THE CANOPY LAB

Building Effective Partnerships in Market Systems Development Programs

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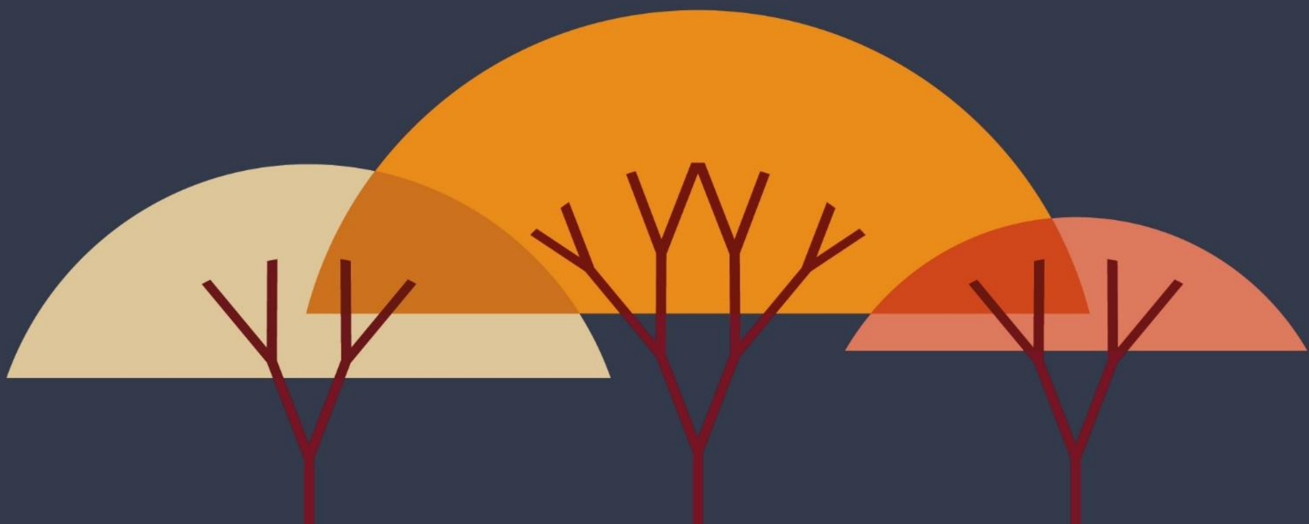

Market Systems Development (MSD) programs: catalysts for sustainable impact through effective partnerships

MSD programs aim to trigger systemic changes in targeted market systems to achieve long-term, sustainable, and scalable impacts. This translates to improved inclusive access to services and commodities for vulnerable target populations. MSD practitioners act as "**Facilitators**", not direct implementers. Our role is to catalyze change led by the market actors themselves, not replace any of their functions.

Innovations can be new or improved:

- Strategy.
- Product or service offering.
- Role/responsibility

Effective facilitation begins with **innovative business models** co-designed with market actors to address one or more of the key problems or constraints in the market system, typically identified through a market system analysis. Success hinges on working with the right market actors. Therefore, MSD programs must build and manage effective partnerships with these actors to drive positive change within the system.

WHY partnerships matter for MSD programs

While partnerships are generally essential for development programs to enhance long-term sustainability, promote change, and achieve greater scale and impact, they are particularly crucial in complex operating contexts such as Palestine and Syria, where past heavy reliance on direct interventions by several donors has led to aid dependency and market distortion.

Target group: the people we are serving (our final beneficiaries).

Partner: market actors who are embedded in one or more networks in our market system (could be public or private actors).

Effective partnerships can mitigate this by **fostering market-aware interventions** that leverage the expertise of local actors, strengthening existing markets instead of disrupting them. Partnering (as opposed to establishing service provision or sub-contracting agreements) with local actors allows the program to benefit from their deep understanding of the context and their adaptability to navigate these challenges. These partnerships can also support the program to shift tactics as needed. Collaborating with permanent actors **promotes local ownership** and ensures the program's impact continues even after program's direct involvement ends.

WHO to partner with?

