


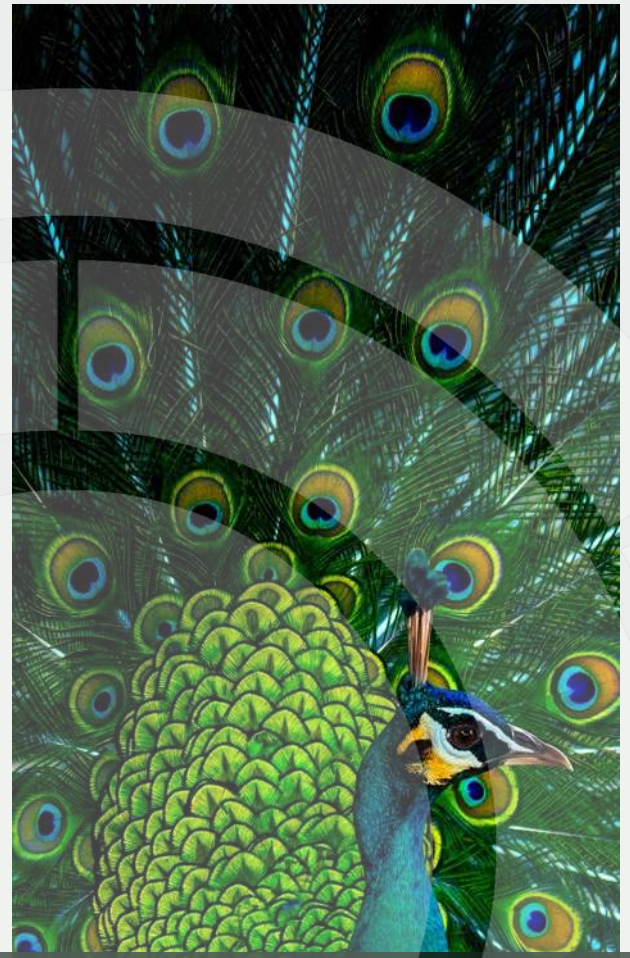

Green Market Systems Development

Making markets work for people, climate, and nature

Green MSD guidelines v1.0 (June 2025)

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If you are interested in exploring how Green Market Systems Development could be applied in your context, or in collaborating with our team to test and refine the guidelines, please do reach out to us at:

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Executive summary

Making markets work for people, climate, and nature

Markets are driving the dual crises of climate change and biodiversity loss, while hundreds of millions of people still live in poverty worldwide.

Our aim with this document is to provide tools and guidelines for conservation and development practitioners who are seeking to change the way that markets work – from the local to the global – in pursuit of people, climate, and nature goals. By drawing on best practice from both fields, we hope to mainstream environmental considerations in market development programming, while equipping conservation practitioners with the tools needed to effectively intervene in markets.

Rationale

The challenges of poverty, climate change, and biodiversity loss are intertwined within complex social-ecological systems.

Conservation actors frequently intervene in markets to address threats to climate and nature and promote sustainable livelihoods. Meanwhile, development actors are increasingly focused on ensuring "green" development that does not place undue strain on our planet's natural systems.

We argue that a unified approach drawing on best practice from each field would lead to better results in truly integrated programming with a triple bottom line of people, climate, and nature.

The framework

Our Green Market Systems Development framework is based on a modified version of the Market Systems Development framework, which is widely used in the economic development field.

Our version includes a triple bottom line of **people** (human wellbeing), **climate** (climate change mitigation), and **nature** (biodiversity conservation and natural resource management).

In addition, the framework has an explicit focus on the **environmental conditions** required for markets to function – to inform efforts to support climate adaptation and resilience to environmental change more generally.

Next steps

This document is intended to start a conversation about improved integrated programming targeting people, climate, and nature goals.

Green Market Systems Development guidelines v1.0

(this document)

▶ Pilot projects / Community of practice ▶ Ongoing testing, learning, and refinement of the guidelines

Through 2025 and beyond, we aim to test and revise the tools and guidelines set out here, working with a wide range of conservation and development funders and implementers to establish a community of practice through which to pilot the approach and refine the guidelines accordingly.

< Green Market Systems Development conceptual framework

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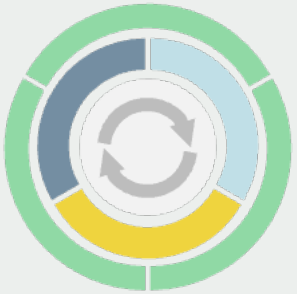
1. Introduction

The rationale for a “Green Market Systems Development” approach, supporting conservation and development practitioners to make markets work for people, climate, and nature, based on a modified version of the widely-used Market Systems Development framework.



2. Conceptual framework

Our modified “Market Systems Development” framework, framing markets as complex systems nested within – and dependent upon – natural systems.

3. Project cycle

Practical tools and guidance for conservation and development actors, with an emphasis on project design steps of scope & goals, assess, and plan.

4. Examples

We illustrate the approach with three potential applications of the Green MSD framework:

Example 1: Honey

Green MSD applied to **small conservation projects** focused on site-based conservation and local community livelihoods.

Example 2: Coffee

Green MSD applied to **conventional market systems development programmes** working at national scales with mid-sized budgets and timelines.

Example 3: Energy

Green MSD applied to **long-term, international organisational strategies** with a triple bottom line of people, climate, and nature.

5. Putting it into practice

The guidelines presented here are intended to start a conversation about improved programming that integrates people, climate, and nature goals. In this final section, we highlight the main practical implications of Green MSD for conservation and development practitioners and donors, before setting out a roadmap for the future development and application of the approach in practice.

Glossary

Term	Definition
Climate impact	Effects of a project on climate change (e.g., via emissions reductions)
Core market	A set of market actors who trade goods or services from production through to consumption.
Crowding in	Market actors not directly supported by the project entering the market or otherwise replicating promoted models or responding to new incentives.
Direct delivery approach	Interventions that directly provide goods or services to beneficiaries (e.g., farmer training, seed handouts) (compare with facilitative approach).
Ecosystem services	The benefits that people obtain from nature, including provisioning services (like food and water), regulating services (like climate and flood control), cultural services (like recreation and spiritual value), and supporting services (like soil formation and nutrient cycling).
Environmental condition	Natural factors that are required for the market system to operate (e.g., soil quality, rainfall, temperatures). While conceptually similar to "ecosystem services," the term "environmental conditions" is used here as a non-technical term to emphasise the role of biophysical factors in enabling market functioning, rather than as services that could be subject to valuation.
Facilitative approach	Interventions that seek to bring about change by working through existing market actors, influencing incentives, and avoiding taking on a lasting or distortionary role in the market as a project (compare with direct delivery approach).
Green Market Systems Development	Our modified version of the Market Systems Development framework, seeking to make markets work for people, climate, and nature.
Market actor	Any individual, firm, organisation or other entity who plays a role in the market (e.g., farmers, traders, processors, consumers, regulators, finance providers, etc.)
Market system	An interpretation, under the MSD approach, of a market as a complex system made up of a core market (where goods and services are traded), plus a wider enabling environment of rules and supporting functions. Under Green MSD, the market system concept is expanded to include people, climate, and nature impacts, as well as supporting environmental conditions.
Market Systems Development	An approach widely used in economic development since the early 2000s. Involves a facilitative, systemic approach to drive systemic change in complex market systems (compare with direct delivery approach).

Term	Definition
Nature impact	Effects of a project on biodiversity conservation and natural resource management (other than climate change effects) (e.g., forest conservation, sustainable water use, elephant conservation).
People impact	Effects of a project on human wellbeing (e.g., poverty reduction, health, education, women's economic empowerment)
Root cause	An underlying causal factor that currently prevents the market system from functioning in a desired way – typically the focal point of Market Systems Development / Green Market Systems Development interventions (used interchangeably with systemic constraint).
Rule	Factors that govern how the market system operates. Can be formal (laws, policies) or informal (norms, traditions).
Scale	Typically used in Market Systems Development / Green Market Systems Development to refer to the likelihood of project results expanding beyond the immediate partners/beneficiaries of the project.
Supporting function	Services that actors in core market require in order to succeed (e.g., finance, skills, technology, transport, utilities).
Sustainability	Typically used in Market Systems Development / Green Market Systems Development to refer to the likelihood of project results lasting beyond the project's lifetime (not to be confused with environmental sustainability)
Systemic approach	Interventions that seek to bring about fundamental lasting changes to the way that market systems work by unlocking systemic constraints/root causes, thereby increasing the likelihood of sustainable results at scale.
Systemic change	A fundamental change in the way that a market system operates, leading to sustainable results at scale.
Systemic constraint	An underlying causal factor that currently prevents the market system from functioning in a desired way – typically the focal point of Market Systems Development / Green Market Systems Development interventions (used interchangeably with root cause).

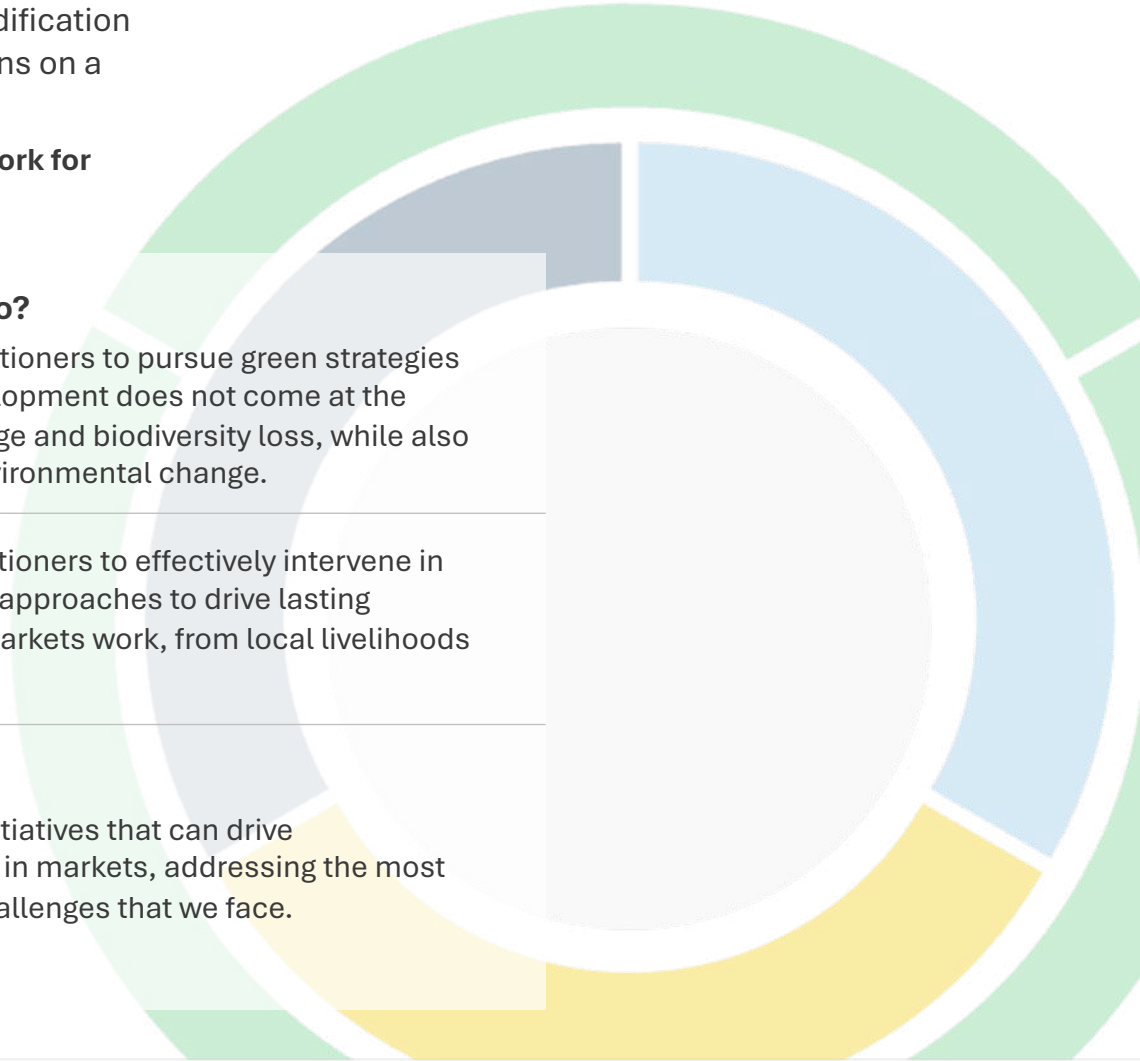
1. Introduction

Introduction

Around the world, markets are driving catastrophic rates of biodiversity loss and climate change, while hundreds of millions of people still live in poverty. Delivering against global goals for people, climate, and nature will require joined-up programming drawing on best practice from the development and conservation fields, and long-term funding models geared towards transformational change in markets.

To this end, we have developed the **Green Market Systems Development** framework, a modification of the Market Systems Development (MSD) framework that puts environmental considerations on a level with development goals.

Where MSD asks how to make markets work for the poor, Green MSD asks **how to make markets work for people, climate, and nature.**



Who is this guide for?

What will this guide do?

Development practitioners: MSD is widely-used in the economic development sector, but standard MSD guidelines do not include adequate coverage of environmental concerns.

Help development practitioners to pursue green strategies that ensure human development does not come at the expense of climate change and biodiversity loss, while also building resilience to environmental change.

Conservation practitioners: Conservation practitioners intervene in markets all the time, be it to mitigate market-based conservation threats, promote sustainable livelihoods, disrupt illegal markets, or strengthen natural resource governance.

Help conservation practitioners to effectively intervene in markets, using systemic approaches to drive lasting change in the way that markets work, from local livelihoods to global supply chains.

Donors: The interrelationship between people, climate, and nature challenges is increasingly recognized in global goals and corresponding donor funding. However, funding models still tend to incentivize quick wins and "tinkering around the edges", leaving some of the biggest environmental challenges largely untouched.

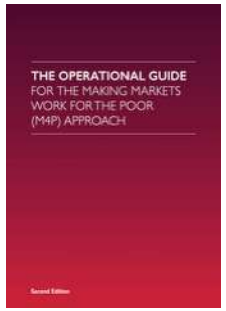
Help donors to design initiatives that can drive transformational change in markets, addressing the most urgent environmental challenges that we face.

Guiding principles

Development of the guidelines was informed by the following guiding principles:

(1) Don't reinvent the wheel: Too many new frameworks are created from scratch and never used in practice. We have tried to stick closely to the standard MSD guidelines, opting to introduce limited modifications that while conceptually simple have the potential to bring about substantial changes in MSD practice.

Our primary sources for **MSD** guidelines are the Making Markets Work for the Poor (M4P) Operational Guide and the BEAM Exchange MSD knowledge hub.



Aligning with best practice in MSD and conservation: the M4P Operational Guide and Conservation Standards.

On the **conservation** side, our primary reference source are the Open Standards for the Practice of Conservation ("Conservation Standards"). Throughout the Green MSD guidelines, we offer advice on how Green MSD can be integrated with the Conservation Standards to strengthen interventions in markets in a conservation context.

(2) Learn from best practice: We don't claim to be entirely novel. Some development practitioners are successfully integrating environmental goals. Some conservation practitioners are using sophisticated, systemic approaches to transform markets. Some donors are funding long-term transformational work with a triple bottom line of people, climate, and nature.

Our goal with Green MSD is to equip more donors and practitioners with the tools to emulate these high standards of programming.

(3) Take an iterative, inclusive, practical approach: Publishing a set of guidelines will not have a practical impact unless (a) it draws on feedback from a wide range of donors and practitioners, (b) it is tested in the field, (c) it can grow and develop based on the lessons learned through this process.

The v1.0 guidelines presented here will serve as the basis for field testing of the approach in the coming years, leading to revised guidelines in future.

Key points for specific audiences

Tailoring guidelines to multiple audiences is challenging. Certain elements of the guide will already be familiar to certain audiences. Different readers will find novelty in different sections. To help with this, throughout the guide we highlight key takeaways for specific audiences:

For conservation practitioners:
Specific guidance on the implications of Green MSD for wider conservation practitioners.

For Conservation Standards users:
Specific guidance on the implications of Green MSD for Conservation Standards users.

For market systems development users:
Specific guidance on the implications of Green MSD for MSD practitioners.

For donors
Specific guidance on the implications of Green MSD for donors.

Since not all conservation practitioners use the Conservation Standards, we distinguish between general advice for conservation practice and specific guidance on how to use Green MSD alongside the Conservation Standards.

Inputs to Conservation Standards v5.0: The latest version of the Conservation Standards – Version 5.0 – were developed at the same time as our Green MSD guidelines and were launched in Q2 2025. As part of the Green MSD project, we provided some initial input to introduce the concepts of a market systems approach to a wide global conservation audience and began an ongoing collaboration between conservation and MSD practice. Conservation Standards Version 5.0 is available here. Details of the ongoing collaboration are available here.

Work to date and next steps

The current project builds on several years of work bringing together experience in conservation and market systems practice. In the coming years, we will continue to test and refine the guidelines in collaboration with donors and practitioners in both fields.

The current project

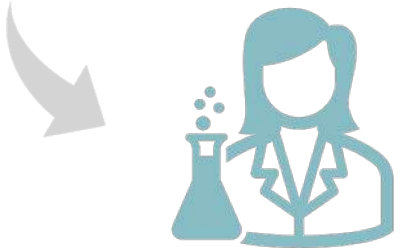
We are grateful to support from the Canopy Lab and USAID Feed the Future Market Systems and Partnerships Activity for the current project, which has enabled:

- Establishment of a conservation and market systems working group.
- Three design workshops to inform the new guidelines.
- Contribution of market systems inputs to Conservation Standards v5.0.
- Drafting of an initial set of Green MSD guidelines (the present document).

Next steps

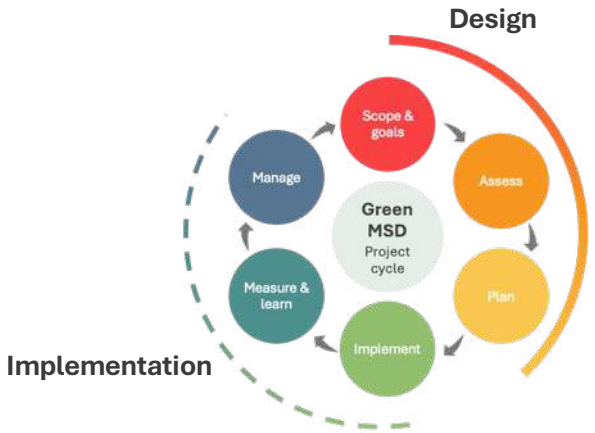
Priorities for Green MSD in 2025 and beyond include:

Launch: The first version of the Green MSD guidelines presented in this document are intended to start a conversation about integrated conservation and development programming targeting people, climate, and nature outcomes.



Testing: The v1.0 guidelines will serve as the basis for piloting the approach in the field with various conservation and development practitioners and donors.

Teams interested in trying out the approach should reach out to the authors for more information!



Further guideline development: The present guidelines primarily focus on the design of Green MSD projects from initial goal setting through to strategy development.

Following field testing, we will develop additional guidelines on the implementation of Green MSD projects.

2. Conceptual framework

2.1 Conventional Market Systems Development

Market Systems Development: Conceptual framework

Our "Green Market Systems Development" framework is based on the original **Market Systems Development (MSD) approach**, widely used in economic development programming to facilitate lasting changes in the way that markets work, typically with **poverty reduction** objectives.

MSD characteristics

The defining characteristics of the MSD approach are as follows:

- A **systemic approach** that focuses on leveraging lasting change in complex systems.
- Targeting of **root causes** (**systemic constraints**), rather than symptoms, of market failure.
- A **facilitative approach**, working in partnership with existing market actors rather than directly delivering goods and services.
- Planning for **scale and sustainability** from the outset.
- Focus on **incentives and behaviour** change.
- A **flexible, innovative, and entrepreneurial** approach, helping market actors to design and test business models before taking them to scale.

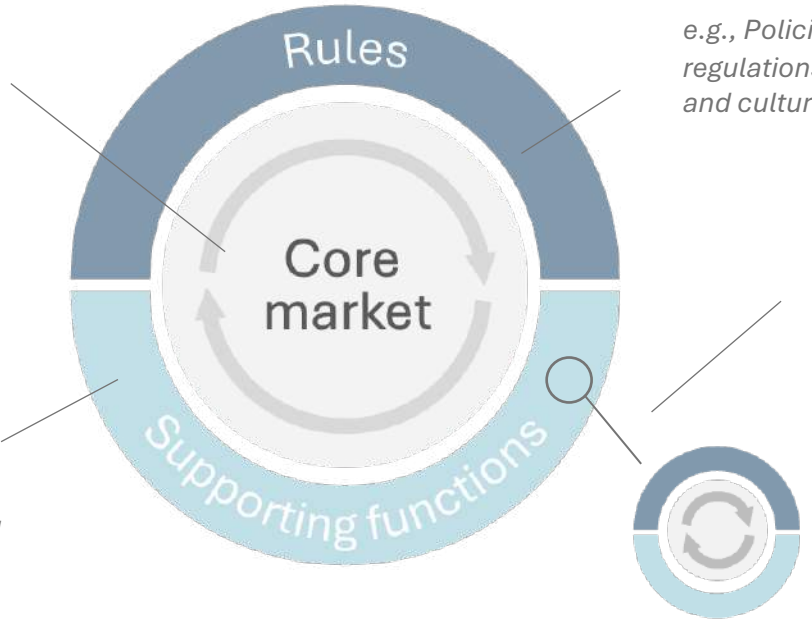
MSD conceptual framework

Making markets work for the poor

In the **core market**, goods and services are traded between actors including producers, traders, processors, retailers, and consumers.

The actors in the core market depend on a range of **supporting functions.**

e.g., Access to finance, skills, technology, information, utilities, and infrastructure.



The core market is governed by a range of formal and informal **rules.**

e.g., Policies, laws, regulations, social norms, and cultural traditions.

Market systems are **interconnected** – i.e., supporting functions (such as finance) are each themselves the centre of their own market system.

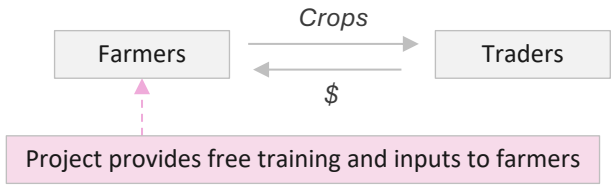
Many (though not all) MSD projects use this framework (the MSD "donut") to conceptualize the different components of a market system.

Market Systems Development: In practice

The differences between MSD and a conventional "direct delivery" project supporting rural livelihoods is highlighted in the following example:

Conventional "direct delivery" project

Intervention model



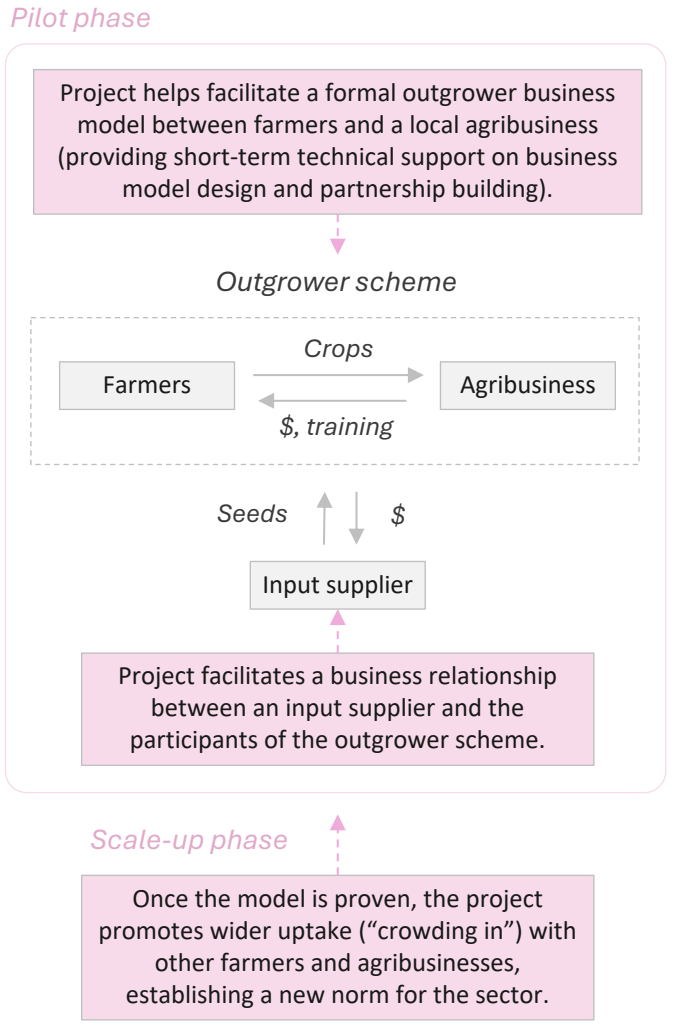
***Result*:** Participating farmers receive a short-term income increase from the free provision of training and inputs. However:

(1) **Impact is limited in scale** because the project can only afford to support a small group of farmers, and

(2) **Benefits are not sustained** beyond the end of the project (since there is no longer a source of high-quality inputs).

