.

“Why are markets failing the poor?”

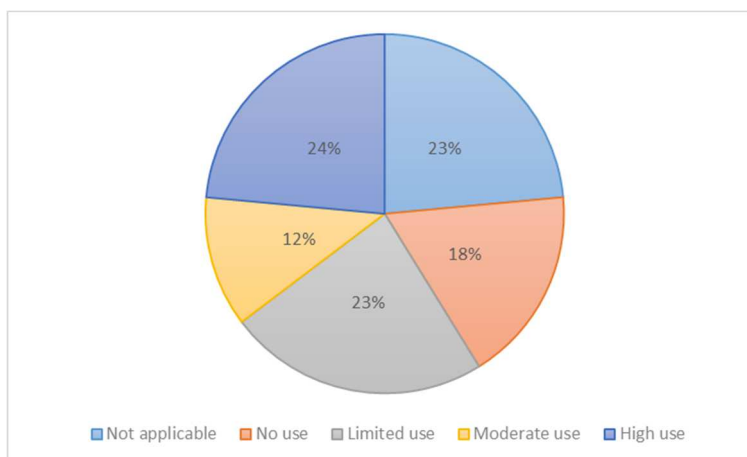
“Unless projects begin with a clearly defined and bounded problem – they will have failed before they even start”

Figure 2: Comparative assessment of MSA/VCA in 2014 and 2018-19



The picture is less rosy, however, when considering the use of these reports. As shown in Figure 3, only 4 reports (24%) could be considered to have a high level of use. A further 2 (12%) were moderately used. This means that almost two-thirds (64%) of MSAs and VCAs had limited or no use at all.

Figure 3: Level of use of MSAs/VCAs



We were unable to identify any factors determining whether a report was used or not. However, while the small study sample precludes making any conclusions with statistical certainty, we note that:

- **All reports with a high level of use were commissioned by or for programmes that already had an explicit MSD focus.** This could imply that MSAs have not been successful at ‘persuading’ non-MSD programmes to take a more systemic focus.
- **Analyses that took place during programme implementation were not used at all.** This could imply that analytical exercises should not come too late in the programme cycle to influence and adapt intervention design.

The 2014 review found that MSAs/VCAs were not achieving their core purpose of understanding the key drivers of sustainable change in market systems. This constraint has clearly been resolved, in large part due to the presence of [the Lab project](#), which is the first initiative within the ILO to have a dedicated focus on more systemic approaches to decent work. However, another new area of concern has now emerged: more often than not, the analyses are not actually *used*. This represents a considerable waste of time, effort and expertise.

“Leaner, lighter and lower-effort MSAs”

“MSAs are in danger of being seen as an ‘ends in themselves’ ”

In order to ascertain exactly *why* the reports were not used, we mined institutional knowledge and the experience of those involved in the report to come up with a list of reasons:

- While the donor was interested in pursuing a market systems approach, the implementing organisation was not.
- No funding was secured for the programme.
- Government priorities changed and the programme switched focus to another sector.
- The programme decided to pursue a ‘direct delivery’ approach and rolled out a standardised training course.
- The programme did not have a core MSD focus and ultimately did not have the flexibility to change their programme design/logframe.

These findings have important implications for the ILO’s activities in the field of market systems development for decent work:

- Leaner, lighter and lower-effort MSAs would not only limit the ILO’s resource expenditure on ‘dead end’ analyses, but also have the potential to boost analysis use if shorter reports lead to more readable and actionable recommendations.
- This is reflected in the fact that MSA reports are far too long. The average document length was 63 pages (including annexes). Moreover, the supposedly ‘quick’ Rapid Market Assessments are even longer – averaging 68 pages. This indicates that RMAs are going beyond their core remit of helping programmes get a ‘first look’ at high-potential markets, and are bleeding into becoming MSAs in all but name only.
- MSAs are in danger of being seen as an ‘ends in themselves’, rather than being the means to an end of providing a sound analysis and the springboard for action. Some programmes now stipulate MSA targets in their logframes and KPIs. This risks analyses becoming a ‘box ticking’ deliverable – where programmes jump through the hoop of analysis, but do not internalise the learning from the analysis, and simply revert back to their comfort zone of more direct delivery interventions, or roll out a pre-set intervention.

Based on the review findings, we have a number of recommendations to improve future practice:

1) Focus less on tools themselves (the MSA) and more on the culture, mindset and skills required to think systemically. This will help create a more conducive enabling environment for the findings and recommendations of analysis to be taken up and used.

2) Carefully consider the cost-benefit of running an MSA on a project that does not have a core MSD focus, or has not yet received funding. MSAs are not an effective fundraising or ‘fishing’ tool to persuade programmes to pivot to a more systemic approach. Given the level of effort involved in a full MSA (2-3 months), the likelihood of intended use should be a critical factor when deciding whether the ILO should commission or collaborate on a VCA/MSA.

3) Find the ‘middle ground’ between no analysis and too much analysis. A growing movement in the MSD community has embraced more complexity-aware approaches that emphasise ‘learning by doing’ – rather than having any upfront analysis. However, we believe MSD should remain fundamentally analysis-driven – but that excessively long reports and analytical exercises are likewise not helpful and indeed counterproductive to moving from analysis to action.

Annex A: List of Documents Reviewed²

Country	Sector	Date Completed
Afghanistan	Grape & Raisin	Oct-15
Bangladesh	Salt and Tourism	Jan-16
Colombia	Tourism (Cali)	Jan-18
Colombia	Tourism (Santa Marta)	Apr-18
Dominican Republic	Banana	Apr-17
Guyana	Fruit/Veg	Dec-17
Kyrgyzstan	Tourism	Jan-18
Mexico	Tourism	Nov-15
Mozambique	Construction Materials	May-18
Mozambique	Cashew	May-18
Mozambique	Restaurant/Catering	May-18
Mozambique	Construction	Jul-15
Mexico	Tourism	Dec-14
Myanmar	Chilli	Nov-16
Myanmar	Garments	Sep-15
Myanmar	Processed Seafood & Mariculture	Nov-16
Myanmar	Marine Capture Fisheries	Jan-16
Myanmar	Freshwater Fisheries	Jan-16
Peru	Quinoa	May-15
Rwanda	Construction	Aug-18
Rwanda	Garments	Aug-18
Vietnam, Indonesia	Garments	Sep-17
Zambia	Construction	Nov-14

² This excluded 15 value chain reports produced on the topic of refugee livelihoods. Analyses that were underway at the time of the review but not yet completed have also not been included. These include, inter alia, studies in Kyrgyzstan, Myanmar, Liberia and Zimbabwe.