Selecting the right partners requires careful consideration of several factors:

- **Ability to influence others**: Search for partners who are respected leaders or opinion shapers within their communities or industries. These entities or individuals can act as champions for innovation and encourage others to participate and adopt new practices.
- **Early adoption of new behaviors**: Partner with entities or individuals who demonstrate a willingness to embrace innovative approaches. Early adopters can provide valuable insights and help refine the program's strategies in a real-world setting. This includes being open to testing commercially viable and inclusive business models that benefit women, youth and minorities.

- **Buy-in and ownership**: Seek partners who show explicit interest in the program's objectives and demonstrate commitment to implementing the proposed ideas—through the allocation of necessary resources, whether time, effort, funding, or otherwise.
- **Position in the system (leverage)**: We should consider potential partners' position within the existing ecosystem. Partnering with influential actors can help amplify the program's reach and impact. This does not mean we should just partner with large players, but rather that we should understand market actors' position within the market to adjust our partnership tactics.

The ideal partner profile can vary depending on the **market's maturity and the capacities of the actors**. In established mature markets with a strong representation of the private sector, prioritize partnerships with private sector entities, contributing to sustainable solutions that drive market transformation. In less developed, fragile markets, a more flexible approach is required. Partnerships may involve a diverse range of actors, including small—sometimes even informal—enterprises (within permissible limits in line with internal regulations), as well as NGOs and even public sector institutions. Hybrid partnerships that bring together the public sector, private actors, and the program itself may also be considered. Procurement and financial systems should be flexible enough to adapt to such types of partnerships.

HOW to initiate a partnership?

Finding the right partners

Selecting the ideal partner is done by considering two factors: SKILL (capacity), such as technical expertise and resource access; and WILL (motivation), such as willingness to participate or demonstrate interest and buy-in. The "Will-Skill Matrix" can be a valuable tool to map potential partners based on these two factors. The tool assists in informing the team about: 1) which market actor to partner with; and 3) the nature of support required, as shown in Figure 1.[1]

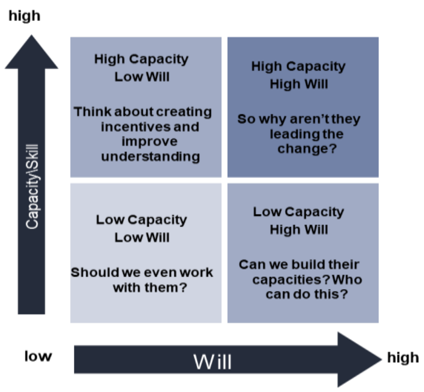

Figure 1: Skill/Will Matrix

To find potential partners, we can use different methods, including:

- **Issuing a public Expression of Interest (EOI):** This involves presenting the project, defining the scope of work, objectives, and proposed ideas, while providing an opportunity for interested parties to submit applications that reflect their areas of interest.
- **Direct selection based on market assessments:** During the analysis phase, the program engages with various actors—some of whom may emerge as suitable partners based on their relevance to the identified context.

[1] Adapted from: The Springfield Centre (2015) The Operational Guide for the Making Markets Work for the Poor (M4P) Approach, 2nd edition funded by SDC & DFID

- **Leveraging existing networks:** The program team may explore the organization's internal databases or benefit from recommendations made by donors and other partners.
- Field visits should also be conducted, along with consultations with experts in the target market system, before making a decision.

Negotiation and deal making

This stage involves negotiating the proposed offer between the program and the partner through participatory co-design sessions to define the intervention strategy, work plan, and agreement details. During these sessions, the program team ensures that all activities directly contribute to the intervention's objective, develops a clear responsibility matrix (who does what), and establishes a detailed work plan with a timeline. Additionally, a budget review is conducted to assess cost competitiveness and profitability, ensure that all budget lines align with the planned activities, and agree on the cost-sharing percentage, detailing which items or actions will be covered by the partner and which by the program, or agreeing on the financing mechanism.

Finding the Sweet Spot

The most effective "offer" achieves a balanced approach:

- **Partner motivations and benefits**: what incentivizes them to participate? What tangible advantages do they gain? (e.g., commercial benefits, more revenues, recognition/reputation, better market position)
- **Systemic benefits:** how does this change benefit the broader market system and drive positive systemic change?