MSD project

Intervention model: *A facilitative, systemic approach*



***Result*:**

- Farmers have a source of training and high-quality inputs that **lasts long after the project ends**, given the business relationships and incentive structures that the project helped to establish.
- The project brings **benefits to a far larger group of people**, since the commercial model can be scaled and replicated across the sector.
- Overall, the project represents **better value for money** than a direct delivery approach – by playing a light-touch, facilitative role, the project has leveraged far greater impact while spending a similar amount of money.

Market Systems Development: Results and limitations

MSD results

A growing body of evidence points to MSD's ability to deliver lasting poverty reduction impacts at scale by transforming the way that markets work.

The BEAM Exchange hosts a library of evidence sources, which it periodically synthesizes via its BEAM Evidence Reviews.

The latest review, in 2024, found that while poverty reduction impacts continued to impress, there was still limited progress in the mainstreaming of environmental considerations.

***< The 2024 BEAM Exchange MSD evidence review**: A wide range of success stories, but limited integration of environmental considerations in global MSD programming.*

MSD limitations

Despite the widespread use and positive impacts of MSD, the approach has several limitations which have been considered in developing our modified "Green MSD" framework.

Limitation	Response
Lack of consideration of climate and nature effects: Limited progress has been made on mainstreaming environmental considerations in MSD, creating risks that human development is pursued at the expense of climate change and biodiversity loss.	The primary aim of the Green MSD framework is to address this shortcoming.
Large budget and long-term programs: Many MSD projects run to tens of millions of dollars and 10+ year timelines, raising questions as to the approach's applicability at smaller scales (particularly relevant in many conservation contexts).	Throughout our guidelines, we advise on how core MSD principles can be applied in small projects, "right-sizing" the approach to resource-constrained contexts (see in particular Example 1).
Paralysis by analysis: As a heavily analytical approach, it can be difficult for teams to make sense of markets and decide how to intervene.	Our data and methods section discusses light-touch evidence generation and knowing when your analysis is "good enough".
Emphasis on private sector solutions: In practice, many MSD projects are hesitant to engage with the "rules" of the system (e.g., influencing policy or social norms), even when systemic constraints are identified in this space. Since many donor funding models incentivize quick wins, this tends to create a bias towards work with the private sector, which typically leads to faster results than slower (but critical) work on the rules that govern markets.	Given the important roles of government and NGOs in addressing environmental problems, we demonstrate how they can be built into the future vision for the market (see in particular Example 3).
Demanding skillset requirements: Successful MSD programming relies on teams that understand how business, markets, and finance work – preferably through direct experience in the private sector, or through partnership with private sector actors. While not a shortcoming per se, this tends to mean that the required MSD skillset does not align well with that of traditional, "direct delivery" aid models.	More discussion of the skills needed to deliver Green MSD are discussed in the Implementation section. Additional guidance will be developed in later versions of the guidelines.

2.2 Green Market Systems Development

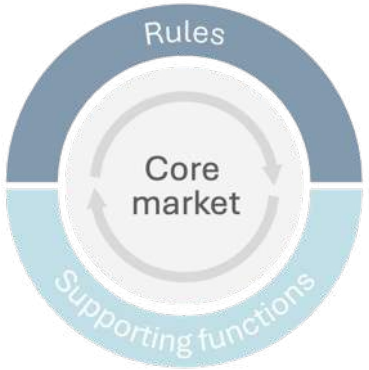
The Green Market Systems Development framework

Our Green MSD framework is a modification of the conventional MSD approach, based on an understanding of markets as nested within, and dependent upon, natural systems:

Throughout these guidelines, we will show how a market systems framework with environmental considerations at its core can have a significant effect on both conservation and development programming, from local to global levels.

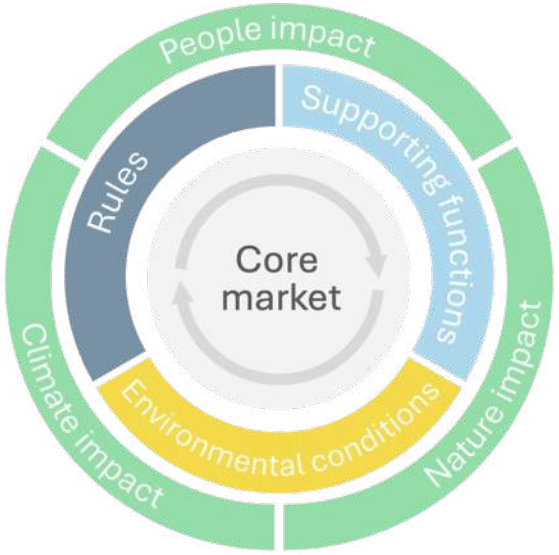
Conventional MSD

Making markets work for the poor



Green MSD

Making markets work for people, nature, and climate



Key principles:

(1) Recognition that **markets are nested within, and dependent upon, natural systems**.

(2) Recognition that the climate and biodiversity crises have been primarily driven by negative **environmental impacts** of markets.

(3) Broadening the top-level goal from making markets work for the poor to **making markets work for people, climate, and nature**.

(4) Explicit consideration for the **environmental conditions** required for the success of the market (e.g., rainfall, soils, pollination, temperature)

(5) Explicit consideration of the **impact** that markets have on both **climate and nature**.

(6) Recognising the **trade-offs** between people, climate, and nature goals, and the imperative to pursue **equitable** outcomes (e.g., ensuring a "just transition" to green economies without leaving the poor and vulnerable behind).

Theoretical foundations: The Green MSD framework has theoretical foundations closely related to Elinor Ostrom's social-ecological systems (SES) framework, which sees human behavior and natural resource systems as intertwined in complex adaptive systems. Being a modification of the earlier MSD approach, Green MSD also draws on theories of systems change, institutional economics, behavioral economics, and business and finance.

Making markets work for people, climate, and nature

The stated goal of **market systems development** has traditionally been **making markets work for the poor**. However, the core principles can be applied to transform markets to deliver any desired outcome. Here we consider **making markets work for people, nature, and climate**.

People

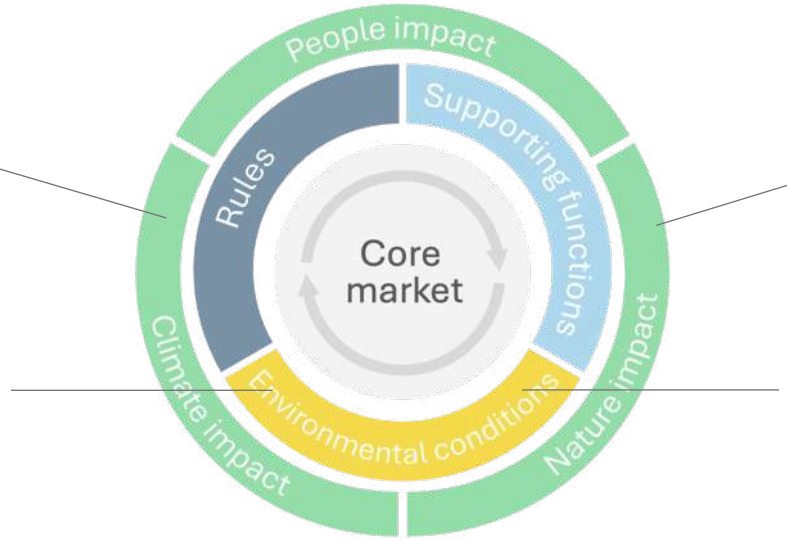
Human development

Human development remains a key goal in market systems development. This is flexible to the inclusion of various objectives such as income, health, education, food security, happiness, decent jobs, women's economic empowerment, humanitarian relief, and so forth.

Climate

Climate mitigation

Climate mitigation (emissions and removals) is considered via the **climate impacts** of the market system.



Biodiversity conservation

Conservation of species and ecosystems is considered as part of the **environmental impacts** of the market system.

Nature

Climate adaptation

Climate adaptation is considered as part of the process of building resilience to the effects of climate change that fall under the "environmental conditions" that the market depends upon (e.g., changes in rainfall patterns, sea level, water and soil acidity).

Adaptation to environmental change

As well as climate adaptation, certain markets may be vulnerable to wider changes in the natural environment (e.g., declining wildlife populations undermining the tourism industry; air or water pollution affecting agriculture, fisheries and sanitation)

Defining success

Success in markets systems development is often considered in terms of the **competitiveness**, **resilience**, and **inclusiveness** of markets. We expand this to integrate environmental considerations:

- **Green** markets are environmentally sustainable, in line with climate change & biodiversity goals.
- **Competitive** markets are commercially viable with profit-making opportunities for actors across the value chain.
- **Resilient** markets can withstand shocks and stresses (including, but not limited to, environmental factors such as climate change)
- **Inclusive** markets are ones where the poor and marginalised are not excluded or exploited & can participate freely without disadvantage.

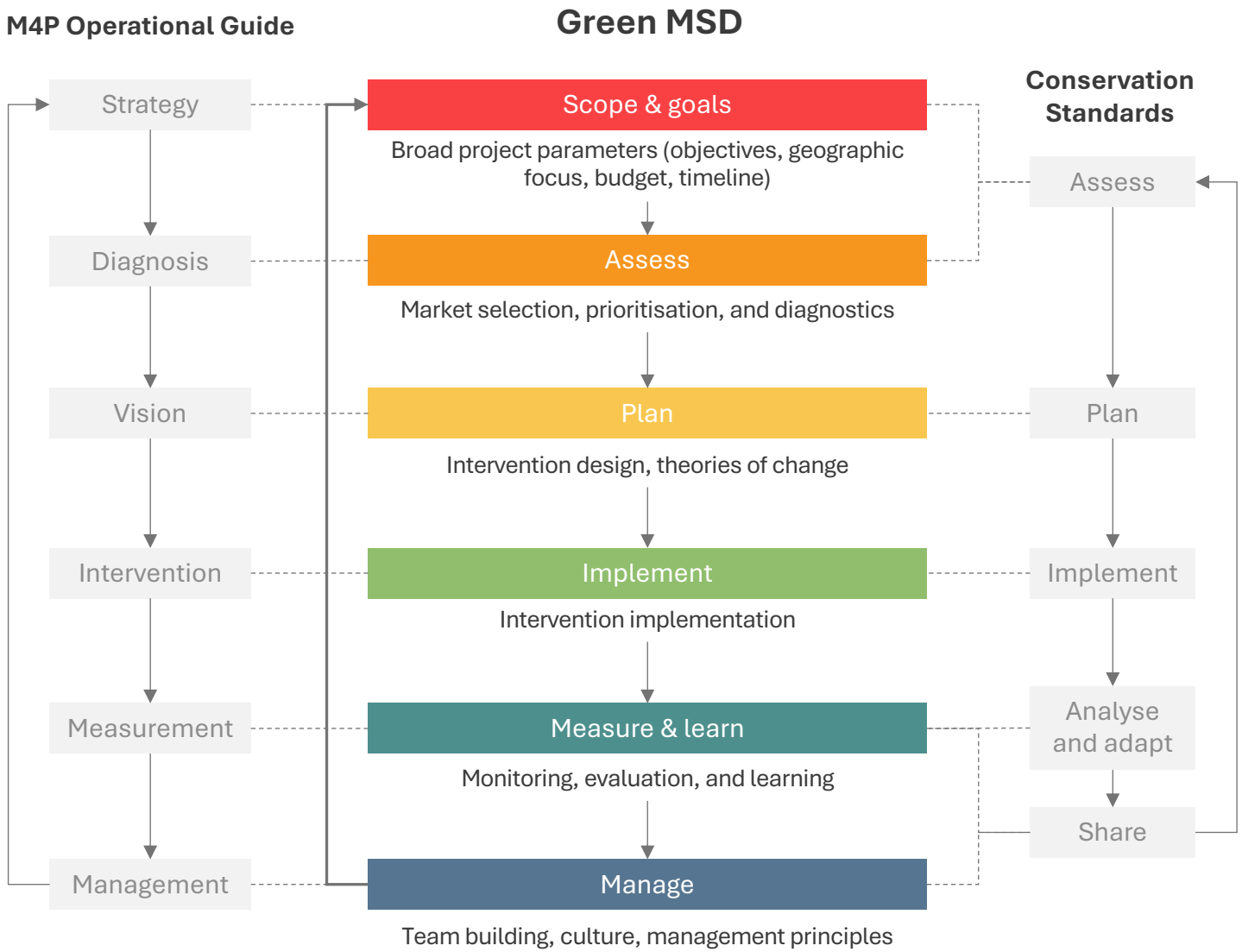
3. Project cycle

Project cycle

Our Green MSD guidance is organised along the lines of a conventional project cycle from project design, through implementation, learning, and adaptive management.

The sections are intended to be familiar to users of common project cycle guidelines in development (e.g., the M4P Operational Guide) and conservation (e.g., the Conservation Standards). The diagram shows how the present document maps onto these guidelines.

▲ *The M4P Operational Guide and the Conservation Standards are the foremost project cycle guidelines in MSD and conservation respectively.*

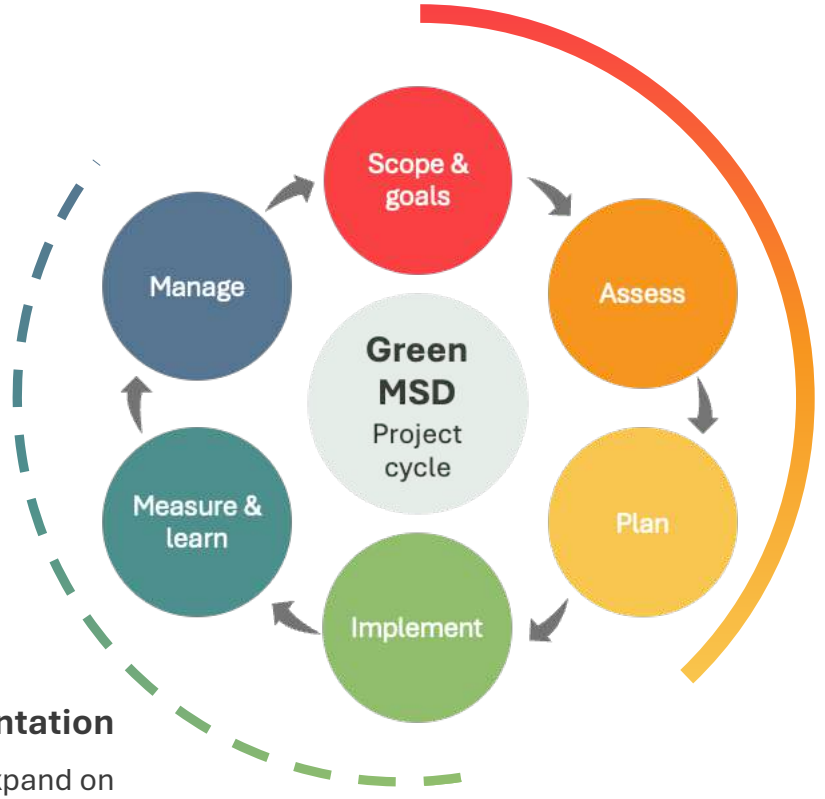


Design and implementation

The project cycle can broadly be separated into two halves – design and implementation. This first version of the Green MSD guidelines focus primarily on the **design** side.

Focusing on the **design** side of the cycle illustrates how the adoption of a market systems framework – and modifying the conventional MSD framework to incorporate environmental considerations – can have substantial implications for the strategies in both conservation and development programming.

In future, as Green MSD is field tested in real-world projects, we will provide additional guidance on Green MSD **implementation**. For now, we provide initial considerations and links to external resources in these areas.



1. Design

The present iteration of the Green MSD guidelines focuses primarily on project design, illustrating the strategic implications for conservation and development practitioners and donors of adopting a Green MSD framework.

2. Implementation

In future, we will expand on guidance for Green MSD project implementation, drawing on lessons from initial Green MSD pilots in the field.

Examples

To demonstrate the potential applications of Green MSD, we use three examples, set against a common backdrop of a hypothetical developing country facing a complex range of challenges relating to poverty, biodiversity loss, and climate change.

Through these examples, we show a broad range of applications of the Green MSD framework – from small conservation grants focused on local communities, to larger-scale market systems programming, to long-term, international organisational strategies.

(1) Honey

Our first example shows the implications of applying a Green MSD lens to a small-scale / short-term conservation project seeking to promote sustainable livelihoods in local communities.

Budget: Low (<$200k)
Timeframe: Short (<2 years)
Geography: Local
Complexity: Low

(2) Coffee

Our second example shows the implications of applying a Green MSD lens to a conventional MSD project working on national sector development with a substantial budget.

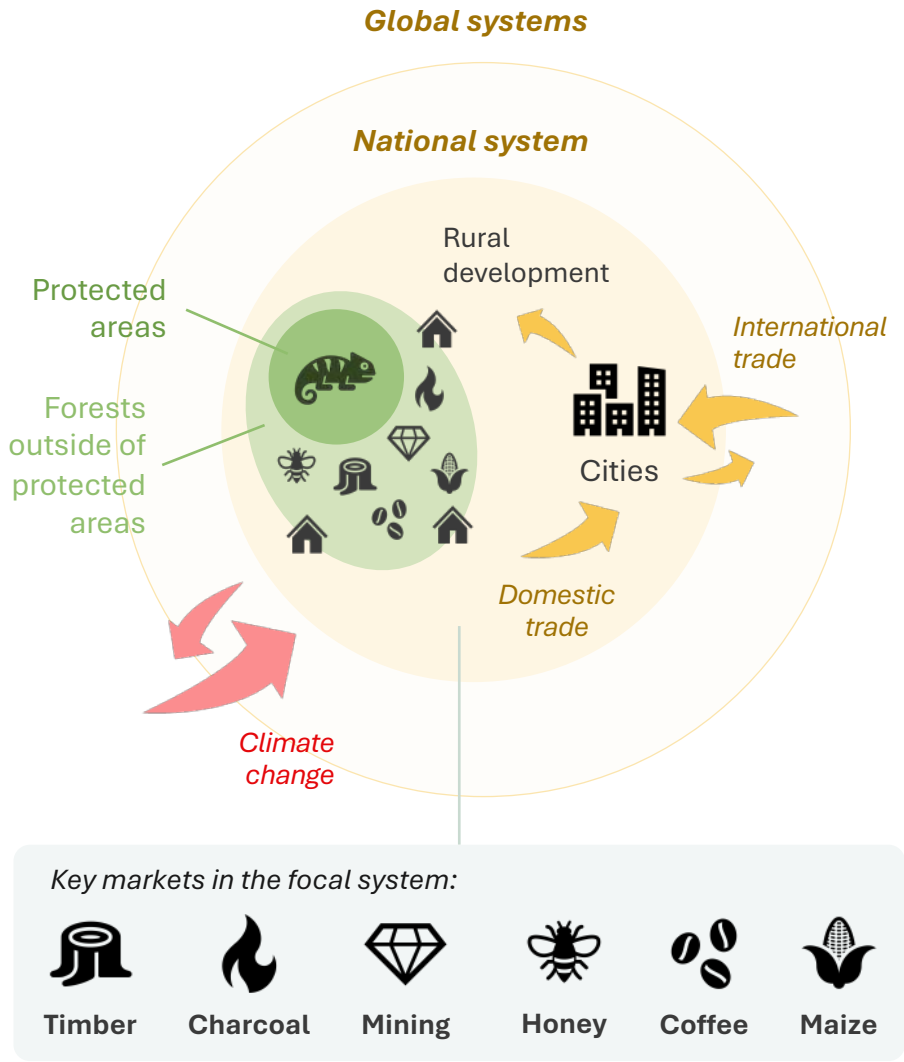
Budget: Medium ($5-10m)
Timeframe: Medium (<5 years)
Geography: National
Complexity: Medium

(3) Energy

Our third example shows the potential applications of Green MSD when designing complex long-term strategies with integrated people, climate, and nature goals from scratch – avoiding the "tinkering around the edges" effect to tackle some of the biggest environmental issues of our time.

Budget: Large (>$10m)
Timeframe: Long (10 years)
Geography: International
Complexity: High

Hypothetical context



Clarifying terminology for users of the Conservation Standards

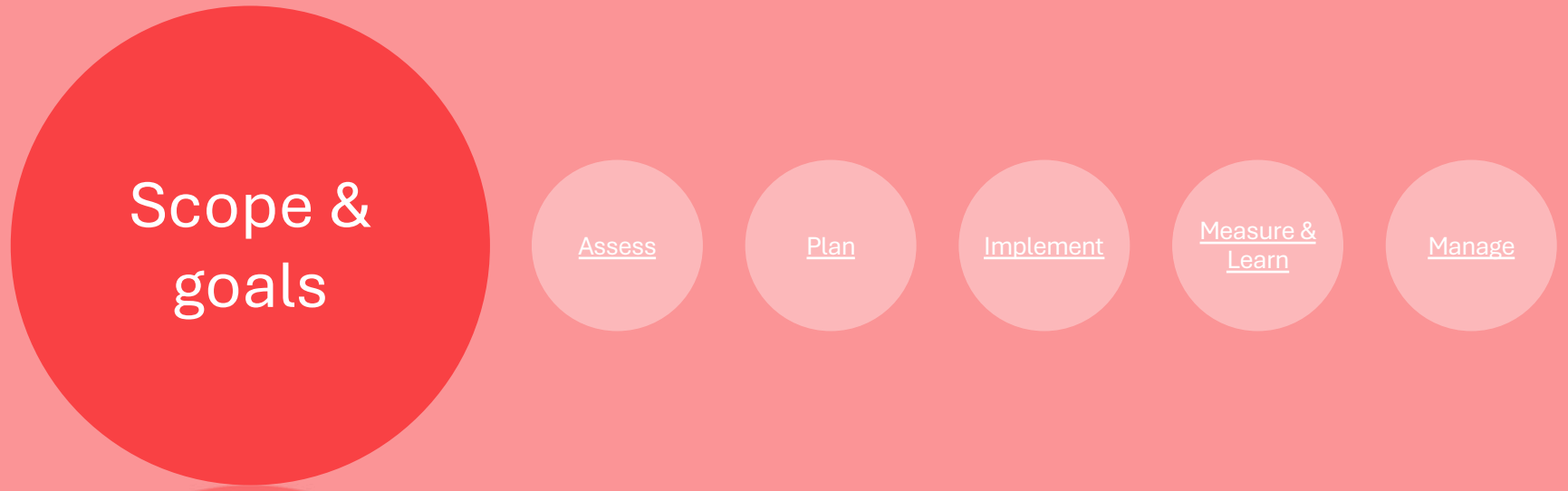
A key challenge in creating guidelines spanning multiple disciplines is establishing a common language. Since our framework is a modification of the MSD framework, we largely stick to MSD naming conventions. The below table maps these to terminology familiar to Conservation Standards users. Note, in particular, the different meanings of specific terms in each case, e.g., ”vision”, “target”, and ”goal”.

<table>
<tr><th>Description</th><th>Stage</th><th>Green MSD (/MSD)</th><th>Conservation Standards</th><th>Example</th></tr>
<tr><td>Broad parameters of the project</td><td rowspan="3">Scope & goals</td><td colspan="2">Scope</td><td>”Five year, $5m project focused on the West Kalimantan province of Indonesia"</td></tr>
<tr><td>General description of the change you want to see</td><td rowspan="2">Goal</td><td>Vision</td><td>“Reduced deforestation and forest degradation”</td></tr>
<tr><td>Entity that you hope to improve the condition of</td><td>Focal Value / Target</td><td>“The rural poor”, “tropical forests”, “elephants”</td></tr>
<tr><td>The overall change you want to see in how the market functions</td><td>Plan</td><td>Vision</td><td>-</td><td>“Household energy requirements are met by a combination of sustainably-produced, plantation-based charcoal and alternative energy sources rather than unsustainable natural forest harvesting”</td></tr>
<tr><td rowspan="2">Desired results of your actions</td><td rowspan="2">Learn</td><td rowspan="2">Indicators (factor to be assessed) and targets (desired level of change in the indicator)</td><td>Goal
(desired result at the top level of the theory of change - i.e., the conservation target)</td><td>Indicator: Forest cover

Target: 5% increase by 2030</td></tr>
<tr><td>Objective
(desired result at lower levels of the theory of change)</td><td>Indicator: Knowledge of climate smart agricultural practices

Target: 20,000 households with improved knowledge vs. baseline by 2030</td></tr>
</table>

3.1 Design


Scope & goals
Assess
Plan
Implement
Measure & Learn
Manage

Defining scope and goals

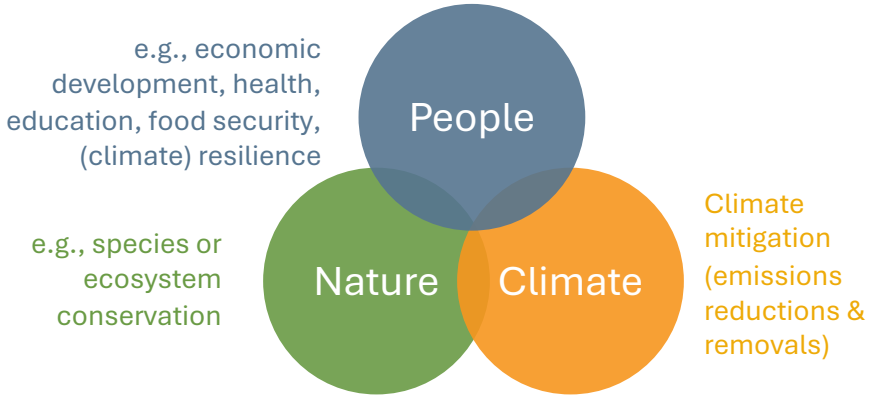
Begin by establishing the **scope and goals** of the project – the overall parameters of the project that determine its budget, timeline, geography, and – in a high level, general sense – what it hopes to achieve. This stage may be completed by either funders or implementers, in collaboration with potential partners & beneficiaries.

1) What is the overall **scope** of the project in terms of (a) **budget**, (b) **timeline**, and (c) **geography**?

Market systems principles can be applied from local community projects spending tens or hundreds of thousands of dollars to global programmes spending hundreds of millions of dollars.

2) Establish the overarching **goals** of the project:

Goals could relate to one or more of the three dimensions of "people, climate, and nature". In the next section, we show how projects with only one or two goals should be conscious of their effects on other dimensions.



A **goal** is the broad change you want to see in each dimension. At this stage, these should be in general terms – more specific objectives will be set later. For example:

People goal: *Increased incomes for the rural poor*

Nature goal: *Reduced deforestation and forest degradation*

Climate goal: *Reduced emissions*

Dealing with tradeoffs

Projects may have goals in any of the three dimensions. If projects do not have explicit goals in a given dimension, they should at least aim to be aware of – and minimise – any potential negative impacts in other dimensions.

*Why not **"do no harm"?***

Tradeoffs are inevitable, and seeking elusive "win-win-wins" may stifle progress. Our framework instead encourages teams to be more aware of the full range of impacts of their actions, and to mitigate negative impacts so far as possible.

Equity and inclusion: Who sets the scope goals?

Donors or practitioners will typically lead the process of establishing the scope and goals of a project. However, it is important to engage from the outset with potential project partners (e.g., host country governments, potential partner companies) and beneficiaries (e.g., local communities). This will help to avoid top-down aid models whereby many people are passive "recipients" with little to no say over what is happening. A more inclusive design phase is not only an ethical consideration – it will typically lead to more effective strategy aligned with the reality and needs of the local context.

For **market systems development** users:

When defining your geographic scope, think in terms of physical areas where you may have an environmental impact – not just the geography of the market (i.e., farms and trade networks).

For **Conservation Standards** users:

The "goal" here is equivalent to the "vision" for the project, as set out at the "assess" stage of the Standards.


Scope & goals
Assess
Plan
Implement
Measure & Learn
Manage

Assess

The **Assess** phase involves **four steps**:

For the selected market(s)...

1. Market system prioritization

To use resources efficiently and make the project more manageable, narrow the focus to one or more target markets.

2. Market system mapping

Identify the main actors in the market system, as well as the supporting rules, functions, and environmental conditions. Identify the main people, climate, and nature impacts of the market.

3. Market system analysis

Develop a robust understanding of how the system works, including the incentives and capacity of key actors, the trends and dynamics of the system, and how the market currently affects your people, climate, and nature goals.

4. Identify systemic constraints

A market systems approach relies on targeting root causes – rather than symptoms – of market failure. Identifying systemic constraints informs targeted intervention design that can leverage lasting change in the way that markets work.

For **Conservation Standards** users:

CS "situation analyses" often point to many "direct threats" that originate from a range of markets (e.g., logging, mining, charcoal, agriculture). If our interventions are to be effective, it is critical to narrow our focus to one or more priority markets.

Plan

The systemic constraints identified in the Assess phase become the basis for intervention design in the Plan phase.

Assess: Market system prioritization

Effective market interventions require a narrowing of the focus to one or more target market system. Markets should be prioritised according to a combination of (a) **relevance to project goals**, (b) **economic outlook**, and (c) **feasibility of intervention.**

How relevant is the market to your **people**, **nature**, and **climate** goals?

e.g., Which markets are the most important to the livelihoods of the poor? Which markets pose the biggest threats to biodiversity? Which markets produce the greatest emissions?

Which markets hold the greatest promise for green development? (i.e., decarbonisation, carbon sequestration, pro-nature enterprises)

What is the **economic outlook** of the market?

Is the market growing? Is it competitive? Is there sufficient demand? What is the level of dynamism and innovation? Is finance / investment flowing into the sector?

Is the market resilient to shocks and stresses (conflict and insecurity, political, economic, environmental)?

How conducive is the enabling environment to inclusive, sustainable growth?

How **feasible** is successful intervention?

Given your project scope (budget, team, geography, timeframe), can you realistically bring about lasting change in this market?

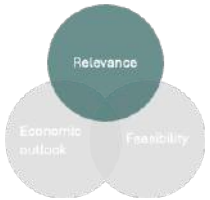
Are suitable partners available to work with? (i.e., market actors – public or private – with the potential incentives and capacity to contribute towards your goals?)

What are the power dynamics in the market? Are there powerful interests who might oppose your goals?

The following slides will illustrate a market prioritisation process using hypothetical examples of six potential market systems:

Timber **Charcoal** **Mining** **Honey** **Coffee** **Maize**

Assess: Market prioritisation – relevance



Identify markets relevant to your **people** goal – in this case of our hypothetical example here, what are main economic activities of the rural poor? Which markets do they get their income from? Give each market a score against the relevance criteria (e.g., high/medium/low).

People

Which markets are relevant to your **people** goals?

Relevance should be assessed from the **current community perspective** – not from your own view of ideal livelihood strategies.

Livelihoods that are undesirable from a conservation perspective may be critical to local communities.

The following are hypothetical markets for illustrative purposes:

! **Timber**

Relevance: ●○○

Tropical hardwoods illegally harvested from natural forest & sold to local collectors. Onward sale in export markets or regional cities for furniture production. Lacks broad-based employment opportunities.

! **Mining**

Relevance: ●○○

Illegal artisanal mining in natural forests (including local protected areas) has high payoffs but typically precarious, unsafe labor with high levels of exploitation.

Recognise where livelihood strategies are illegal or illicit – this will shape your strategy later.

Coffee

Relevance: ●●○

Commercial coffee for export. Smallholders connected to markets via outgrower schemes. High earning potential for those able to participate, but relatively high barriers to entry.

Incomes of the rural poor

! **Charcoal**

Relevance: ●●○

Natural forests cleared for charcoal production. Main energy source for rural households. Rural poor involved in harvest, production, and trade.

Maize

Relevance: ●●●

Staple crop primarily grown for own consumption. Dominant livelihood strategy across the landscape. Critical for food security. Vulnerable to climate change. Few commercial prospects.

Honey

Relevance: ●●○

Beekeeping is practiced by some community members, though it remains something of a niche livelihoods strategy.

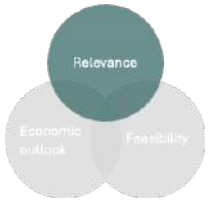
Be specific and identify subsectors where relevant (e.g., maize or coffee instead of “agriculture”)

For **Conservation Standards** users:

Markets relevant to people goals will often be identifiable as contributing factors for your human well-being targets in the CS “situation analysis”.

! = illegal/illicit activities

Assess: Market prioritisation – relevance



Identify markets relevant to your nature goal – which markets pose the greatest threat? Which markets offer opportunities for pro-nature economic development? Give each market a score for this dimension (high/medium/low).

Nature

Which markets are relevant to your **nature** goals?

Natural forest

Timber

Relevance: ●○○

A significant driver of forest degradation, including in protected areas (though not as severe as fuelwood harvesting for charcoal).

Mining

Relevance: ●○○

Artisanal mining leads to forest clearing, albeit with a smaller footprint than clearing for agriculture or fuelwood harvesting.

Coffee

Relevance: ●●○

Widespread forest clearing for monoculture coffee plantations by medium-to-large investors, facilitated by government.

Charcoal

Relevance: ●●●

The primary driver of forest degradation, both inside and outside of protected areas.

Maize

Relevance: ●○○

Burning for land preparation is a threat to nearby forests, but in general there is little expansion of maize farming into forest areas.

Honey

Relevance: ●●●

Beekeeping in natural forests is the main source of pro-forest conservation incentives in the area, and an important source of pollinator services.

As well as threats, identify markets that offer opportunities for nature-positive economic development.

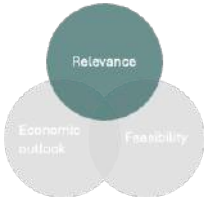
For **Conservation Standards** users:

Markets relevant to nature goals will often be identifiable as sources of "direct threats" in the CS "situation analysis".

! = illegal/illicit activities

Assess: Market prioritisation – relevance

Identify markets relevant to your climate goal – which markets are the biggest sources of emissions? Which markets offer opportunities for carbon sequestration? Add a rating to this dimension (high/medium/low).



Climate

Which markets are relevant to your **climate** goals?

The focus here is on climate change **mitigation** (emissions reductions and/or removals / sequestration). Climate **resilience** is dealt with under the **people** dimension as it ultimately focuses on human outcomes.

Carbon emissions

Timber (!)

Relevance: ●○○

Forest degradation reduces sequestration, though selective harvesting of high-value hardwoods leads to relatively limited effects.

Mining (!)

Relevance: ●●○

Forest clearing for mining reduces sequestration, though the footprint is relatively small.

Coffee

Relevance: ●●○

Widespread forest clearing reduces sequestration (though coffee plants retain some carbon removal capacity). Chemical fertilizers and transport are significant emissions sources.

Charcoal (!)

Relevance: ●●●

Charcoal burning is the main emission source in the landscape, while fuelwood harvesting is the main driver of lost sequestration capacity.

Maize

Relevance: ●●○

Burning for land preparation is significant source of emissions.

Honey

Relevance: ●○○

Relatively low-emissions activity. Indirectly supports sequestration goals via forest protection.

Recommendation: Consider the full carbon footprint within the bounds of your target system. In the case of coffee in this example, this includes growing, initial processing, and local transport – but not international transport, further processing (roasting), and retail, since the project will not work on these international issues.

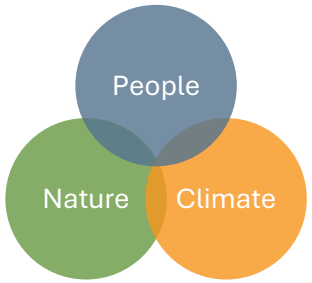
For **Conservation Standards** users:

Markets relevant to climate goals will often be identifiable as direct threats or contributing factors in the CS "situation analysis".

(!) = illegal/illicit activities

Assess: Market prioritisation – relevance

Collate your relevance ratings for each market and goal, and decide on an overall relevance rating for each market. If you have goals in multiple dimensions, draw these together and identify overlaps.



Timber

People: ●○○
Nature: ●●○
Climate: ●○○

Overall: ●○○

Mining

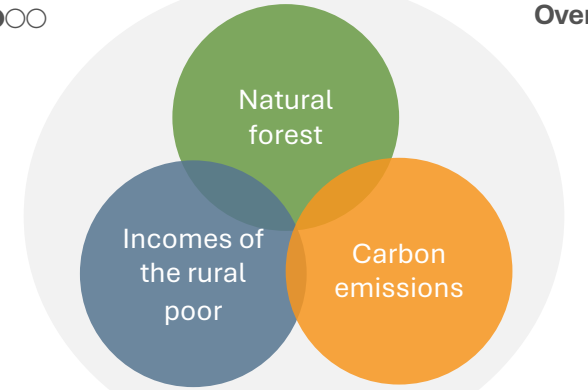
People: ●○○
Nature: ●●○
Climate: ●●○

Overall: ●●○

Coffee

People: ●●○
Nature: ●●○
Climate: ●●○

Overall: ●●○



Charcoal

People: ●●○
Nature: ●●●
Climate: ●●●

Overall: ●●●

In this example, every market is given an unweighted average score. Users may wish to assign weights to dimensions (e.g., development projects may emphasise the “People” criteria).

Maize

People: ●●●
Nature: ●○○
Climate: ●●○

Overall: ●●○

Honey

People: ●●○
Nature: ●●●
Climate: ●○○

Overall: ●●○

Assess: Market prioritisation – economic outlook

Effective market systems interventions typically require a basic level of commercial viability – at its most basic, a level of supply and demand that allows for a functioning market*. Give each market a rating according to it's economic outlook (e.g., strong, moderate, weak).

For **conservation** practitioners:

Conservation projects working on rural livelihoods often struggle to deliver results when working in niche "conservation-friendly markets" such as beekeeping, non-timber forest products, and handicrafts.

In many cases, these are promoted as "alternative livelihoods", with communities having little experience or knowledge of the livelihood strategy – and, crucially, there being little evidence of the commercial viability of the livelihood strategy.

When selecting a market to work in, it is important to be confident that there are sufficient economic grounds for intervention. The market may not be working optimally – which is what justifies the need for intervention – but some semblance of a functioning market is a prerequisite.

(!) **Timber**

Economic outlook: ●●○

High value raw material (tropical hardwood) with global demand, but largely illegal local market at present.

(!) **Mining**

Economic outlook: ●○○

High value raw material (gemstones) with global demand, but largely informal/illegal local market at present. Lack of formal firms means quality is low.

Coffee

Economic outlook: ●●●

Large global commodity with potential access to specialty markets, but vulnerable to global price fluctuations.

Economic outlook

(!) **Charcoal**

Economic outlook: ●○○

Largely informal/illegal sourcing and production. Low prices and few commercial prospects due to limited scope for value-addition.

Maize

Economic outlook: ●○○

Primarily a subsistence crop for own consumption. Limited commercial prospects for investors.

Honey

Economic outlook: ●●○

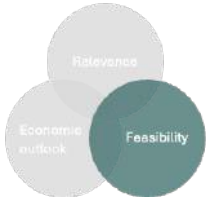
Potentially lucrative export markets for eco-certified organic honey, though agriculture is currently more profitable, leading to clearing of forests where beekeeping would traditionally take place.

* The exception being when seeking to actively undermine the performance of certain markets – see "*Intervening in illicit markets", below.*

(!) = illegal/illicit activities

Assess: Market prioritisation – feasibility of intervention

Even if markets are highly relevant to our goals and show promising commercial prospects, there are many reasons why it may be unwise to seek to intervene. The feasibility of intervention is the final consideration in market prioritisation. Give each market a score on this dimension (high/medium/low).



Questions to consider when appraising feasibility:

- Can we realistically bring about the change that we'd like to see given the **time and resources** that we have available?
    - Market systems change can be slow and incremental, while many of the environmental challenges we face also require patient, long-term work. As such, it is important that *implementers* are realistic about what is possible, while responsibility lies with *funders* to ensure that resources and delivery mechanisms are well-matched to the challenges at hand.

    See Example 3 for more on funding models that could increase the feasibility of successful interventions tackling complex environmental issues.
- Are there suitable **partners** that we could work with?
    - Potential partners are existing market actors (either public or private) with sufficient *capacity* and *incentives* to work with us towards our goals – or whose *capacity* and/or *incentives* we might be able to build or influence to the same end.
- What **constraints/risks** might we face in the wider enabling environment and political economy?
    - Are there powerful interest groups who might stand in the way of economic or environmental goals? Does the sector feature a high degree of illegality or corruption (which could make it resistant to change, or politically sensitive to fund activities in)?

(!) **Timber**

Feasibility: ●○○

High levels of corruption and lack of transparency leave few prospects for bringing about lasting change in the sector at present.

(!) **Mining**

Feasibility: ●○○

Lack of viable private sector partners given informality / illegality of small-scale mining operations at present. Sector is vulnerable to local corruption and labour exploitation.

Coffee

Feasibility: ●●●

Wide range of potential private sector partners with sustainability goals. Scope for quality improvements to access higher-value markets. Conducive enabling environment.

Feasibility of intervention

(!) **Charcoal**

Feasibility: ●○○

Limited formal sector commercial prospects means limited availability of private sector partners to work with.

Maize

Feasibility: ●○○

Range of potential agribusiness partners, though most do not consider conservation & environmental goals a priority.

Honey

Feasibility: ●●●

Potential partner companies with strong conservation goals, including links to high-end domestic tourist markets and exports.

(!) = illegal/illicit activities

Assess: Market prioritisation – overall scores

Combine the weights and average across criteria to give overall market priority scores:

	Maize	Coffee	Timber	Charcoal	Honey	Mining
Relevance to project goals	●●○	●●○	●○○	●●●	●●○	●●○
Economic outlook	●○○	●●●	●●○	●○○	●●○	●○○
Feasibility of intervention	●○○	●●●	●○○	●○○	●●●	●○○
Overall score	●●○	●●●	●●○	●●○	●●●	●●○

From this analysis, **honey** and **coffee** emerge as priority markets. We explore these in Example 1 and Example 2:

Example 1: **Honey**

Example 2: **Coffee**

However, work on **charcoal** – the biggest threat to conservation and a critical resource underpinning local livelihoods – is here ruled out due to limited feasibility of intervention.

In Example 3, we show how a Green Market Systems Development approach might be used to overcome these feasibility constraints and address the driving forces of climate change and biodiversity loss through interventions in the wider energy market:

Example 3: **Energy**

Variations on this approach:

Users may choose to modify the selection approach in the following ways:

- **Additional criteria** can be added under each heading (e.g., breaking "feasibility" down to sub-criteria such as availability of potential partners, level of corruption, etc.)
- **Weights** can be added to criteria in order to place more emphasis on certain factors (e.g., conservation projects may wish to weigh relevance to conservation higher than development).

Note that projects may choose to work in multiple markets to pursue different goals – e.g., a project seeking to disrupt illegal logging markets may simultaneously work in maize markets to support local food security.

Avoiding "tinkering around the edges"

Limitations in a project's **scope** (e.g., time or budget constraints) often leave organizations or projects feeling unable to tackle seemingly intractable environmental challenges, opting instead to deliver interventions that may deliver some benefits but don't address the biggest problems (see **Scope & goals**).

In our Example 3, we explore how a Green MSD approach can avoid this "tinkering around the edges" effect, and consider what would be needed to address large-scale, complex, multi-country environmental challenges.

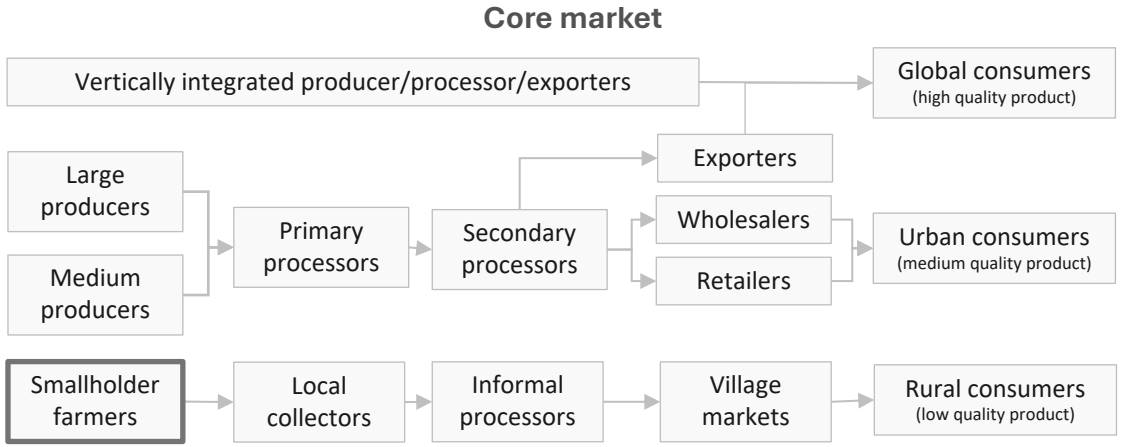
Assess: Market mapping

Once priority markets have been selected, we proceed to map the system according to the Green MSD conceptual framework. (Note: There are alternative ways to visualise market systems, as presented on the following slide.)

1. Start by mapping the **core market** from primary producers through to consumers, highlighting the current **people impacts** of the market.

The **core market diagram** shows the flow of goods or services through the market, with arrows indicating trade between actors. In this case, primary production is shown on the left, flowing to end markets on the right. This "core market" map is a simple summary of the economic trading relationship within the focal market, similar to a "supply chain" or "value chain" map.

The **people impact** of the market is the effect that the market currently has on people in the market – particularly the poorest and most marginalized in the system (e.g., smallholder farmers, women, minority groups). These impacts will typically relate to specific **people goals** that your project has.



Highlight the position of the target group associated with your **people goals**.

To inform the design of interventions in relation to **specific groups** (e.g., women, youth, Indigenous Peoples), annotations can be added to highlight the specific role(s) they play in different stages of the core market.

For **conservation** practitioners:

Even if you don't have explicit people goals, it is important at this stage to recognize the effect that conservation interventions may have on poor or vulnerable human populations, so that negative effects can be avoided or mitigated.

For example, projects working to deter elephant poaching should be aware of role that the poor play in ivory markets, and the potential negative livelihood effects of disrupting this market.

The **people impact** of the market will often feature as small-scale producers on the left side of the diagram (e.g., smallholder farmers). However, these impacts (and any related people goals you have) could appear anywhere in the map – e.g., low-income consumers in food security projects, women throughout the market in women's economic empowerment projects, or workers in projects supporting decent work.

Key

Core market actor

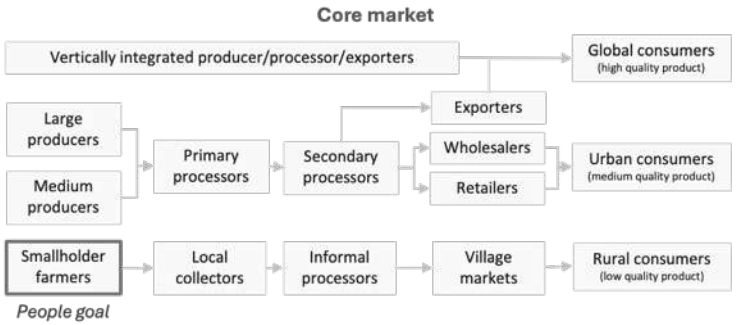
Assess: Market mapping

There are many ways to visualise a market. Users can choose their own approach, so long as it depicts the economic links between market actors and the way that goods or services are traded through the market. As ever, it's a trade-off between achieving sufficient clarity for planning purposes and accurately reflecting highly complex economic systems.