In addition, management and communication protocols should be established, including clear coordination mechanisms and the setup of a monitoring and evaluation system. At the end of the negotiation process, the final contract terms are defined, including:

- A timeline of deliverables (contractual schedule).
- A payment schedule linked to key milestones.
- Required documentation to verify progress.
- Agreed-upon performance indicators.

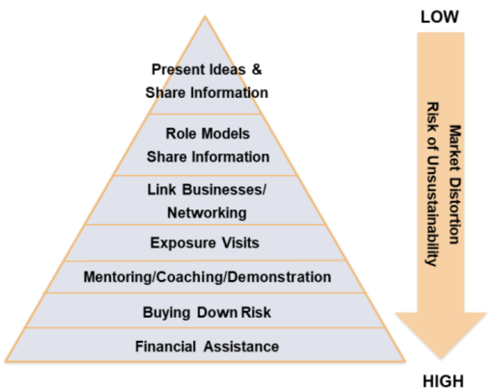

Figure 2: "Have You Tried Everything Else?" Test

Usually, the program offers a strategic package of resources to incentivize the partner to adopt the desired behavioral changes and to share the risks that may accompany the change process on the condition that the partner demonstrates willingness to invest in and lead these changes. The support package may include technical expertise, market insights, networking with other market actors, and, in some cases, financial assistance.

Facilitative approaches aim to use the ***lightest touch and least distortionary support packages*** possible to sustainably achieve the desired behavior change. However, the selection of facilitation activities should strike a balance between not doing too much to distort the market and not doing too little to make an impact. A helpful tool for choosing tactics with the appropriate level of "intensity" is the "have you tried everything else?" test, shown in Figure 2.[2]

The intensity of support ultimately depends on 1) Intervention Risk Level: the inherent risk associated with the behavior change being encouraged; 2) Partner Capacity: the skills and resources partners possess to implement the change; and 3) Market Context: The overall strength and resilience of the market system (weaker market systems will require more intense and direct program engagement).

Managing partnerships

Successful partnerships are not static agreements. They are dynamic processes that require continuous engagement, follow-up, and review throughout the program lifecycle. The program team should maintain an open mind regarding potential partnership adjustments. This could involve:

- **Breaking up**: If a partnership no longer aligns with program goals or partner commitment weakens.
- **Amending**: Adapting partnership roles and responsibilities to reflect changing market dynamics or evolving program needs.
- **Expanding**: expand the role of current partner or identifying additional partners as the program progresses and new opportunities for collaboration emerge.

Strong commitment is evident when partners:

- Invest independently in the collaboration.
- Proactively innovate and expand the business model.
- Allocate dedicated staff and resources.
- Integrate the model into core planning documents.
- Demonstrate consistent responsiveness and enthusiasm.

Most MSD programs will follow a ***portfolio approach***, with several partnerships running simultaneously that address systemic constraints from different angles. This allows programs to reduce risks and experiment with rigor.

Prepare for exit

MSD relies on the principle that durable change must come from within the system and be driven by permanent market system actors, therefore, exit strategies are developed from the very beginning of an intervention. A clear plan should be developed for gradually phasing out from the target market system, along with a vision for how the system will continue to function sustainably after the program ends.

A valuable tool in this process is the "Who Does/Who Pays" framework which helps establish expectations and envision the ideal state of the market system after the program's exit. It serves as a constant reminder to structure program activities within agreements that foster long-term

[2] Allana, A. (2013). The Have You Tried Everything Else? Test. Engineers Without Borders Canada. Retrieved from https://beamexchange.org/tools/1686/

ownership by market actors. Therefore, before assigning any task, whether internally or to a partner, the program should adopt a realistic vision of how these actions will continue and who will be responsible for implementing and financing them after the program ends.

This guide was developed by The Canopy Lab as part of our support to a U.S. Government (USG)-funded program in Northeast Syria, which concluded in January 2025. It was reviewed by members of the MSD Café in Arabic, an initiative launched by The Canopy Lab as a free and interactive platform aimed at connecting Arabic-speaking market systems development practitioners and promoting knowledge exchange in ways that reflect the region's realities.

For inquiries, please contact The Canopy Lab at info@thecanopylab.com; or you can register via this link to join the MSD Café in Arabic.

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