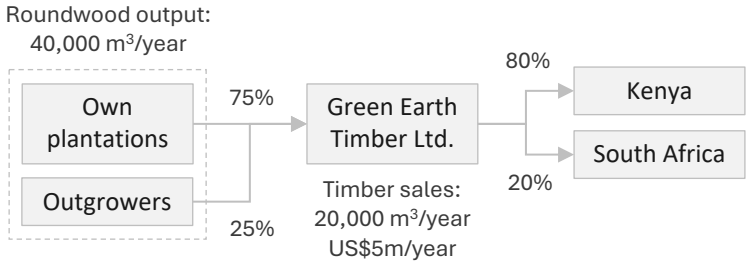
Core market
People impact

Adding more details

Our simple left-to-right map is only one way of depicting the market:

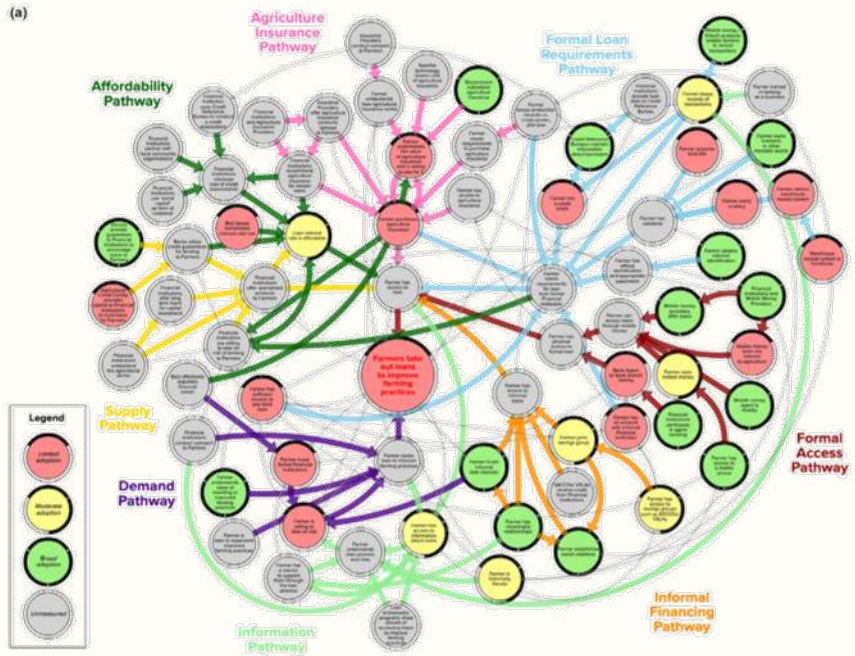


Users may wish to add more details, by naming specific market actors, or adding data on numbers of firms, or volumes or values traded:



Mapping complexity

Some users may opt to use a **causal loop diagram** – a tool used to represent relationships and dynamics within complex systems. More details on causal loop diagrams can be found here.



Example causal loop diagram from Blair et al. (2021).

Assess: Market mapping

2. Add an assessment of the current **climate impact** of the market.

Indicate the **main sources of greenhouse gas emissions or removals** in the market system. If emissions data are not available for your specific market, generic evidence on sector carbon footprints may be used*, or rough assumptions based on the activities, processes, and technologies used by each actor in the chain, as well as the size of their operations.

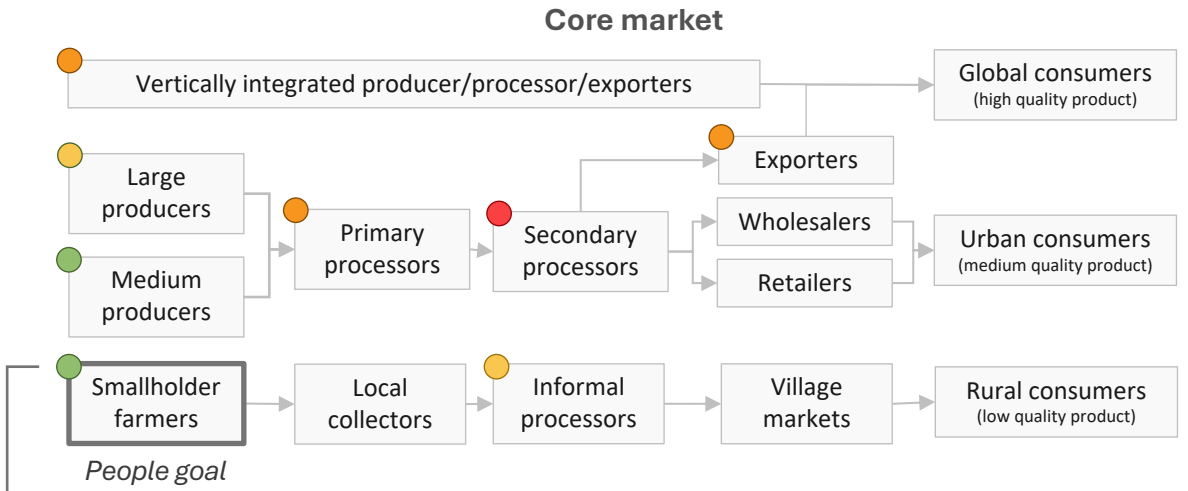
For example, emissions can reasonably be expected to be high in processing and manufacturing processes, though it's important to think about the specific technologies being used – Green MSD projects may focus on shifting these processes towards cleaner technology.

Removals and sequestration can be expected to happen in markets where tree planting or landscape restoration are taking place – though the counterfactual should be considered. Shifting from agriculture to agroforestry should increase removals – but clearing natural forest to establish monoculture tree plantations will likely reduce the carbon stored in the landscape.

For **market systems development** users:

The explicit recognition of the **climate impacts** of market systems is one of three major changes made to the standard MSD concept under Green MSD, alongside recognizing **nature impacts** and supporting **environmental conditions**.

Climate impact



Primary producers may cause carbon removals when planting trees or following climate smart agricultural practices – but could also cause emissions if, e.g., agricultural expansion drives deforestation.

You don't need to assess *every* actor or step in the chain – some may have negligible emissions effects. Focus on the main sources of emissions or removals.

Key

- Core market actor
- Climate impact *(emissions)*
  - Negative (removals)
  - Low
  - Medium
  - High

Dealing with trade-offs

Trade-offs are often inevitable in conservation and development programming. While "do no harm" will not always be possible, projects should be aware of, and seek to minimise, potential negative impacts in each dimension in order to strike a balance between goals. If vast conservation benefits can be generated with limited human costs – or substantial poverty reduction impacts brought about via a degree of environmental loss, we should not be paralyzed by a quest for pure "win-wins".

* A useful resource for estimating emissions is WWF's series of Greenhouse Gas Emissions Briefs, which analyze the carbon footprints of a range of common sectors.

Assess: Market mapping

3. Add an assessment of the current **nature impact** of the market.

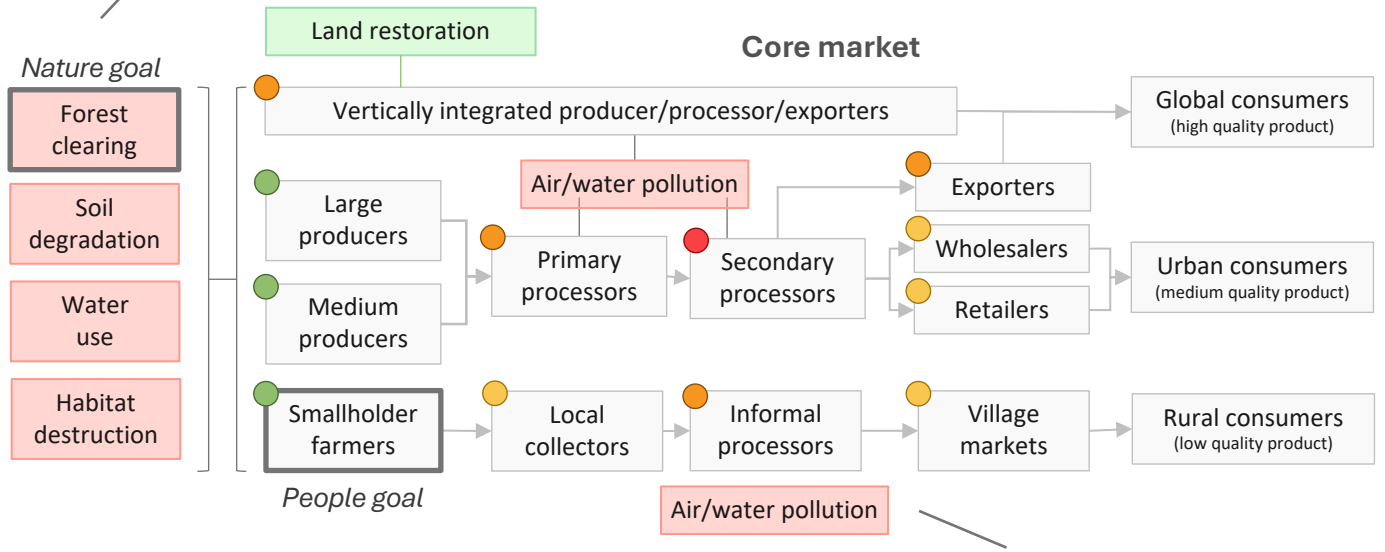
Nature impacts are (positive or negative) of the market on biodiversity conservation, natural resource management, and other environmental considerations beyond emissions.

As with people impacts, these effects will often be the focus of your **nature goals**. However, it is important to consider the full range of nature impacts of the market beyond any specific nature goals you may have.

Examples of **nature impacts** include:

- Deforestation
- Habitat destruction
- Soil degradation
- Air/water pollution
- Overfishing

Highlight the impacts (positive or negative) associated with your nature goals...



... but it is also important to consider the full range of nature impacts of the market beyond any nature goals you may have.

Nature impact

* WWF's Biodiversity Guide for Business and the Sector Actions Towards a Nature-Positive Future are useful resources on the nature impacts of markets.

Key

- Core market actor
- Nature impact: +ve, -ve
- Climate impact *(emissions)*: Negative (removals), Low, Medium, High

For **market systems development** users:

The explicit recognition of the **nature impacts** of market systems is one of three major changes made to the standard MSD concept under Green MSD, alongside recognizing **climate impacts** and supporting **environmental conditions**.

For **Conservation Standards** users:

In CS terms, these **nature impacts** include a combination of "threats" (human activities that degrade conservation targets – e.g., "forest clearing") and "stresses" (the result of these threats - e.g., "habitat destruction"). Ultimately, the Green MSD approach seeks to alleviate market-based threats that place stresses on conservation targets.

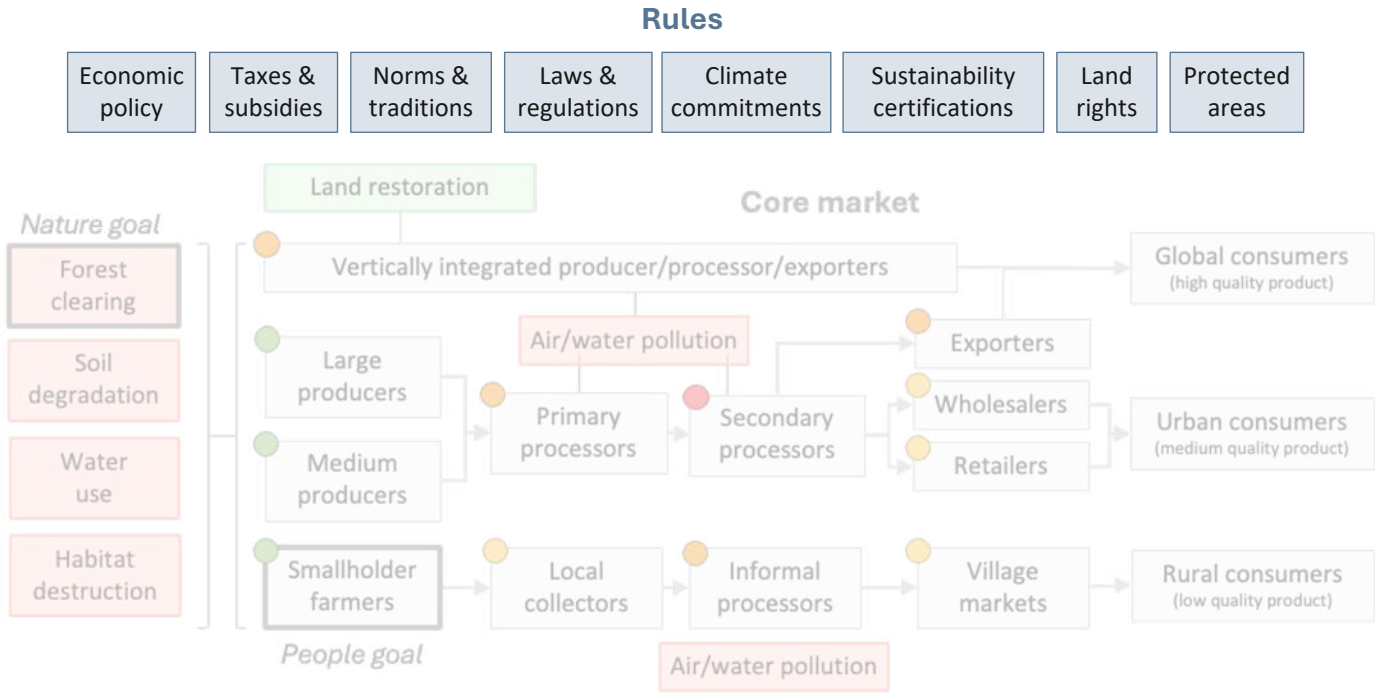
Assess: Market mapping

4. Add the formal or informal **rules** that govern the system.

Formal rules could include policies, laws, regulations, standards, and certifications.

Informal rules could include culture, traditions, social norms, attitudes, or preferences.

Be sure to include rules that govern the people, climate, and nature impacts identified so far.



Rules

For **market systems development** users:

Having broadened the MSD framework to consider nature and climate impacts, the Green MSD approach requires corresponding considerations of rules that govern the environment and natural resources, which may otherwise be overlooked by conventional MSD analysis. Examples could include national biodiversity or climate commitments, or regulatory bodies responsible for minimizing pollution from industrial processes.

For **conservation** practitioners:

Conservation practitioners may consider interventions relating to the "rules" here as not being "market" interventions, given the focus on governance, policy, or social issues. However, market systems practitioners see these factors as critical in shaping the functioning of market. Constraints in this wider enabling environment often become focal points of market systems programs.

Key

- Core market actor
- Rules

Nature impact
- +ve
- -ve

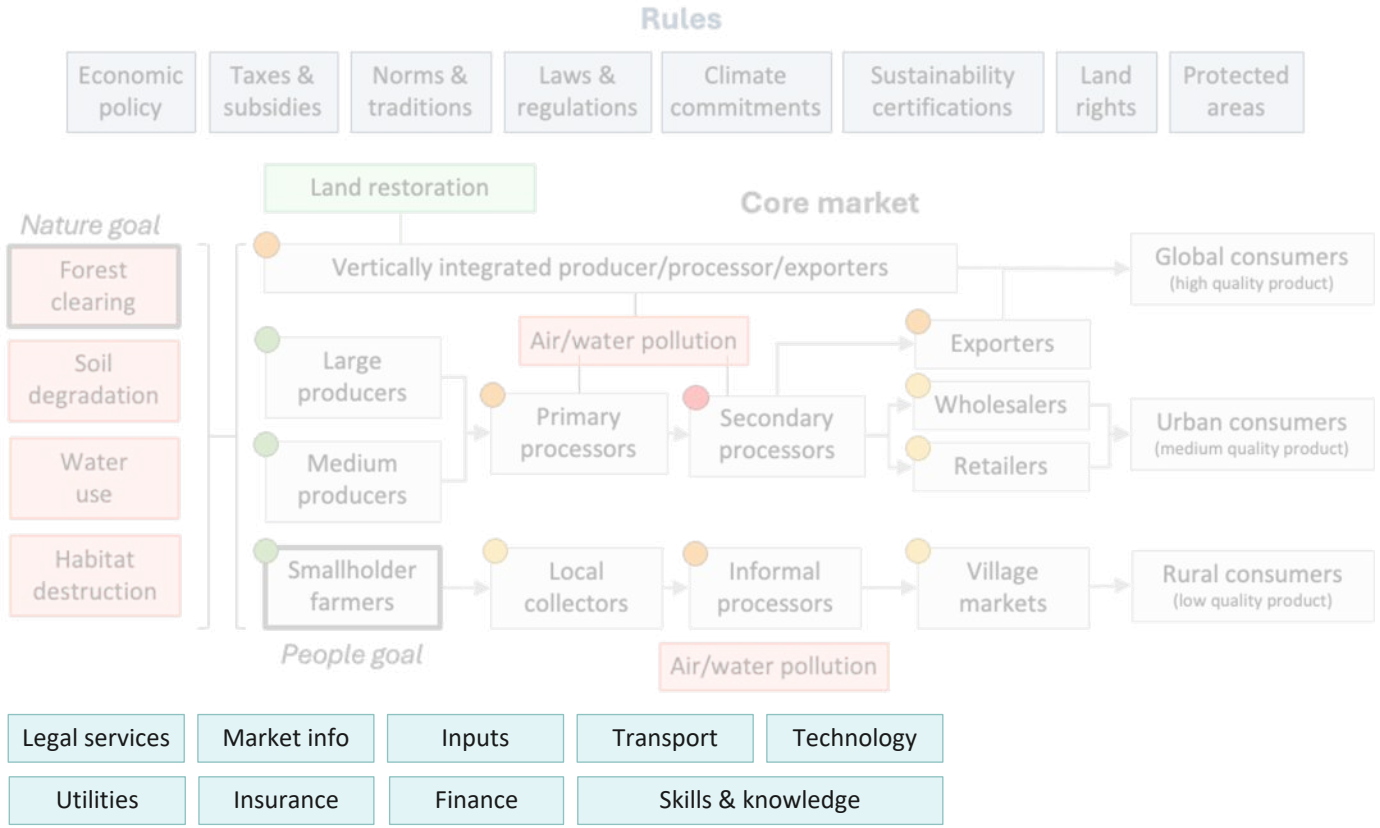
Climate impact *(emissions)*
- Negative (removals)
- Low
- Medium
- High

Assess: Market mapping

5. Add the supporting functions that are required for the market system to operate effectively.

These are functions that actors in the core market (producers, processors, traders, retailers, consumers) rely upon to do their jobs effectively. Examples could include:

- Skills and knowledge
- Finance and insurance (e.g., commercial bank loans, leasing, microfinance, carbon finance)
- Technology, equipment, and machinery
- Inputs (e.g., seeds, fertilizer, pesticide)
- Legal services
- Utilities (water, power)
- Transport
- Infrastructure (roads, ports)
- Market information (e.g., price data, information on potential buyers)



Supporting functions

Key

- Core market actor
- Rules
- Supporting functions

Nature impact
+ve -ve

Climate impact *(emissions)*
- Negative (removals)
- Low
- Medium
- High

Nested market systems

Many supporting functions can be seen as their own market systems – e.g., seed markets or financial markets. Market systems projects often end up intervening in these linked markets to bring about the change they want to see in the primary market system (e.g., seeking to improve the functioning of carbon markets in order to unlock carbon revenues for the forestry market).

Assess: Market mapping

5. Add the supporting environmental conditions that are required for the market system to operate effectively.

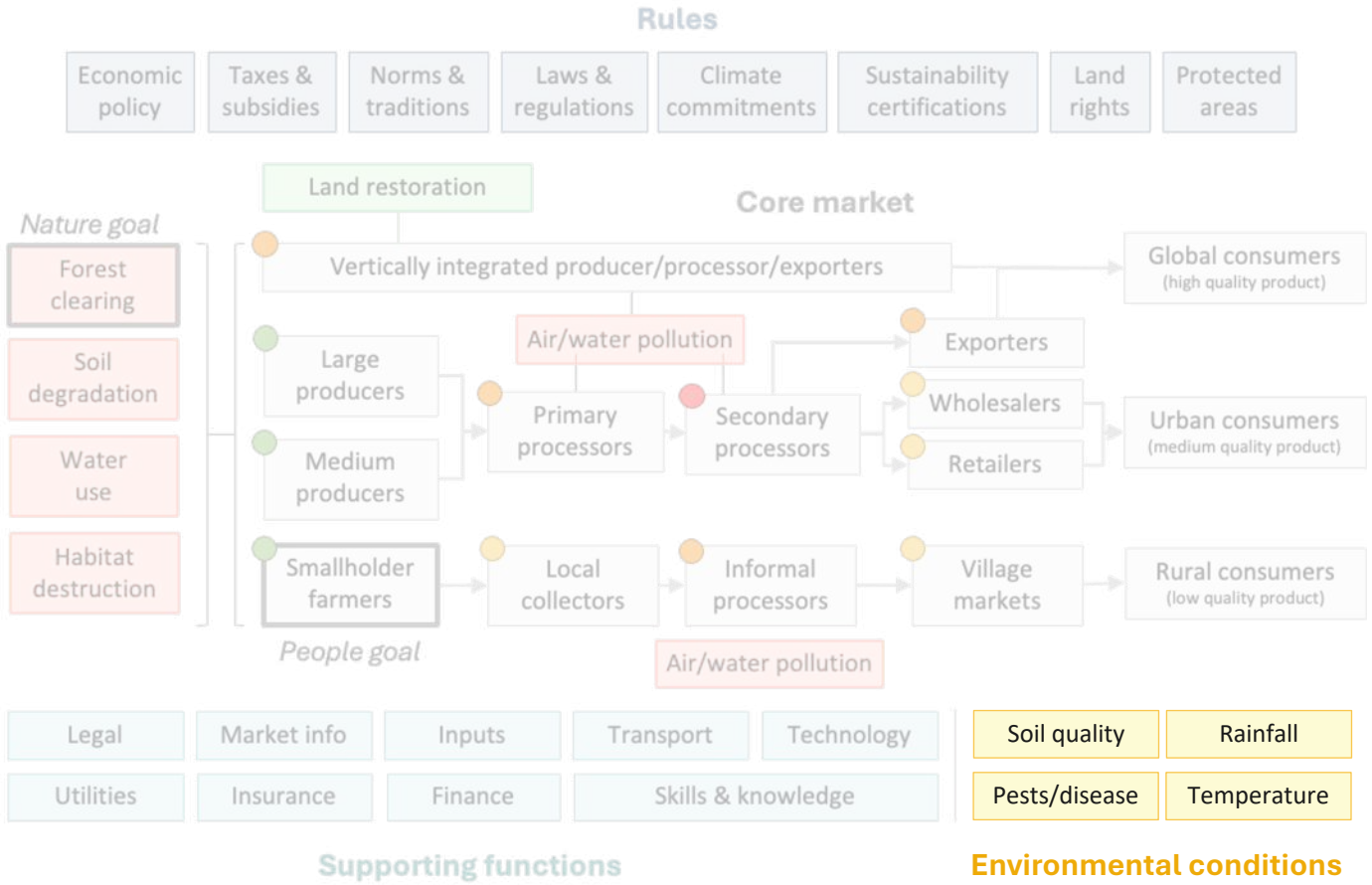
While supporting functions emphasise the range of socio-economic services required for the market system to succeed, the supporting **environmental conditions** represent a recognition that markets are also dependent upon the health natural systems.

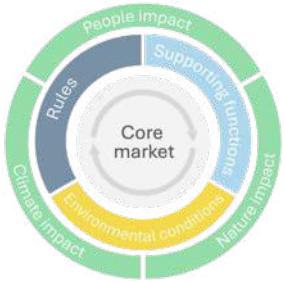
Examples could include soil health, rainfall, pests & disease, temperature, water quality, or the health of resource stocks that are the basis for core market, e.g. sustainable fish stocks.

Explicitly recognising the dependence of the market on natural systems allows us to design interventions that build climate resilience, as well as adaptability to other forms of environmental change.

In the project's monitoring and evaluation system, it may also be relevant to include indicators to track certain environmental conditions.

"Environmental conditions" vs. "ecosystem services": The Green MSD environmental conditions are conceptually similar to ecosystem services (see Glossary). However, for ease of use, we have opted to use more general, non-technical terminology that is more likely to be accessible to users.





Environmental conditions

Key

- Core market actor
- Rules
- Supporting functions
- Environmental conditions

Nature impact
+ve -ve

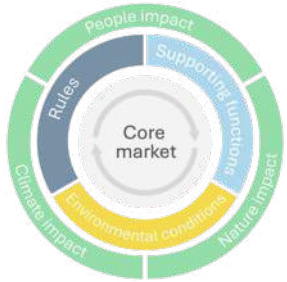
Climate impact *(emissions)*
- Negative (removals)
- Low
- Medium
- High

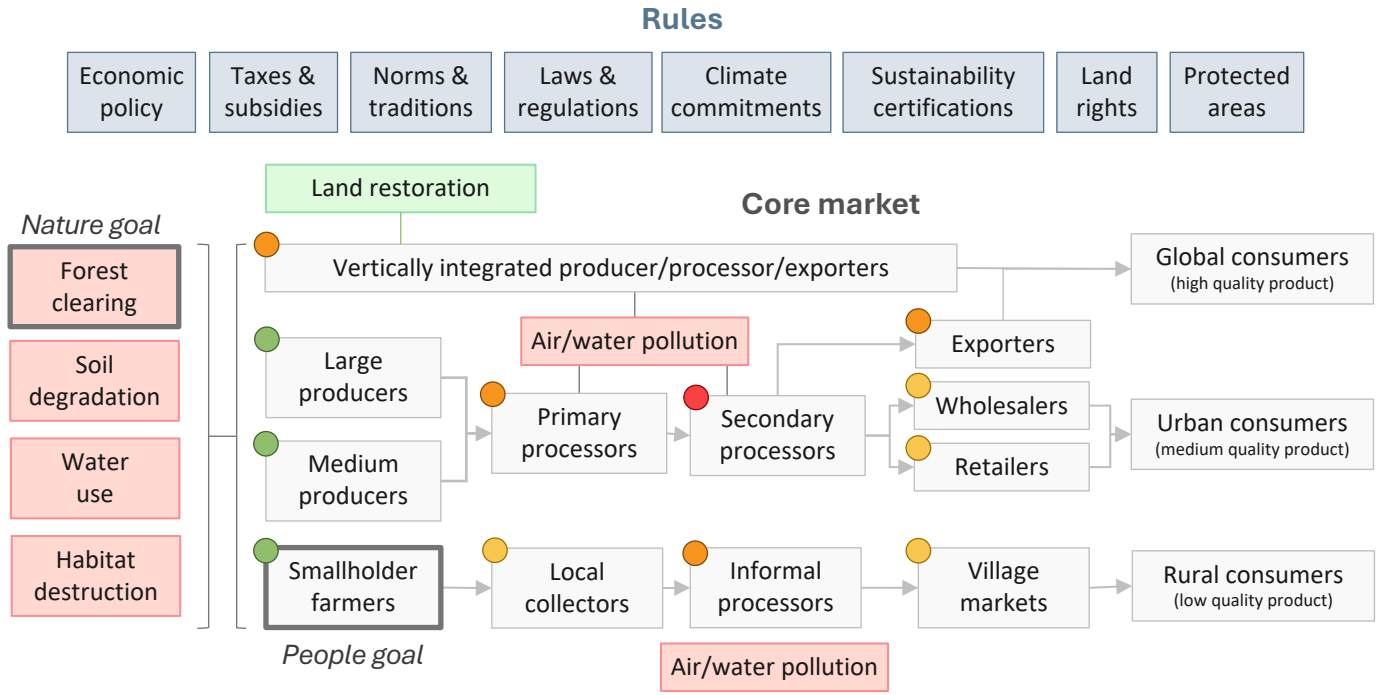
For **market systems development** users:

The explicit recognition of supporting **environmental conditions** of market systems is one of three major changes made to the standard MSD concept under Green MSD, alongside recognizing **climate impacts** and **nature impacts**.

Assess: Market mapping

The overall Green MSD market map presents a picture of markets as nested within and dependent upon natural systems.





For **conservation** practitioners:

The Green MSD map draws on best practice from the development sector in conceptualizing markets as complex, interrelated systems that go beyond simple transactional relationships to a wider system of rules and supporting functions.

Moreover, our "green" modifications to the conventional MSD framework allows environmental concerns to be prioritized, serving as the basis for intervention design that seeks to shift markets towards lasting pro-conservation outcomes at scale.

Key

- Core market actor
- Rules
- Supporting functions
- Environmental conditions

Nature impact: +ve, -ve

Climate impact *(emissions)*

- Negative (removals)
- Low
- Medium
- High

For **market systems development** users:

The Green MSD market map forces an explicit consideration of the **nature and climate impacts** that the market has, as well as the **environmental conditions** on which the market system depends.

This analytical lens is the basis for development programming with environmental considerations positioned front and center.

Assess: Market analysis

Once the system has been mapped, you can begin to build an understanding of **how the system works.** Think about:

- What are the **incentives and capacities** of each actor in the system? (including value chain actors and providers of rules and supporting functions)
    - Which actors are **potential allies** in pursuit of people, nature, and climate goals? Which actors are likely **opposed** to these goals?

- What is the nature of **relationships** between different actors in the system? Which actors currently collaborate? Is there conflict within the system?

- How is **power** distributed within the system? Which actors are most influential? Which actors are marginalized?
    - Are there powerful allies of people, nature, and/or climate goals in the system? Are there powerful actors who could oppose these goals?

- How is **financial value** distributed across the value chain? Who captures or adds the most value? Are certain actors being exploited or marginalized?

- What are the current **values and volumes of trade** across the value chain?
    - Roughly how many of each type of actor is participating in each step? (e.g., is the value chain dominated by a handful of large firms, or many smaller ones?)
    - What is the value or quantity of products or services currently being produced or traded through the chain?

- What are the **trends and dynamics** of the system?
    - How is the value chain changing over time? What are the trends in supply and demand? How does this vary by end market? Is the market growing or shrinking? Are there new entrants? How has innovation and technological development affected the system?
    - How is the status of rules and functions changing over time? Is the enabling environment improving or worsening? Is there inertia in certain institutions?
    - How are supporting environmental functions changing over time (e.g., under climate change)? How are they expected to change in future? How are market actors responding to this? How vulnerable/resilient are they to environmental change?

- Where are the **feedback loops**? Some markets may be having a negative environmental impact on the environmental functions upon which they rely (e.g., fish stocks being depleted in unsustainable fisheries).

- What **existing initiatives** are working to promote people, nature, and climate goals in the system? What is their focus? What are their strengths and weaknesses? How could value be added to existing efforts? Are they potential partners?

- Where are the **information gaps**? What additional information would be useful before deciding to intervene in the market?

Avoid paralysis by analysis! See our data & methods section for advice on light-touch approaches to understanding your market & knowing when analysis is "good enough".

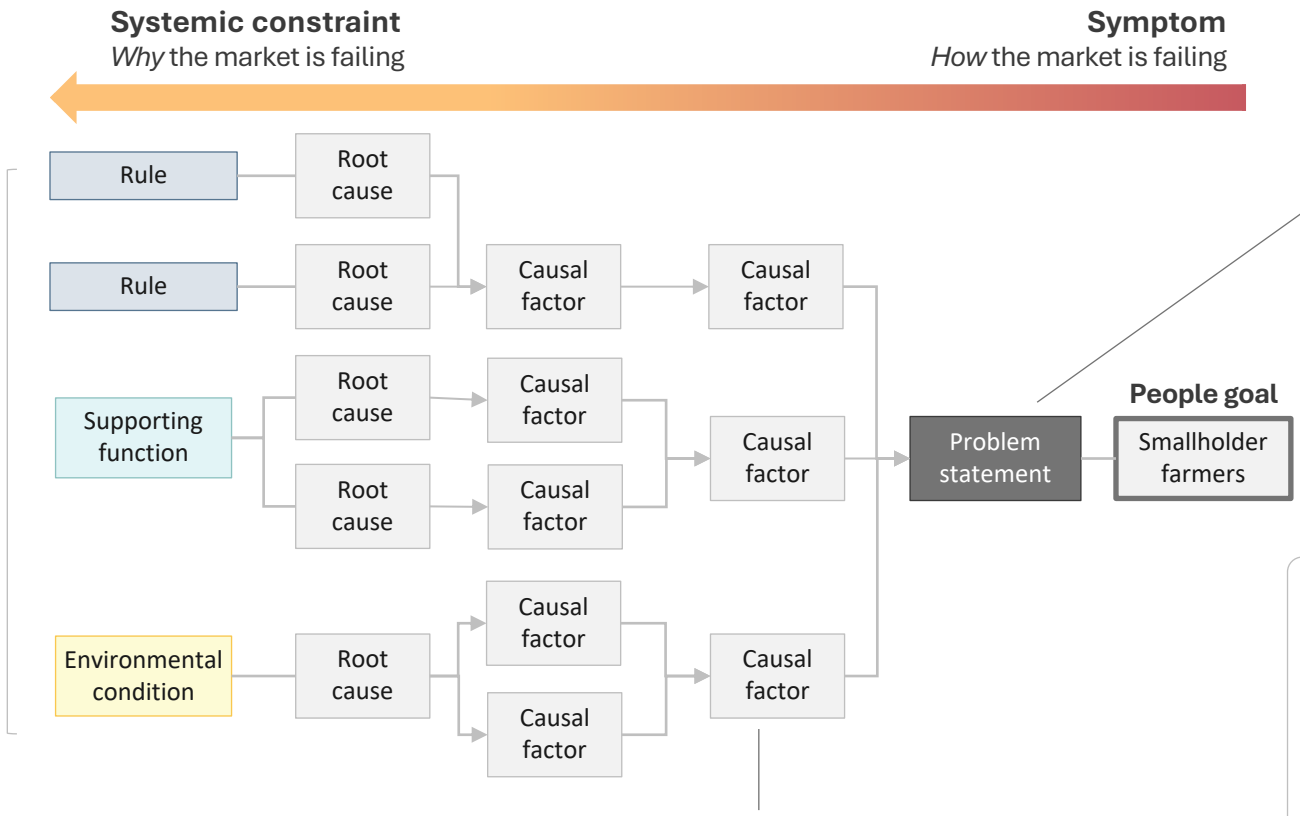
Assess: Identify systemic constraints

Once you have a good understanding of how the market system functions, you can start to identify the **systemic constraints** or **root causes** of market failure with respect to your people, climate, and nature goals. These systemic constraints are the focal points for intervention design.

Start by establishing the **problem statement**, before working backwards from right to left to identify underlying causal factors – continue to ask *why* something is happening until root causes are identified.

There are many tools that can help with this analysis. Here we illustrate a **root cause analysis**.

Additional resources can be found at the BEAM Exchange.



The problem statement should be clear and specific about how the market is failing your people, climate, or nature target – e.g., "smallholders do not have access to high-end markets", or "natural forests are being cleared and replaced with coffee plantations".

Where relevant, link systemic constraints back to **rules**, **supporting functions**, and **environmental conditions** in the market map

Systemic constraints will often lie beyond the core market in the wider enabling environment.

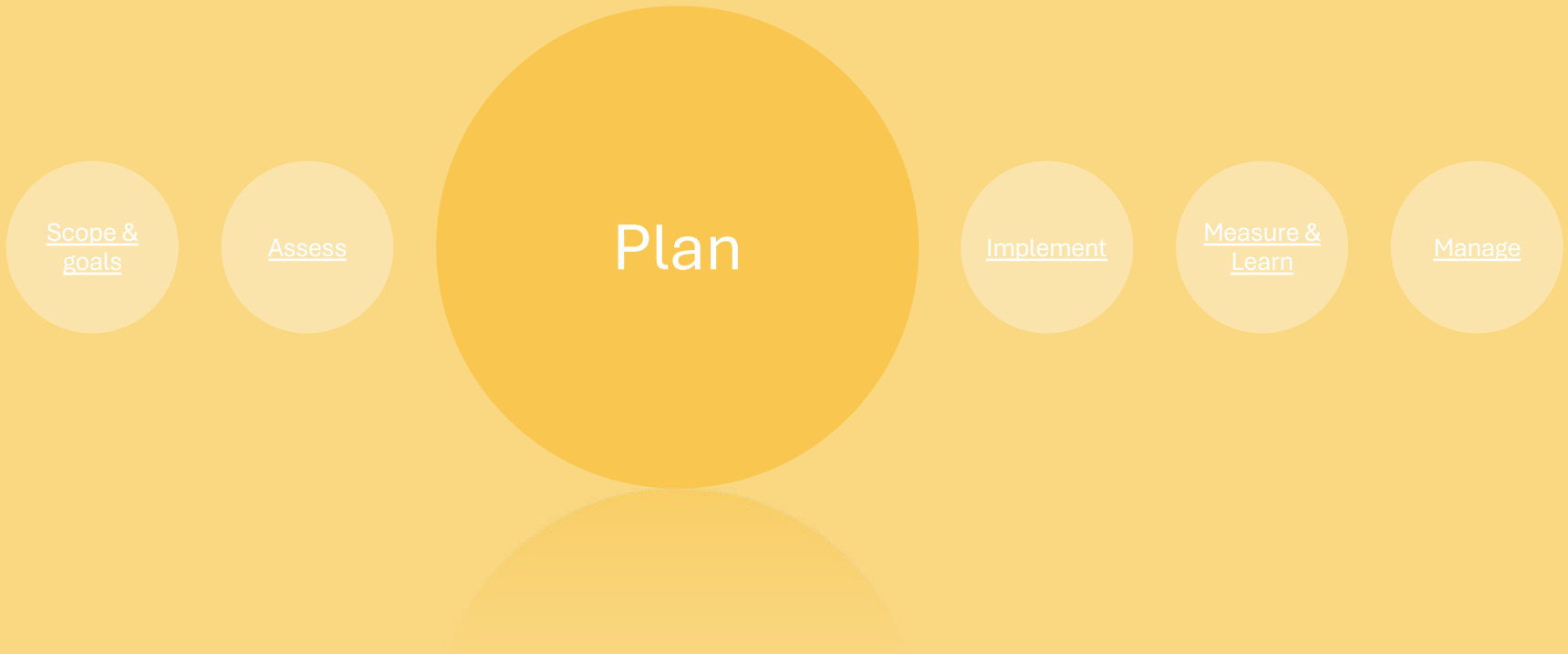
Key

- Goal
- Causal factor
- Problem statement
- Rule
- Supporting function
- Environmental condition

"Direct delivery" approaches tend to treat symptoms, rather than root causes, of market failure – e.g., providing free training and inputs instead of asking *why* these supporting functions aren't currently working for farmers.

For **Conservation Standards** users:

Note that this step resembles the CS "situation analysis" – except that we have zoomed in to a specific problem statement within a single market, allowing for more detailed diagnostics of the problems faced.


Scope & goals
Assess
Plan
Implement
Measure & Learn
Manage

Plan: Project theory of change

Having identified systemic constraints in the market, the next step is to design a strategy to address these constraints. We begin by formulating an overarching **theory of change (TOC)** for the project, before proceeding to **intervention design**. By explicitly placing the desired people, climate and nature impacts at the top of the TOC, we ensure that our strategy and intervention design are oriented towards addressing them.

(1) Impact

Begin by setting the **goals** of the project as the desired **impacts** at the top of the TOC, as identified in the **Scope & goals** stage.

e.g., "Increased farmer income", "Reduced deforestation", "Reduced emissions".

(2) Systemic change

Add the **systemic change** that you wish to see – these are the improvements to the root causes of market failure identified at the end of the **Assess** stage.

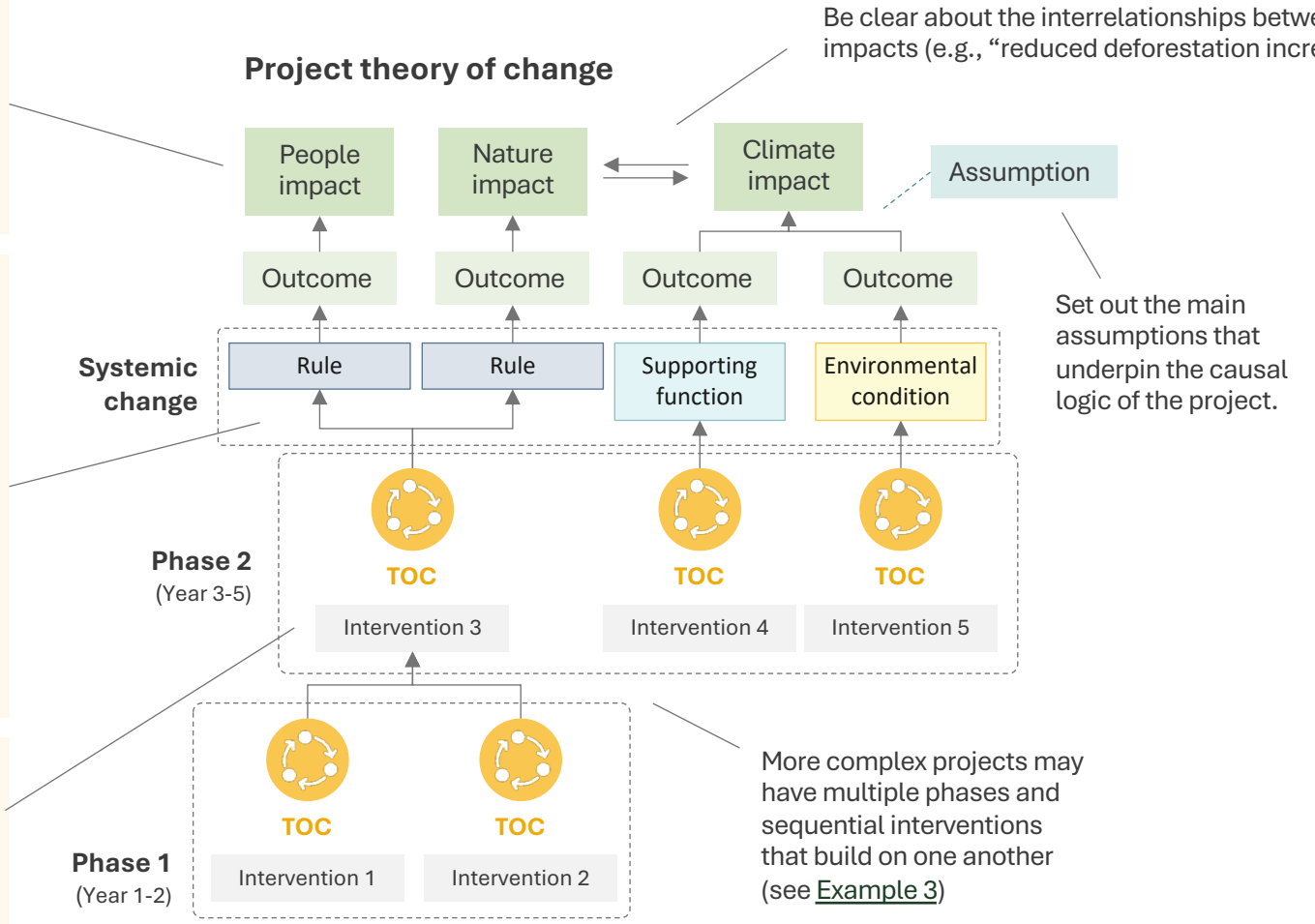
e.g., "Improved access to finance for farmers"

Add **outcomes** that would flow from addressing these systemic constraints & contribute to your goals.

e.g., "Farmers invest in improved seeds"

(3) Interventions

The following slides will show how to design **interventions** to bring about the desired systemic change. Each intervention will have its own **theory of change**.



Note on terminology

A **project** or **program*** is made up of multiple **interventions**, which are discreet sets of **activities** targeting a common objective. The **activities** are specific actions undertaken by the **project**. A **strategy** is a plan of action that can span multiple scales, either for individual **interventions** or overall **projects**.

For example:

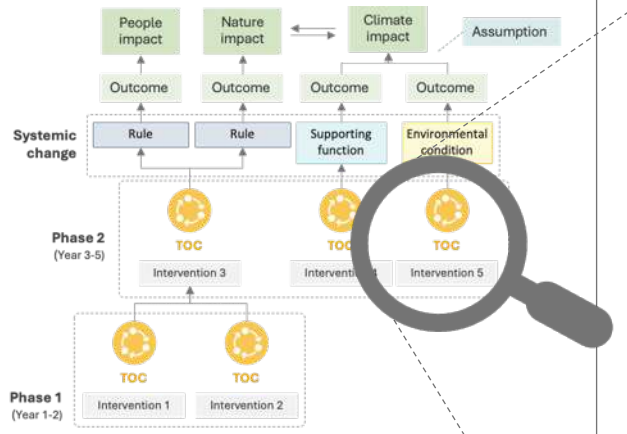
- **Project:** Sustainable coffee markets in Tanzania
- **Intervention:** Carbon finance
- **Activity:** Identify relevant carbon finance service providers

** "Project" and "program" are often used interchangeably, though "programs" are typically larger initiatives encompassing multiple "projects".*

Plan: Intervention design

Having set out the overarching project theory of change, we proceed to intervention design:

Project theory of change



For **Conservation Standards** users:

In CS terms, a "vision" is the general mission statement of a project (e.g., "reducing elephant poaching in Tanzania"). In MSD, the "vision" refers to a specific future way that you want the market to work.

Intervention design

There are two main steps to the intervention design stage – establishing a **vision** for how you want the market system to work in future, and setting out a **theory of change (TOC)** for how to get there:

Vision

How would the market system ideally function in future?

The vision should set out how the market system would ideally work if people, nature, or climate goals are to be realized.

Which market actors would play which roles? What incentives are required to make this vision last beyond the project lifetime? What support would be needed from the project in the short term to bring this vision about?

Theory of change

What are the specific steps needed to bring about this vision?

The theory of change maps out the steps required to deliver the vision, laying out the causal logic from project activities through to impacts, including the assumptions that underpin the strategy along the way. This in turn becomes the basis for the **Measure & Learn** step.

Basing intervention design on a clear vision for the future increases the likelihood of results being sustained beyond the end of the project.

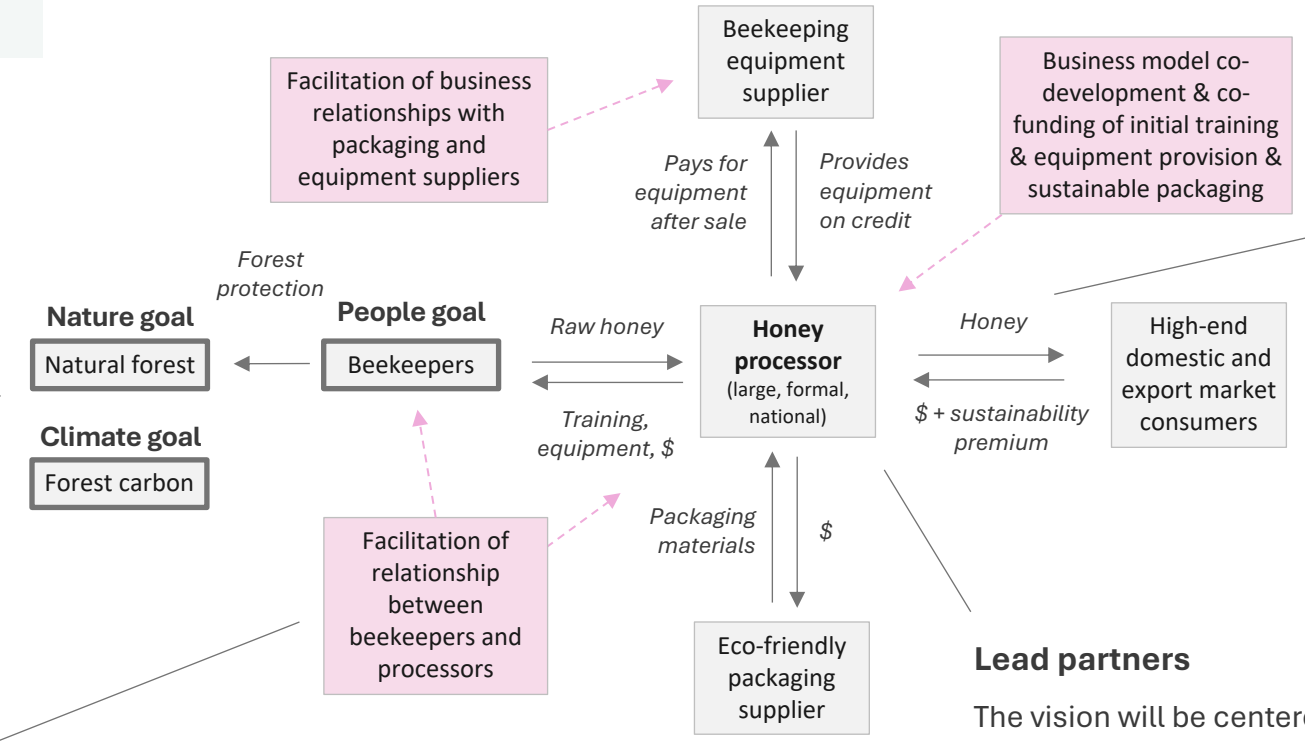
Plan: Intervention vision

Set out the vision in a diagram that maps the ideal future relationships and incentives between key actors, highlighting the project support that would be needed to bring this about.

The vision diagram will typically focus on an innovative arrangement between market actors that could be scaled and replicated across the wider system if successful.

Market actors

Market actors are anyone playing a role in the market in the long run (i.e., not short-term projects). They are often private companies or individuals (e.g., farmers), but can also be public bodies (government agencies, regulators) or NGOs.



Relationships & incentives

Think about the incentives required for every actor to uphold the vision in the long run (particularly once the project has ended). Show how goods, services, money, and influence would flow between actors.

Remember that incentives are not only financial – they could stem from cultural norms, social pressure, or regulatory enforcement.

Project goals

Be clear about how the vision relates to your people, climate, and nature goals.

Project support

Briefly summarize what the role of the project would be in bringing the vision to reality. The detailed activities involved will later be expanded in the theory of change.

Lead partners

The vision will be centered on a lead partner (or partners) that you work with to develop and test the vision – in this example a honey processing company.

Finding a lead partner (or partners) with the relevant **incentives** and **capacity** to collaborate with the project is central to the success of market systems strategies.

Plan: Intervention ideas

Developing a vision for the future of the market is one of the most challenging parts of a market systems approach. Markets are complex systems, and there are usually good reasons why ideal outcomes have not yet been achieved. Successful innovations that change the way markets work are hard to come by. However, there are several sources of inspiration available.

Generating ideas

Ideas from market actors

Speak to actors in the system – companies, government agencies, regulators – what are their priorities? What business models are they interested in? What is currently stopping them? How do they think the market should ideally function? Interventions are more likely to succeed if they originate with the actors in the system.

What has worked elsewhere?

Others are likely working on the same problem, even if the setting is different. A simple web search for literature on, e.g., sustainable business models in your focal market system can help to generate initial ideas.

A library of evidence and examples from MSD programming can be found on the BEAM Exchange website. In the conservation field, the Conservation Evidence platform is a useful compilation of evidence on conservation interventions.

Generic intervention strategies

While every solution will need to be tailored to the specific context, generic strategies can be a useful starting point. The Conservation Actions and Measures Library (CAML) contains a range of generic results chains, including several relating to markets and livelihoods*.

** See below for the implications of the Green MSD approach for generic conservation theories of change relating to markets and livelihoods.*

Prioritizing interventions

Selecting an intervention strategy to pursue will typically require a prioritization exercise in which multiple intervention ideas are compared based on their feasibility and likely impact. At this stage, only basic outlines of ideas are required.

See **Example 2** for an illustration of how this might work in practice.

Preferred option

Intervention	Description	Rating	Rationale
Intervention idea A	Intervention description	●○○	Description of intervention feasibility and likely impact
Intervention idea B	Intervention description	●●●	Description of intervention feasibility and likely impact
Intervention idea C	Intervention description	●●○	Description of intervention feasibility and likely impact

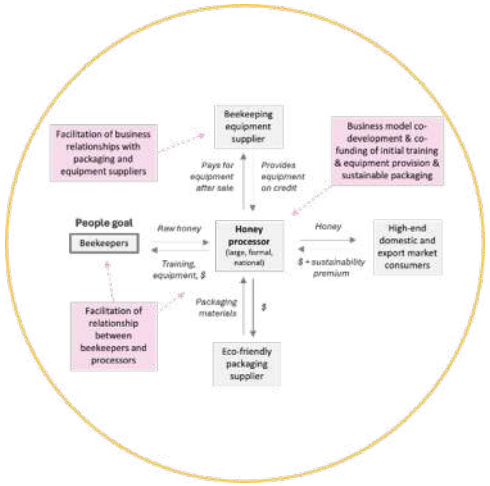
Plan: Scaling up interventions

Intervention design in market systems projects typically feature two phases – **pilot** and **scale-up**.

A vision diagram will typically illustrate an innovative new model for the market based on a single example – e.g., a lead firm, its suppliers and customers, and any relevant actors in the associated rules and supporting functions. This pilot acts as a proof of concept, helping to overcome information gaps and trigger demonstration effects. For the vision to take hold more widely, additional interventions may be needed to promote scaling and replication – but these are usually less resource-intensive, as successful models take hold in the market and begin to grow organically.

Pilot

Establish relationships & achieve proof of concept



Proof of concept is typically through commercial viability – but remember these aren't necessarily business models with the private sector. Proof of concept could also be securing commitment from a government agency to adopt a particular policy or strategy.

Scale-up

Once a model has been proven, complementary interventions can be used to facilitate wider uptake. It is important to plan for this from the outset.

Potential strategies

- Use communications strategy to demonstrate successful models (e.g., present a case study at a trade fair)
- Support buyers to expand their supplier base (e.g., train the buyer to facilitate the setup of supplier associations themselves)
- Facilitate additional linkages to end markets

These should be relatively **light touch** activities compared to the pilot phase, allowing scale to be reached with reduced resources or subsidy.

A discussion of potential scaling strategies, including examples, can be found at the Scaling Conservation website.

Right sizing "MSD": Do we always need scale?

Many conventional MSD programs target national-level sector transformation, with tens of millions of dollars at their disposal. Existing MSD guidance tends to break strategy down into pilot and scale-up phases.

In small grants programming – particularly in the conservation sector – this may not be a feasible goal. Under Green MSD, we recommend that smaller projects focus on the core principles of market systems programming – planning for sustainable results beyond the lifetime of the project, working through existing market actors, and aiming to shift behavior and incentives towards lasting pro-conservation models.

For example, a conservation organization managing a marine protected area may use a Green MSD approach to connect private sector buyers to fishers in their location. The model may be replicable at other protected areas and scalable across the wider seafood sector – but driving this broader change may not be a reasonable expectation of the protected area manager.

Plan: Intervention theory of change

The strategy of each Green MSD intervention should be mapped out in a theory of change (TOC) illustrating the causal logic behind it.

Consider **impacts** across all three dimensions of people, nature, and climate. Impacts are the ultimate end goals of the project.

e.g., Number of farmers with increased income as a result of outgrower schemes.

*Even if you don't have explicit goals in all three dimensions, you should still map the likely **impacts** of your work so that unintended negative effects can be avoided or mitigated.*

Outcomes are higher-level results emerging from outputs, but below the final impact level.

e.g., Number of agribusinesses with increased revenues due to outgrower schemes.

Outputs are results that are the immediate consequence of activities. They should be closely within the control of the project.

e.g., Number of farmers enrolled in outgrower schemes.

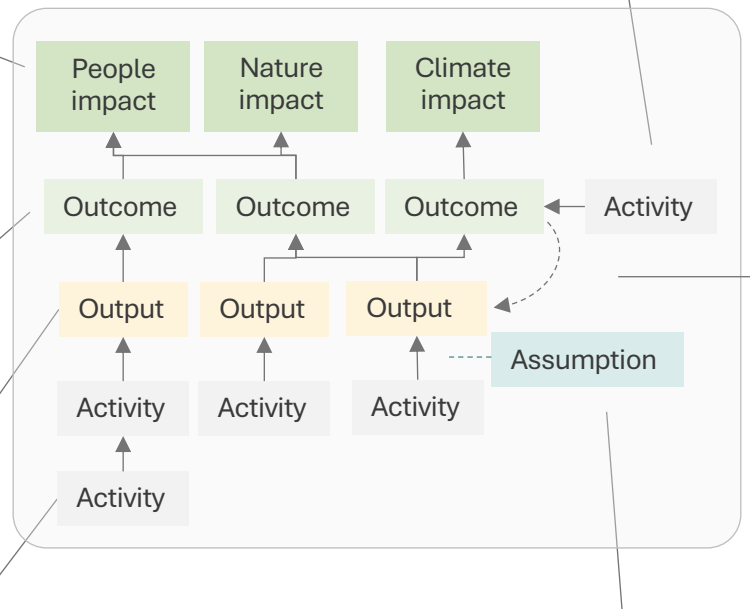
Activities are carried out by the project itself.

e.g., Design of outgrower business models.

Think about activities that may occur later in the project to reinforce higher-level results (e.g., complementary interventions to promote crowding in & replication of successful results) – i.e., the *sequencing* of activities.

e.g., Publication of evidence on outgrower models in national trade magazines.

Theory of change diagram



Mapping complexity

Map out any **feedback loops** that may enhance or impede results. Change is not a linear process!

e.g., A pilot business model may establish relationships between farmers and a local agribusiness. If the pilot is profitable for the agribusiness, they may renew contracts with growers or expand the model to additional growers in the area in later years.

Be explicit about **assumptions** that underpin your TOC - why do you think one result will lead to another? Avoid large leaps of logic, and test assumptions through your monitoring and evaluation work.

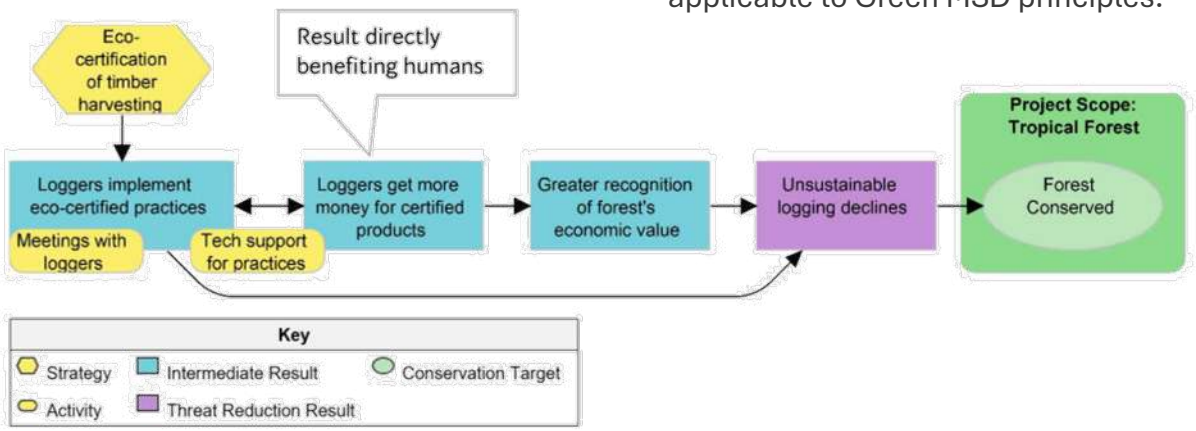
e.g., Farmers have sufficient trust in traders to enter contractual commitments.

The Theory of Change is the basis for **monitoring, evaluation and learning** during implementation

Plan: Intervention theory of change

For **Conservation Standards** users:

CS users may prefer to stick to CS results chains conventions, which are equally applicable to Green MSD principles.



However, the above example needs more detail on how each step leads to the next, as well as the assumptions that are made along the way – are we sure that technical support will lead to certification? What else needs to happen? (See the box below.)

Key considerations

There are many ways to present a TOC. Flexibility is encouraged, though we recommend the following key characteristics:

- **Avoid leaps of logic** – break down the steps. Avoid conflating multiple results into a single step (e.g., "farmers have improved knowledge, productivity, and income") – be clear about what is required for one to lead to another.
- **Be explicit about the assumptions** underpinning the strategy.
- **Be clear about who does what** – *activities* are done by the project; all other results are responses by other actors. Using the active voice can help to clarify this (e.g., "farmers sell more produce" rather than "increased sales").
- **Diagrammatic theories of change** (or "results chains") such as those on the previous slide tend to be more helpful exercises in testing your own logic than narrative TOCs (written descriptions of the intervention logic). While the latter can obscure the details of specific causal relationships, the former forces you to test your own logic visually, step by step.
- **Causal loop diagrams** may again be useful for the visualization of complex causal relationships.

"Why isn't this happening already?"

A critical question for any market systems theory of change is *"why isn't this happening already?"*. In many cases there are valid, complex reasons why market actors are not doing what you want them to. How can you be sure that your proposed intervention will change their minds or overcome the constraints they are facing?

In the above CS example, are we sure that "technical support" will lead to loggers becoming certified? Perhaps the problem isn't a technical one – perhaps the cost of certification is considered too high, or the premiums for certified products are considered too low, or loggers can make enough money selling into local markets where certification is not required or expected. A strong theory of change depends on accurately identifying the systemic constraints during the Assess stage, and a corresponding focus on influencing behavior and incentives via interventions.

Data sources and methods

Market systems development is an approach rooted in a robust understanding of how complex market systems work, avoiding "direct delivery" strategies that tend to oversimplify problems and respond with simple, linear solutions. However, embracing complexity can lead to "paralysis by analysis" – spending excessive time and money on research, and delivering little in the way of practical results.

Data sources & methods

Useful sources include:

- Secondary market data (supply, demand, prices, imports/exports, trends over time)
    - Common sources of secondary data include UN and other global data hubs on markets & trade, national statistical agencies, and industry publications.
- Secondary environmental data (e.g., Global Forest Watch for forest cover, the Ecosystem Service Values Database, or land cover datasets).
- Primary data collection:
    - **Key informant interviews** with individual buyers, government officials, technical experts etc., can quickly shed light on the workings of the sector while incurring very little cost.
    - **Field surveys** can be useful to gather data on larger groups such as farmers or fishers but can be expensive to conduct.
    - **Focus groups** with producers, consumers, traders, etc., can canvass broader opinions than individual interviews while being cheaper than large-scale surveys.

Be nimble, innovative, and entrepreneurial

You will always be working with imperfect information. Avoid "paralysis by analysis" through a trial-and-error approach – if you have an intervention idea, start small with a low-cost pilot. If it doesn't work, be sure to understand why and feed this information into revising your strategy – then try something else.

Effective market systems programming is more akin to entrepreneurial private sector work than conventional aid delivery – where possible, data collection should be light-touch, flexible, and integrated into an ongoing learning & adaptation process.

"Good enough" analysis

Developing a perfect understanding of a complex market system could take a lifetime. For practitioners, judging when analysis is "good enough" to take action is an art rather than a science. Discussion of the "good enough", along with wider guidance on how to conduct market systems analysis, can be found via the BEAM Exchange.

"Right sizing" a market systems approach

For many conventional MSD projects with multi-million-dollar budgets, it is not uncommon to commission a third-party contractor to conduct a comprehensive market study at the outset of a project. However, such studies can cost tens of thousands of dollars and are out of the question for smaller projects (e.g., small conservation grants).

Smaller projects seeking to adopt a market systems approach should consider the following:

- Draw on individual relationships and key informant interviews – build relationships with experts and key players in your focal market and keep in touch with them throughout implementation to stay abreast of the latest developments and opportunities.
- Use other light-touch means of tracking developments in the sector – attend conferences and events, read trade magazines, follow blogs and social media.
- Use secondary data on what has worked elsewhere (e.g., web searches for sustainable business models in your focal market).

3.2 Implementation

Implementation

The implementation side of the project cycle involves delivery of interventions, measuring & learning from results, and adaptively managing accordingly. Detailed guidance on these steps will be provided in future versions of the Green MSD guidelines, following field testing of the approach.

For now, we offer a range of resources that may be helpful in implementing a market systems approach, as well as some initial thoughts on how Green MSD may differ from conventional practice.

For **market systems development** users:

For the most part, the strategies arrived at via the Green MSD design process outlined above can be implemented following standard MSD guidance (e.g., the "Intervention", "Measurement", and "Management" steps of the M4P Operational Guide).

Areas where conventional MSD projects may need to alter their practices include:

- Ensuring teams have expertise in environmental issues such as climate change and biodiversity conservation.
- Working in partnership with conservation actors such as conservation NGOs, protected area managers, and government agencies responsible for natural resource management.
- Building environmental monitoring methods and expertise into monitoring, evaluation, and learning frameworks (e.g., spatial monitoring of forest cover / land use, ecological monitoring of species/ecosystems, incorporating ecosystem service values or total economic value methods).

For **conservation** practitioners:

For the most part, the strategies arrived at via the Green MSD design process outlined above can be implemented following standard conservation guidance (e.g., the "Implement", "Analyze and Adapt", and "Share" steps of the Conservation Standards)*.

Areas where conventional conservation projects may need to alter their practices include:

- Ensuring teams have expertise in business, finance, markets, and private sector development (see BEAM Exchange Core Competency Framework & Team Leader Competency Framework).
- Working in partnership with market actors such as buyers, traders, finance providers, regulators, development agencies.
- Building business and economic development monitoring methods and expertise into monitoring, evaluation, and learning frameworks (e.g., commercial performance of business models, market data, consumer and producer preferences).

** See below for details on incorporating Green MSD into the Conservation Standards.*

Leading resources on implementing market systems development projects

- BEAM Exchange: Knowledge hub for MSD practice, feature guidance, evidence, and practical examples.
- M4P Operational Guide

For **donors**

For donors designing initiatives with people, climate, and nature goals, it is important to build a mix of skills in each area into relevant departments, moving away from siloed structures where economic development and environmental programming and managed separately.

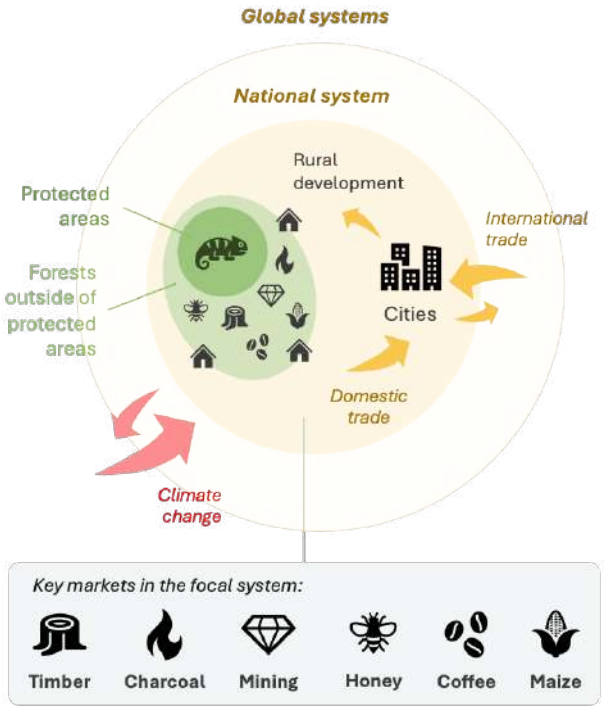
Care should be taken when designing initiatives and writing terms of reference to build in corresponding requirements for teams to have a balance of skills across these thematic areas, moving from "bolt-on" environmental elements in development programming and vice versa, towards truly integrated approaches.

4. Examples

Examples

To demonstrate the potential applications of Green MSD, we use three examples, set against a common backdrop of a hypothetical developing country facing a complex range of challenges relating to poverty, biodiversity loss, and climate change.

Through these examples, we show a broad range of applications of the Green MSD framework – from small conservation grants focused on local communities, to larger-scale market systems programming, to long-term, international organisational strategies.



Example structure

Each example follows the same structure, focusing on the **assess** and **plan** stages of the project cycle to illustrate how a Green MSD approach might lead to different strategies than conventional MSD or conservation programming.

Scope & goals → Assess

*For each, we assume the scope and goals are similar – aiming to **reduce deforestation** (nature), **emissions** (climate), and **poverty** (people), as in the scope and goals section above.*

*As noted earlier, this first version of Green MSD guidelines focuses on the **design** side of the project cycle. As such, our examples are hypothetical, and do not extend into project implementation, learning, and management. Future versions of the guidelines will draw on real-world examples to illustrate this **implementation** side of the cycle in more detail.*

Assess
- Market system prioritization
  The examples pick up from the market system prioritization exercise shown earlier.
- Market system mapping
- Market system analysis
- Identifying systemic constraints

Plan
- Vision
- Theory of change

?

So what? Why use the Green MSD approach? How does it lead to different results to either conventional MSD or conservation programming?

Example 1: Honey

Example 1: Honey

Our first example shows the implications of applying a Green MSD lens to a small-scale / short-term conservation project seeking to promote sustainable livelihoods in local communities.

Complexity: Low

Scope & goals

Scope

Budget: Low (<$200k)

Timeframe: Short (<2 years)

Geography: Local communities

Goals

People: Raising beekeeper incomes

Nature: Reducing deforestation

Climate: Reducing emissions

Assess

Market system prioritization

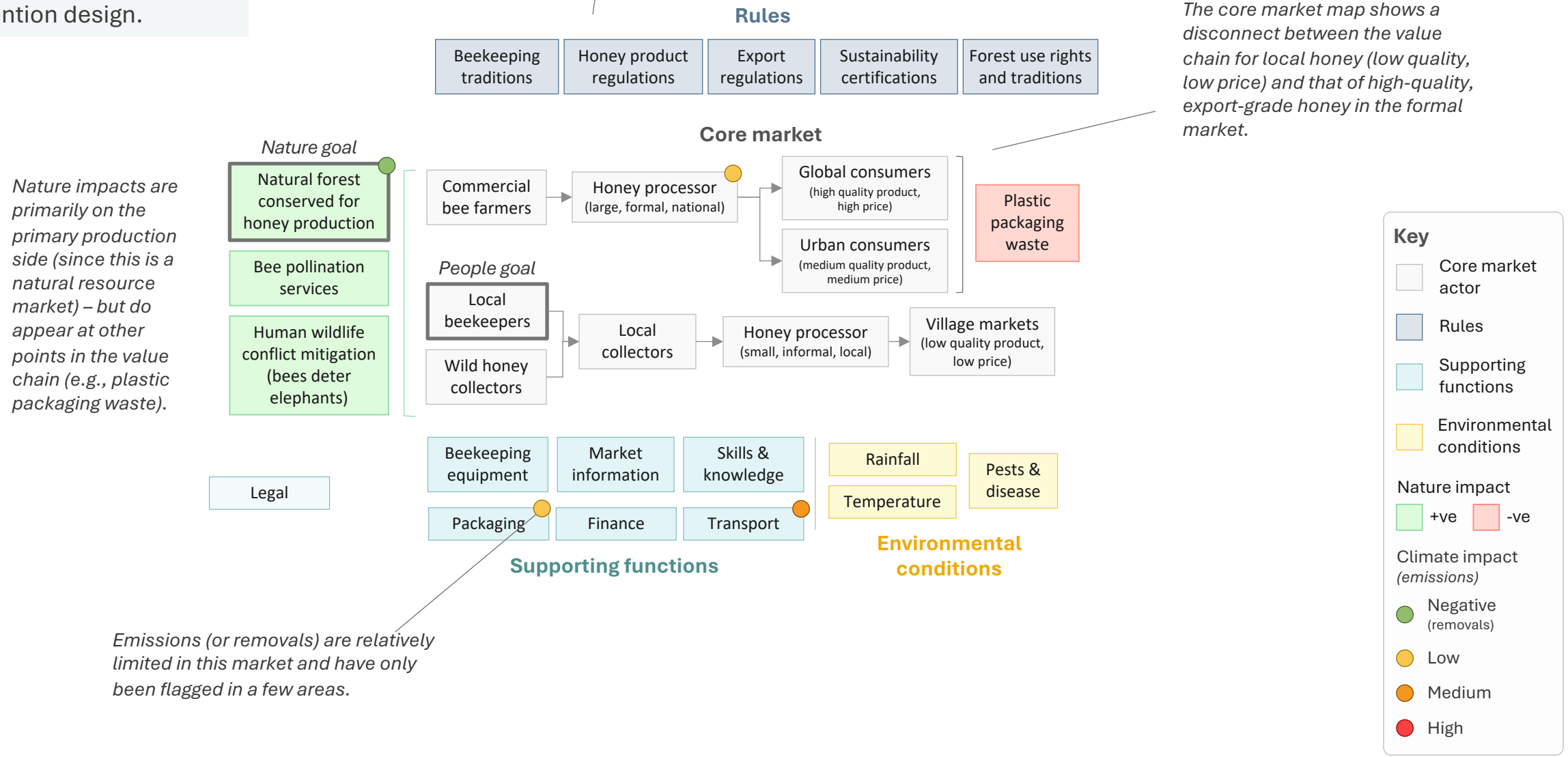
	Honey
Relevance to project goals	●●○
Economic outlook	●●○
Feasibility of intervention	●●●
Overall score	●●●

Mapping, analysis, systemic constraints, vision, theory of change, "so what?"

Example 1: Honey – Market mapping

Mapping the honey market is the basis for subsequent analysis and intervention design.

The "rules" include a mix of formal and informal institutions that govern the market.



Nature impacts are primarily on the primary production side (since this is a natural resource market) – but do appear at other points in the value chain (e.g., plastic packaging waste).

The core market map shows a disconnect between the value chain for local honey (low quality, low price) and that of high-quality, export-grade honey in the formal market.

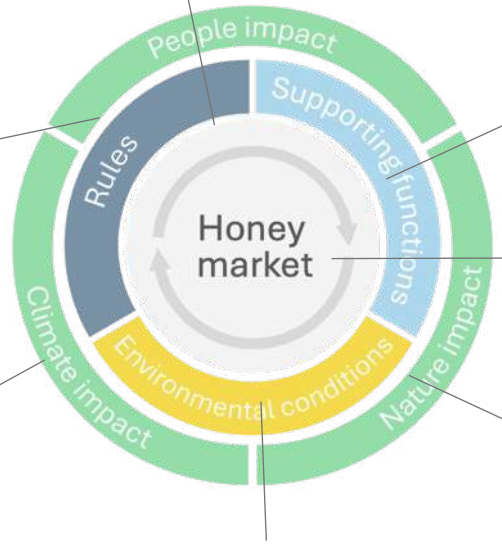
Emissions (or removals) are relatively limited in this market and have only been flagged in a few areas.

Example 1: Honey – Market analysis

The analysis here is simplified for illustrative purposes and limited to a narrative commentary. In reality, this would likely be more detailed, and accompanied with any available data on the sector (e.g., numbers of different types of actors, values and volumes traded, market growth, prices etc.)

Rules: The informal honey sector is largely governed by informal traditions and norms around beekeeping and forest use. The formal sector is required to comply with certain product standards and export regulations to access higher-value international markets. Sustainability certifications can help with market access, though the process is complicated and expensive, and has yielded limited premiums for certified producers to date.

Supporting functions: Local beekeepers lack access to high quality equipment, finance, and knowledge, as well as market information and linkages to established buyers.



People impact: Local, small-scale beekeepers tend to be excluded from higher-value markets due to their dispersed locations, low volume production, and a lack of knowledge of and relationships with larger market actors.

Core market: Beekeeping and wild honey collection are traditionally practiced in the area, with most honey being processed, sold, and consumed in local markets at low prices and low quality.

More recently, a small formal market has emerged where large commercial bee farmers supply to a honey processor, who in turn supplies to higher-value urban and export markets.

Climate impact: The market has a positive climate impact through the protection of the natural forests and agroforestry systems in which hives are located, leading to carbon sequestration in trees. Limited emissions are noted during processing, packaging, and transport.

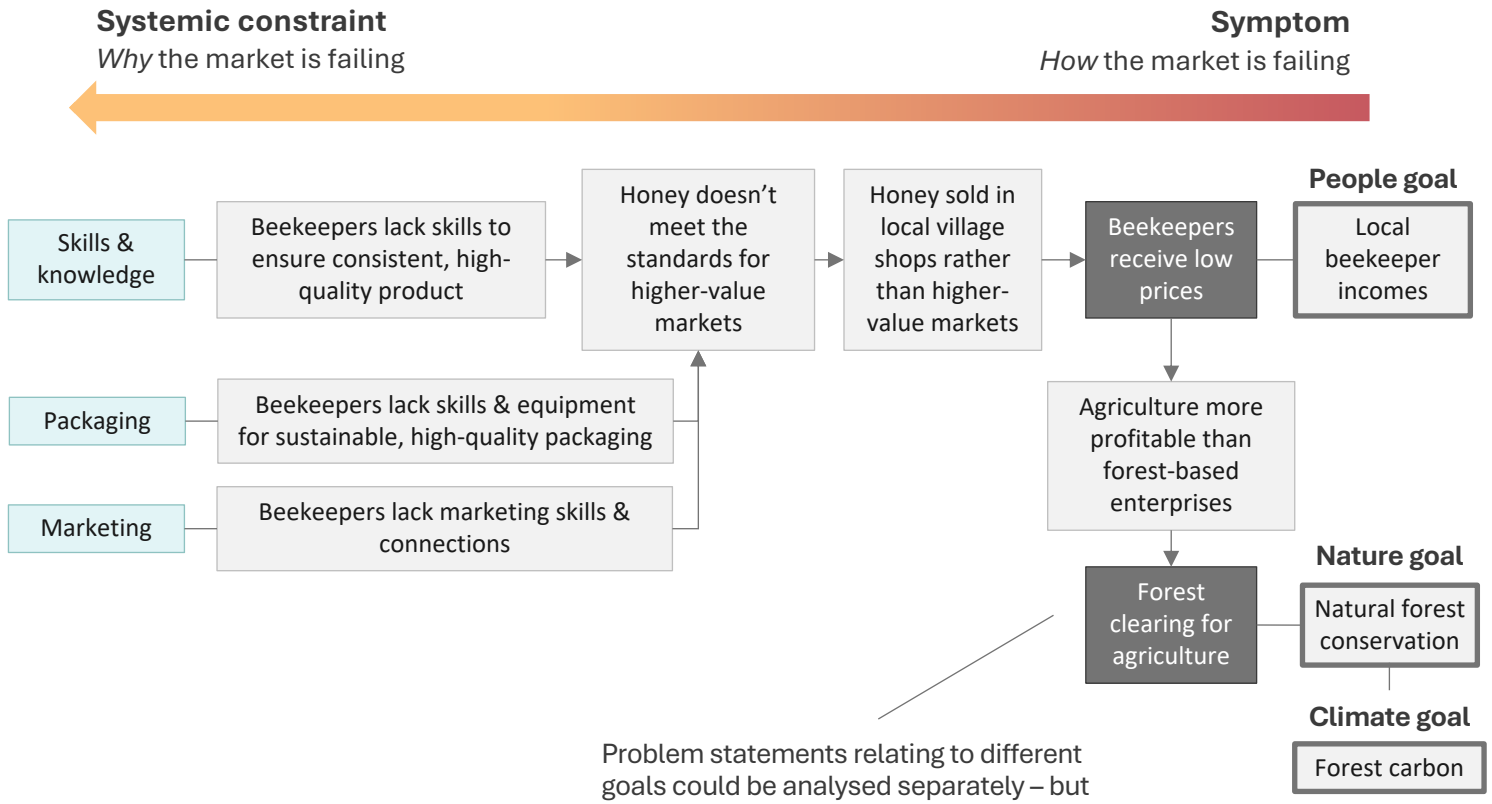
Environmental conditions: Rising temperatures and more frequent droughts are a threat to bee health, while also increasing the likelihood of mites spreading viruses in hives. Effects have been limited to date but are a concern for the future.

Nature impact: The honey sector supports protection of natural forests and agroforestry systems in which beehives are located – though this is threatened by forest clearing for more profitable agriculture.

Beekeeping also has a positive impact on local agriculture and biodiversity via its pollination services, while also helping to mitigate human-wildlife conflict by deterring elephants from crop raiding on farms.

The main negative nature impact is a high amount of plastic used in honey packaging, a large amount of which goes to landfill.

Example 1: Honey – Systemic constraints



Market failures relating to poverty and deforestation can be traced back to a lack of small producer market integration – and specifically to constraints related to a range of supporting functions.

Problem statements relating to different goals could be analysed separately – but here we see they are closely related, and stem from common systemic constraints.

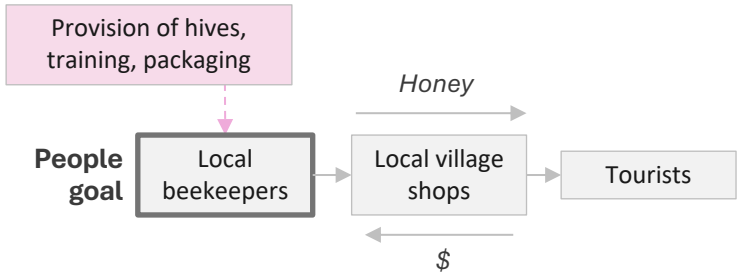
Key

- Goal
- Causal factor
- Problem statement
- Rule
- Supporting function
- Environmental condition

Example 1: Honey – Vision

Status quo: Conventional conservation livelihoods project

Many conventional "direct delivery" projects opt to provide training and/or equipment directly to farmers:

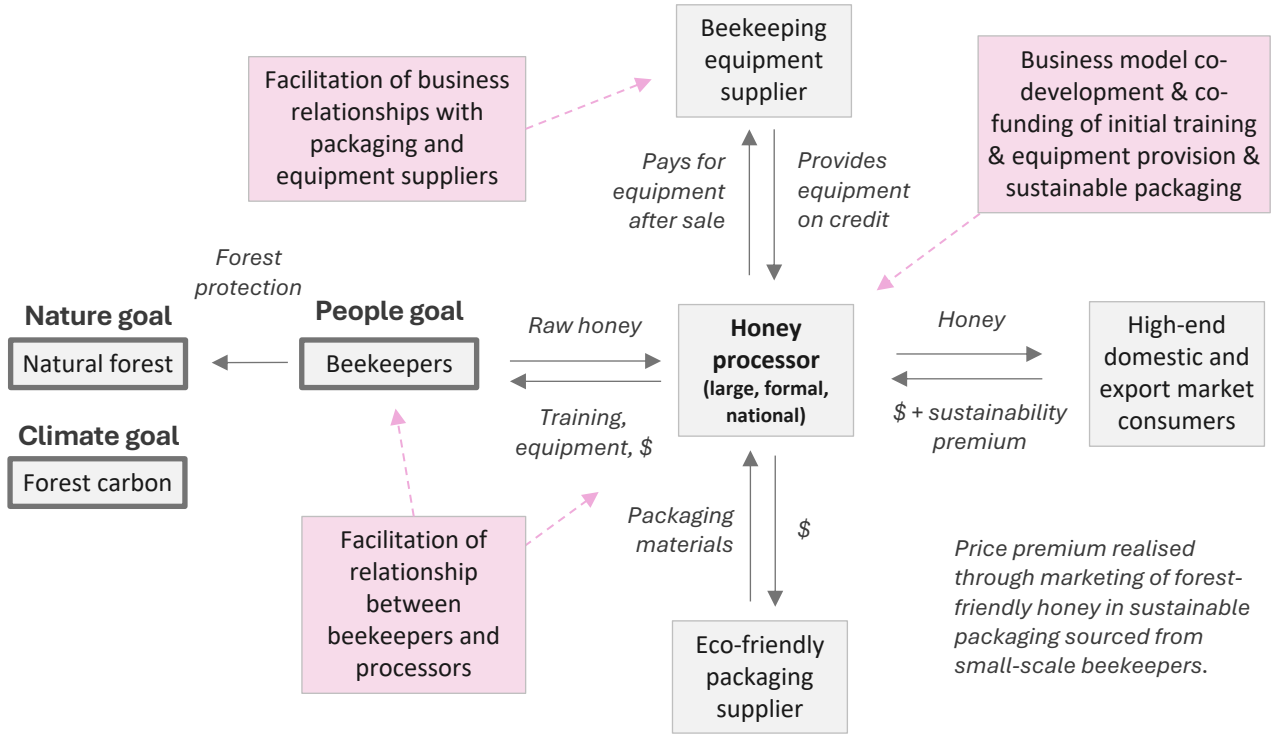


This approach has several shortcomings:

- There is no plan for how beekeepers will access key supporting functions of equipment, training, and packaging in the long-run.
- There is limited potential for the model to be scaled, as it requires expensive direct support to individual beekeepers.
- The beekeepers are still not accessing higher-value markets, as there is no engagement with private sector actors beyond the producers. As such, the effect on beekeeper incomes may be minimal – and temporary.

Green MSD project

With a Green MSD approach, the focus is on facilitating lasting change by working with existing market actors to develop a commercially viable model that will outlive the project:

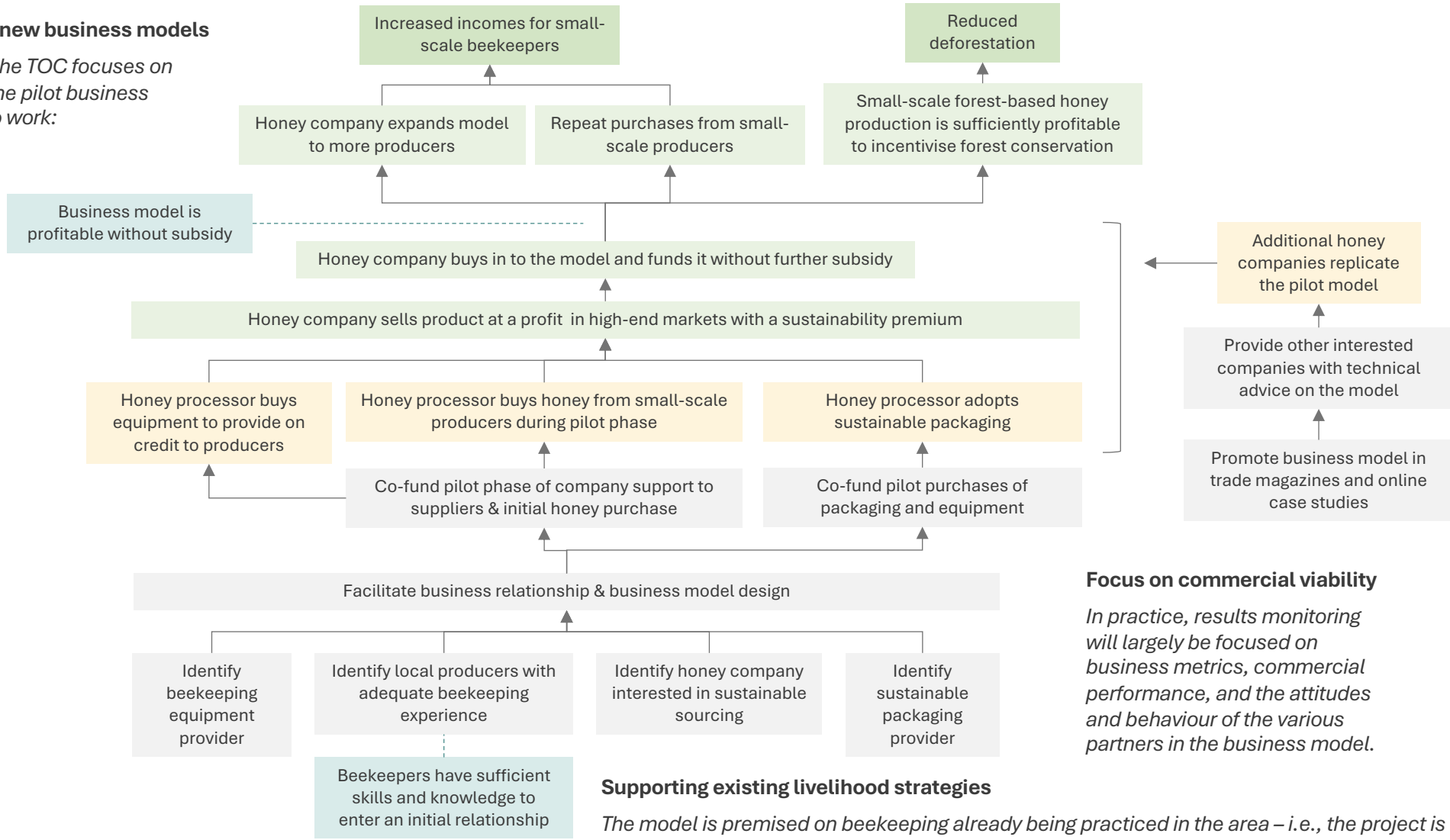


The Green MSD example is centered on an innovative business model with a honey processing company with access to high-end domestic and export markets. By facilitating relationships between the processor, producers, and service providers, the project is able to promote a sustainable business model focused on forest-friendly, small producer honey.

Example 1: Honey – Theory of change

Piloting new business models

Most of the TOC focuses on getting the pilot business model to work:



Scaling up

Complementary interventions can be used to take the pilot model to scale – though this is not essential in small grant programming (see "Right-sizing MSD" - next slide).

Focus on commercial viability

In practice, results monitoring will largely be focused on business metrics, commercial performance, and the attitudes and behaviour of the various partners in the business model.

Supporting existing livelihood strategies

The model is premised on beekeeping already being practiced in the area – i.e., the project is not introducing it for the first time. Achieving commercial viability is extremely difficult with entirely new livelihood strategies.

Key

- Impact
- Outcome
- Output
- Activity
- Assumption

Example 1: Honey – So what?

The honey market example demonstrates how Green MSD can help small conservation projects with livelihoods objectives to deliver lasting results by working through existing market actors and focusing on commercial viability.

Key takeaways:

- Rather than **direct delivery** of training and equipment to beekeepers, the Green MSD approach focuses on playing a **facilitative role** focused on brokering relationships, designing new business models, and working with existing market actors.
- Central to the model is a partnership with a **lead firm** - the honey processor – who has an interest in sustainable sourcing and is willing to work with the project to innovate a new business model. Identifying partners with appropriate **capacity** and **incentives** to help you pursue your goals is critical.
- Also critical is the fact that **beekeeping was a pre-existing livelihood strategy** in the example – i.e., rather than promoting an entirely new (or "alternative") livelihood in communities, the project is looking to support the sustainable development of existing livelihoods. Private sector partners are unlikely to get into business with producers who have no prior experience.
- Key to the project's facilitative role is **time-limited subsidy** of the new business model – i.e., temporarily contributing to the cost of testing the model. This helps to "de-risk" the innovation from the honey processor's perspective – they aren't covering the whole cost, so they aren't taking on as much risk – but they still have some "skin in the game" (i.e., they have a stake in the project rather than just receiving free handouts).
- Our honey example also shows how key **market systems principles can be applied to livelihoods projects with smaller budgets and timescales than conventional MSD programs** (see "*Right-sizing a market systems approach for small grants programming*").

For **Conservation Standards** users:

For more details on how the approach demonstrated here differs from those set out in the Conservation Actions and Measures Library generic theories of change, see Green MSD and the Conservation Standards, below.

For **market systems development** users:

While Example 1 is aimed primarily at conservation projects, it is important to note the effect of including a nature goal (reduced deforestation) in focusing the strategy on a forest-friendly market with a strong emphasis on sustainability premiums.

Example 1: Honey – So what?

If a market systems approach is to be used widely in the conservation field, it will be important to find ways to apply it at lower budgets and shorter timescales than many conventional MSD programs. Our honey example illustrates this.

"Right-sizing" a market systems approach for small grants programming

In this example, we focus on a short-term (2-3 year), small scale (<$200,000) project – far smaller than many conventional MSD programs, which can span >10 years and tens of millions of dollars. Key differences in a small project context could include:

- **Light-touch data collection and analysis**: Instead of commissioning expensive third-party market studies, the analysis required to develop the strategy could be carried out through some limited fieldwork to understand the challenges faced by beekeepers, a desk-based review of literature on the sector and business models that have worked elsewhere, and discussion with a handful of actors performing different market system functions (local traders, processors, relevant government ministries/agencies, trade/industry associations, universities, other NGOs/projects active in the sector).
- **Not seeking to transform the whole market**: Example 1 takes some key principles of MSD – facilitating change through private sector partners, focusing on incentives and behavior, and planning for sustainability from the outset – and applies them to local livelihoods development. It does not seek to transform national or international markets.

Example 2: Coffee

Example 2: Coffee

Our second example shows the implications of applying a Green MSD lens to a conventional MSD project working on national coffee sector development with a substantial budget.

Complexity: Medium

Scope & goals

Scope

Budget: Medium ($5-10m)

Timeframe: Medium (<5 years)

Geography: National

Goals

People: Raising farmer incomes

Nature: Reducing deforestation

Climate: Reducing emissions

Assess

Market system prioritization

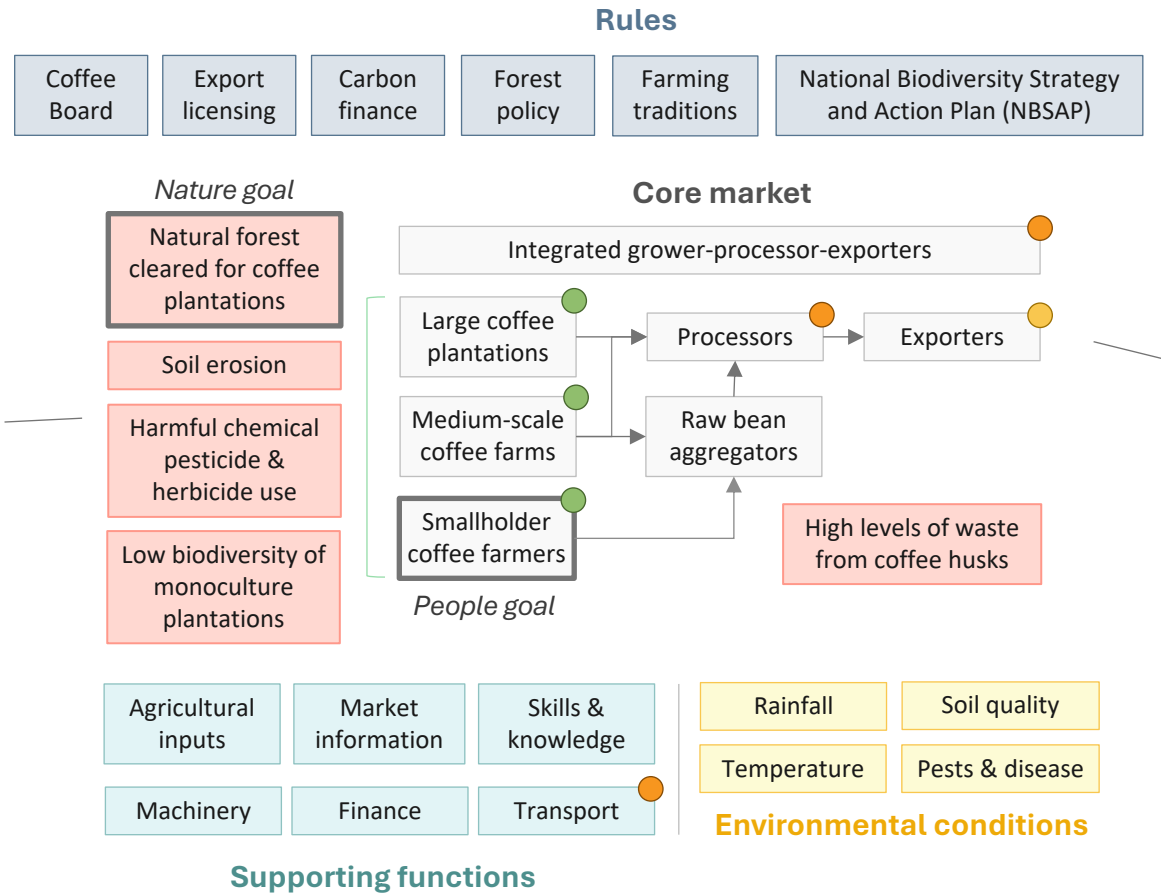
	Coffee
Relevance to project goals	●●○
Economic outlook	●●●
Feasibility of intervention	●●●
Overall score	●●●

Mapping, analysis, systemic constraints, vision, theory of change, "so what?"

Example 2: Coffee – Market mapping

Mapping the coffee market is the basis for subsequent analysis and intervention design.

Note that "rules" have been included that relate specifically to the nature impacts of the coffee sector (e.g., the NBSAP) – but might otherwise be overlooked in a conventional MSD project without the "green" lens.



Once again, the nature impacts mostly relate to primary production at the natural resource side of the market.

While the coffee sector extends into importers, roasters, and consumers in global markets, we limit the analysis here to the geographic (national) scope of the project.

Key

- Core market actor
- Rules
- Supporting functions
- Environmental conditions

Nature impact
- +ve
- -ve

Climate impact *(emissions)*
- Negative (removals)
- Low
- Medium
- High

Example 2: Coffee – Market analysis

The analysis here is simplified for illustrative purposes and limited to a narrative commentary. In reality, this would likely be more detailed, and accompanied with any available data on the sector (e.g., numbers of different types of actors, values and volumes traded, market growth, prices etc.)

Rules: The coffee market is regulated by the national Coffee Board. Export licenses are provided by the Ministry of Commerce – an expensive and bureaucratic procedure that is a major impediment to the sector's global competitiveness.

Key rules relating to the nature and climate impacts of the sector include the new national Forest Policy and National Biodiversity Strategy and Action Plan (NBSAP), which have set commitments to reducing deforestation and biodiversity loss resulting from agriculture – including the coffee sector. In addition, recent developments in voluntary carbon markets are opening up new opportunities for investors to access carbon finance.

People impact: Smallholder coffee farmers are marginalized in the market, receiving low prices for poor quality produce. They lack relationships with larger private sector actors, and their margins are eaten up by the chain of aggregators, processors, and exporters that their coffee is sold through.

They rely on traditional monoculture planting systems that are not suited to the growing global demand for sustainably produced coffee, while also leaving growers vulnerable to climate change.

Supporting functions: Key supporting functions include input supply, transport, processing machinery, access to finance, market information, and skills & knowledge. Building climate resilience will require significant investment in the inputs function to develop, test, and commercialize climate-smart coffee plants. Smallholders in particular lack access to many important supporting functions – particularly around skills and inputs.

Core market: The coffee market is made up of a small number of large integrated coffee companies who grow, process, and export coffee, as well as a range of large, medium, and small growers. Large growers sell directly to processors, while medium and particularly small growers have to rely on aggregators to collect beans and transport them to processors, taking a substantial cut in the process. Processors sell the coffee on to exporters.

Climate smart practices such as shade-grown coffee in agroforestry systems is limited to the largest growers, with the sector still being dominated by traditional monoculture planting.

Climate impact: While more carbon is sequestered in coffee trees than other forms of commodity agriculture, there is a net negative effect when carbon-rich natural forests are cleared to make way for coffee plantations.

Emissions are also present in the market at the processing and transport stages.

Environmental conditions: Climate change is expected to substantially shrink the suitable growing area as temperatures rise and rain seasons become shorter and less dependable.

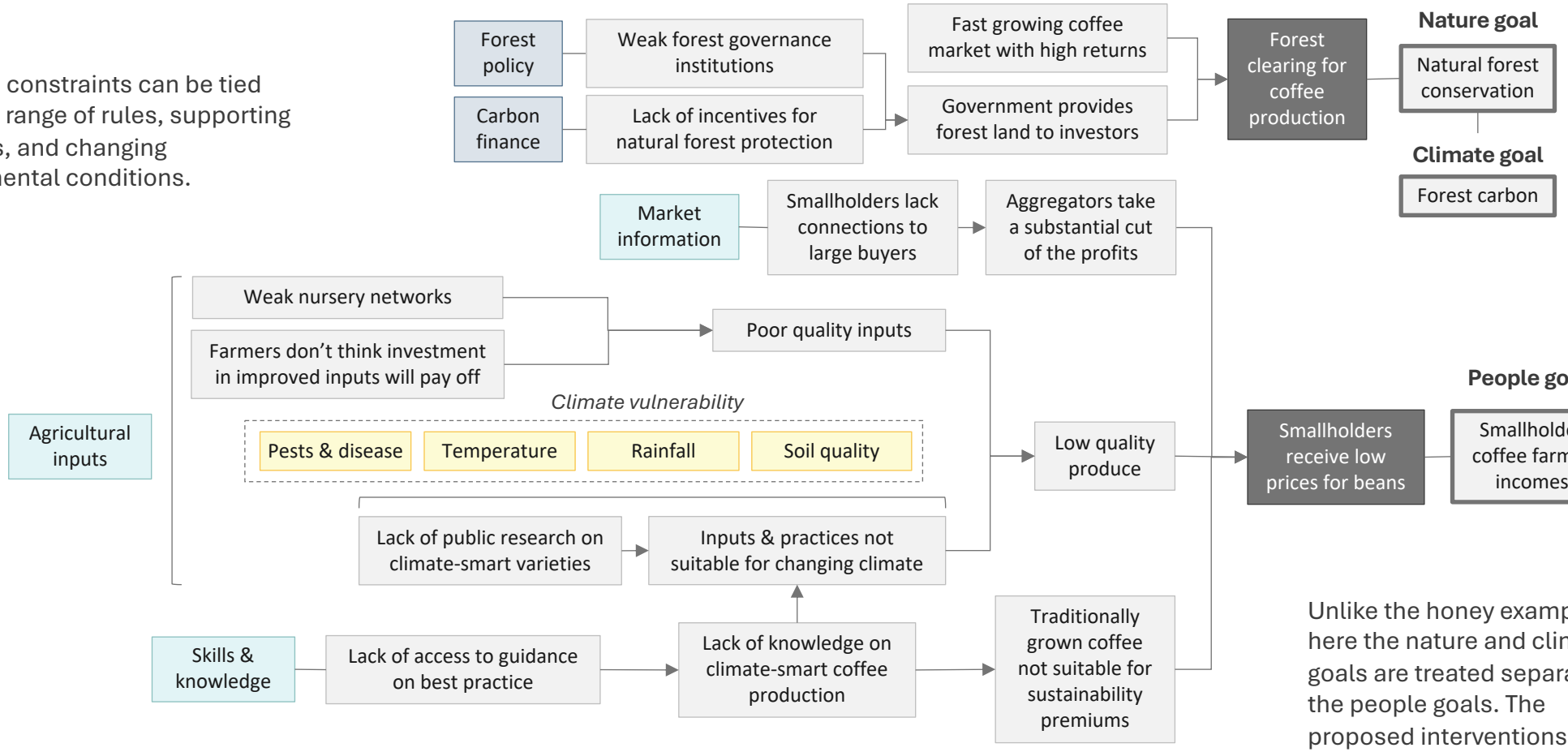
Nature impact: The high profitability of coffee is driving deforestation in many areas as natural forest is cleared to make way for monoculture coffee plantations, both at small scales (where smallholders clear trees on farms or nearby forest), as well as on larger plantations, where government awards tracts of land to investors with insufficient consideration for the environmental impacts (though this may change under the new Forest Policy).

Example 2: Coffee – Systemic constraints

Systemic constraint
Why the market is failing

Symptom
How the market is failing

Systemic constraints can be tied back to a range of rules, supporting functions, and changing environmental conditions.



Unlike the honey example, here the nature and climate goals are treated separately to the people goals. The proposed interventions will draw them back together.

Key

- Goal
- Causal factor
- Problem statement
- Rule
- Supporting function
- Environmental condition

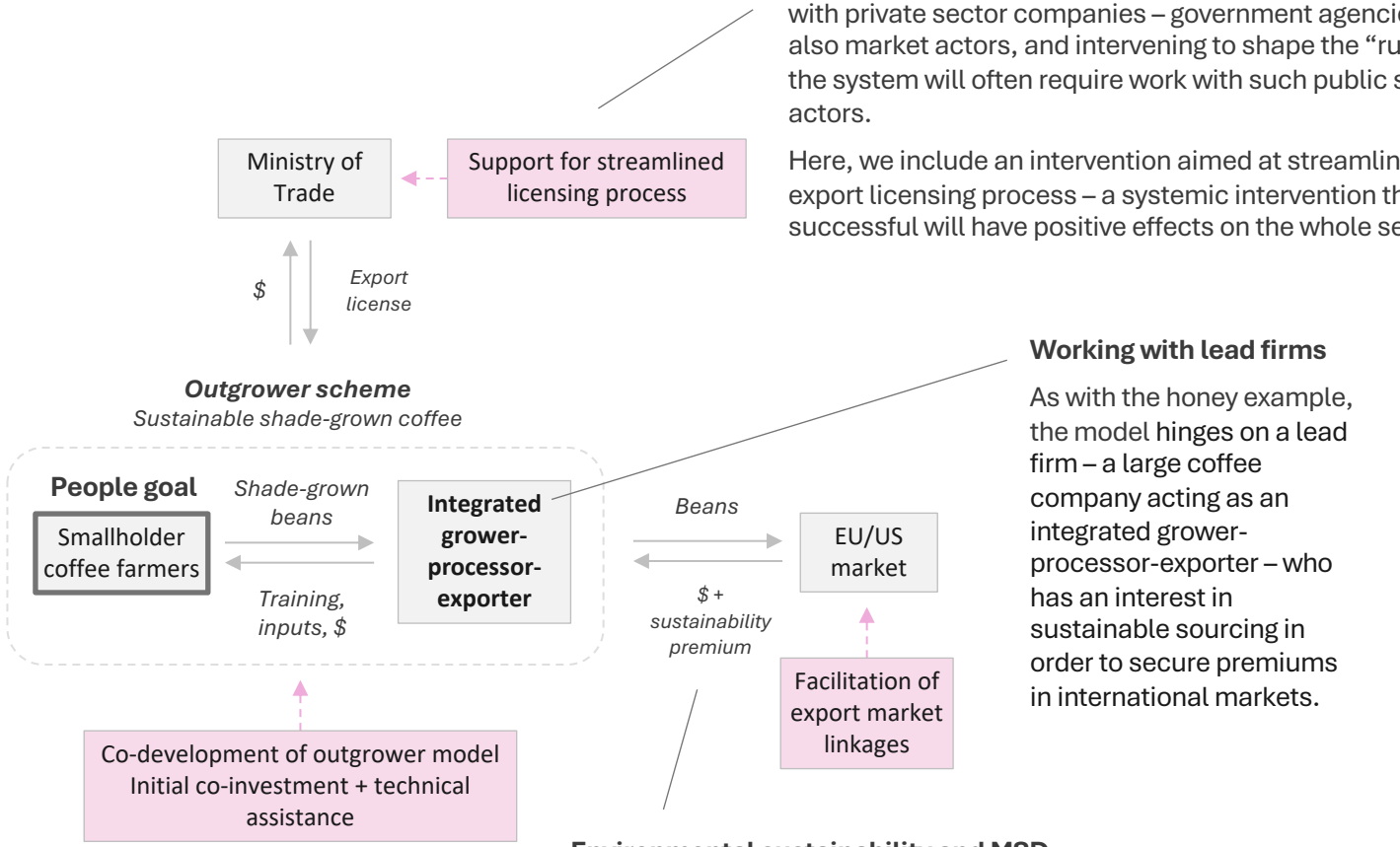
Example 2: Coffee – Vision

Status quo: Conventional MSD project

We begin the example with an illustration of what a conventional MSD project might do under the circumstances. As with the honey example, the model is centered on a lead firm with an interest in sustainable sourcing. This creates an opportunity to address systemic constraints relating to key supporting functions by having the coffee company provide training and inputs to outgrowers.

Limitations

While many MSD projects are already incorporating environmental practices (shown in the shade-grown coffee example here), this status quo model does not address the wider climate and nature considerations identified via the Green MSD market analysis.



Working with public sector partners

Partnering with market actors does not just mean working with private sector companies – government agencies are also market actors, and intervening to shape the "rules" of the system will often require work with such public sector actors.

Here, we include an intervention aimed at streamlining the export licensing process – a systemic intervention that if successful will have positive effects on the whole sector.

Working with lead firms

As with the honey example, the model hinges on a lead firm – a large coffee company acting as an integrated grower-processor-exporter – who has an interest in sustainable sourcing in order to secure premiums in international markets.

Environmental sustainability and MSD

Many MSD projects are already integrating environmental sustainability considerations – here we show the example of a business model where a large coffee company secures premiums for shade grown coffee produced in smallholder agroforestry systems.

Example 2: Coffee – Vision

Green MSD project

The table below considers a range of intervention options to incorporate the climate and nature goals that were not covered by the status quo MSD model.

Selecting an intervention strategy to pursue will typically require a prioritization exercise in which multiple intervention ideas are compared based on their feasibility and likely impact. At this stage, only basic outlines of ideas are required.

Preferred option

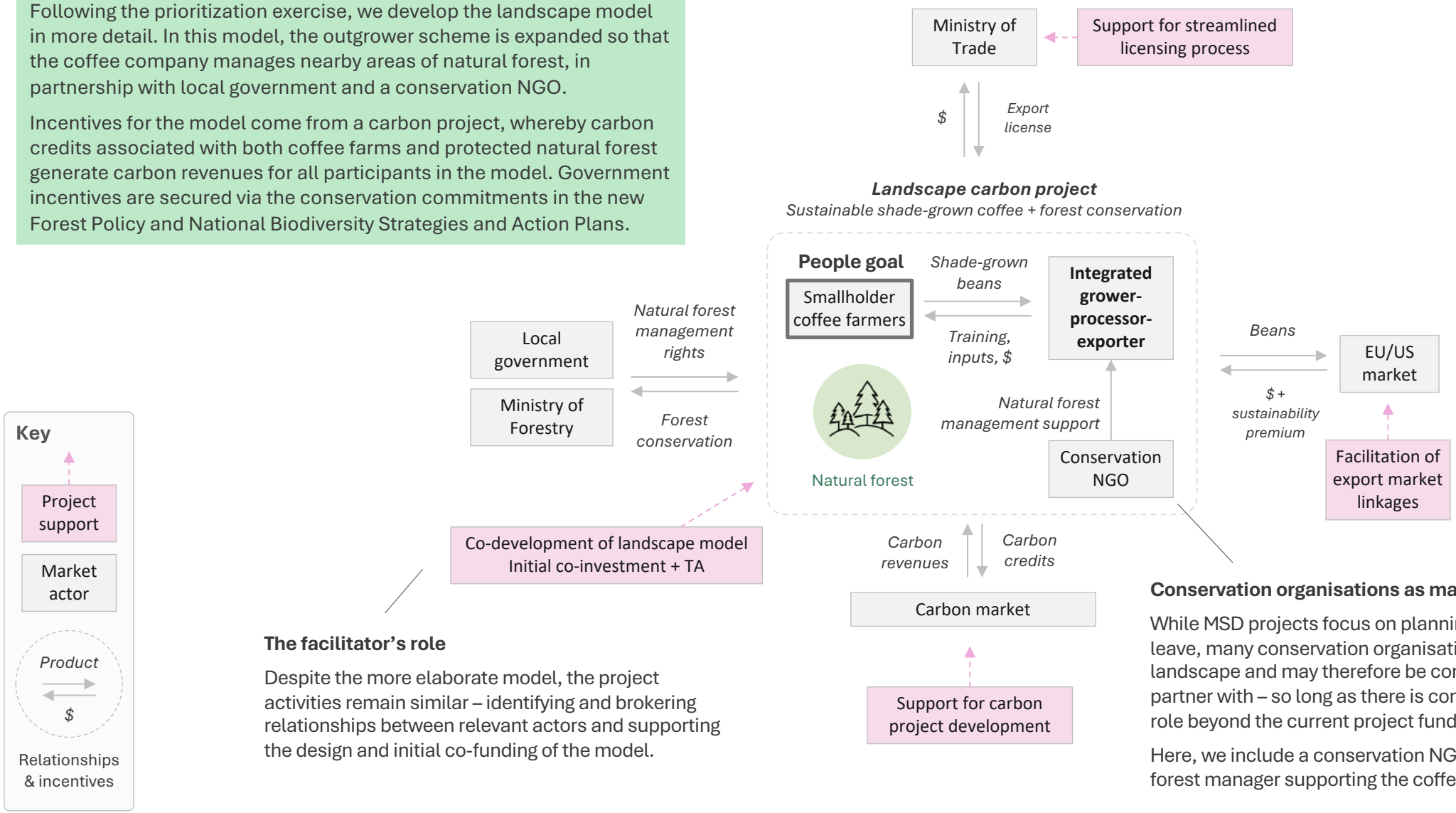
Intervention	Description	Rating	Rationale
(a) Climate smart coffee inputs	Working with the Ministry of Agriculture, National Coffee Research Center, and private nurseries to research, propagate, and commercially distribute climate smart coffee plants.	●○○	Unlikely to generate impact within the lifetime of the project. Addresses climate vulnerability concerns, but not deforestation.
(b) Landscape carbon finance model	Working with coffee companies to build on existing outgrower schemes to incorporate wider landscape management – specifically the conservation of nearby natural forests in partnership with local government and conservation organizations. Incentives provided by landscape carbon projects providing revenue streams for credits generated on coffee farms and protected natural forest.	●●●	Opportunity available for a pilot model with interested & capable public & private partners. Addresses combined people, nature, and climate goals, with reasonable likelihood of success within the project timeline and budget. Main limitation is that the model would not affect deforestation driven by actors outside of the model.
(c) Jurisdictional sourcing model	Working with coffee companies, district government, Ministry of Agriculture, and Ministry of Trade to establish a "jurisdictional sourcing" model whereby coffee produced in certain districts would achieve a price premium on the global market based on guarantees that all coffee from the source district was deforestation-free.	●●○	Has the potential to protect wider areas of forest than option (b), but a very complicated model with few prior precedents, requiring cooperation from multiple levels of government. High risk of non-achievement during project lifetime / raising expectations and not meeting them.

Example 2: Coffee – Vision

Green MSD project

Following the prioritization exercise, we develop the landscape model in more detail. In this model, the outgrower scheme is expanded so that the coffee company manages nearby areas of natural forest, in partnership with local government and a conservation NGO.

Incentives for the model come from a carbon project, whereby carbon credits associated with both coffee farms and protected natural forest generate carbon revenues for all participants in the model. Government incentives are secured via the conservation commitments in the new Forest Policy and National Biodiversity Strategies and Action Plans.



The facilitator's role

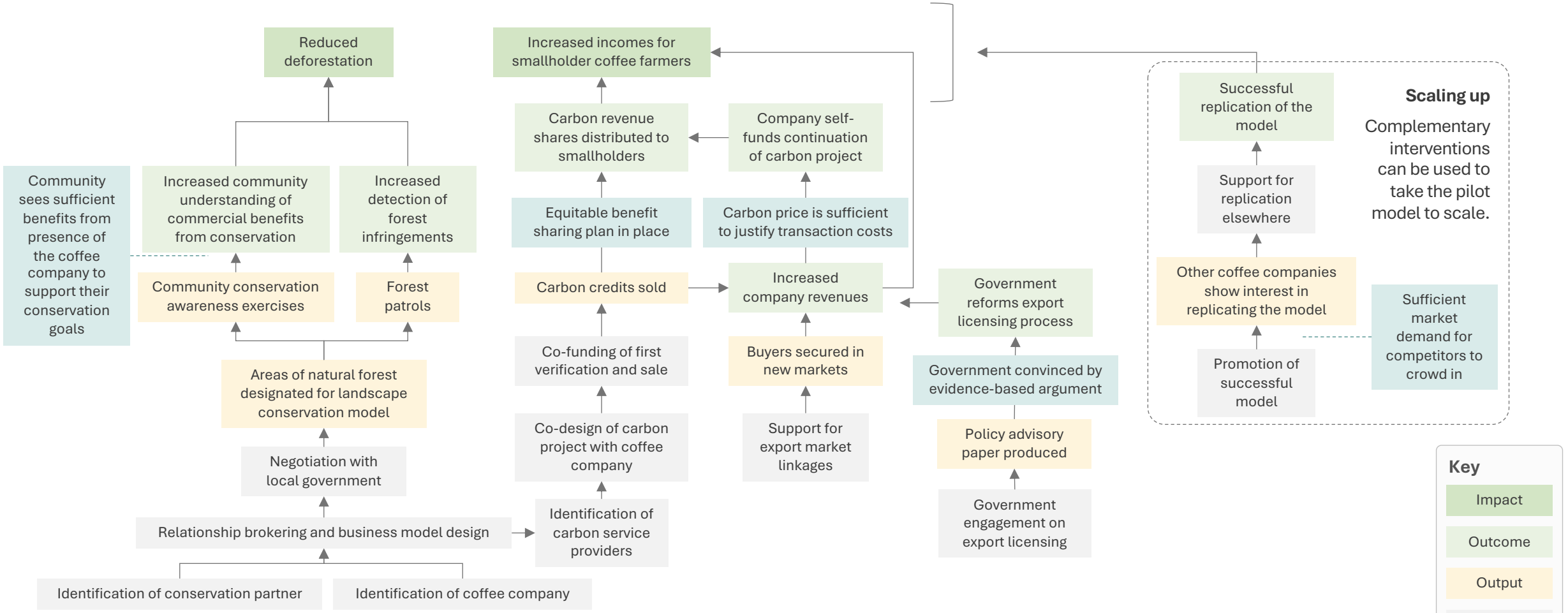
Despite the more elaborate model, the project activities remain similar – identifying and brokering relationships between relevant actors and supporting the design and initial co-funding of the model.

Conservation organisations as market actors

While MSD projects focus on planning for what happens when they leave, many conservation organisations are long-term actors in the landscape and may therefore be considered as market actors to partner with – so long as there is confidence that they can fulfil the role beyond the current project funding.

Here, we include a conservation NGO in the business model, as a forest manager supporting the coffee company.

Example 2: Coffee – Theory of change



Example 2: Coffee – So what?

The coffee market example demonstrates how Green MSD can help conventional MSD projects to incorporate nature and climate goals, ensuring that economic development is not at the expense of environmental degradation.

Key takeaways

- The inclusion of **nature and climate goals** on a level with economic development (people) goals shifts the focus of the overall strategy towards green business models that consider the project's impacts on wider landscapes.
- The **intervention prioritization exercise** illustrated the **tradeoffs** that may be faced – in the end, the example dropped intervention ideas that may have generated greater environmental benefits in the long run but would have been challenging to balance with economic development priorities in the short term.
- The example also demonstrates how **intervention partners should not be limited to private sector partners** – the landscape model included important roles for **government** and **conservation organizations**.
- While the honey example did not seek to bring about changes in the wider sector, the coffee example shows how working on **national policy** and using complementary interventions to encourage **crowding in** can bring about **sector-wide impacts**.

Example 3: Energy

Example 3: Energy

Our third example shows the potential applications of Green MSD when designing complex long-term strategies with integrated people, climate, and nature goals from scratch – avoiding the "tinkering around the edges" effect to tackle some of the biggest environmental issues of our time.

Complexity: High

Scope & goals

Scope

Budget: High ($10m)

Timeframe: Long (10 years)

Geography: Multi-country

Goals

People: Ensuring affordable energy access & avoiding damage to livelihoods of charcoal producers

Nature: Reducing deforestation

Climate: Reducing emissions

Assess

Market system prioritization

	Charcoal
Relevance to project goals	●●●
Economic outlook	●○○
Feasibility of intervention	●○○
Overall score	●●○

Charcoal was initially ruled out due to limited feasibility of intervening in a largely illegal market with few commercial prospects.

In this example, we examine what it would take to make a difference in this challenging market system.

Mapping, analysis, systemic constraints, vision, theory of change, "so what?"

Example 3: Energy

Our third example shows the potential applications of Green MSD when designing complex long-term strategies with integrated people, climate, and nature goals from scratch – avoiding the "tinkering around the edges" effect to tackle some of the biggest environmental issues of our time.

Avoiding "tinkering around the edges"

In the initial market selection exercise in the Assess section, **charcoal** was found to be the most relevant market in the landscape – both as the main driver of deforestation, but also as an important livelihood strategy and critical source of fuel for most rural households – yet **intervention in the charcoal market was ruled out on feasibility grounds**.

This is a common story in many real-world settings – organizations and projects often feel unable to tackle seemingly intractable environmental problems, opting instead for more achievable strategies that ultimately have marginal effects on the biggest issues.

In this final example, we explore how a market systems approach might be used to address some of these larger, more complex environmental problems – and the changes in funding and organizational models that might be required to do so.

A systemic approach

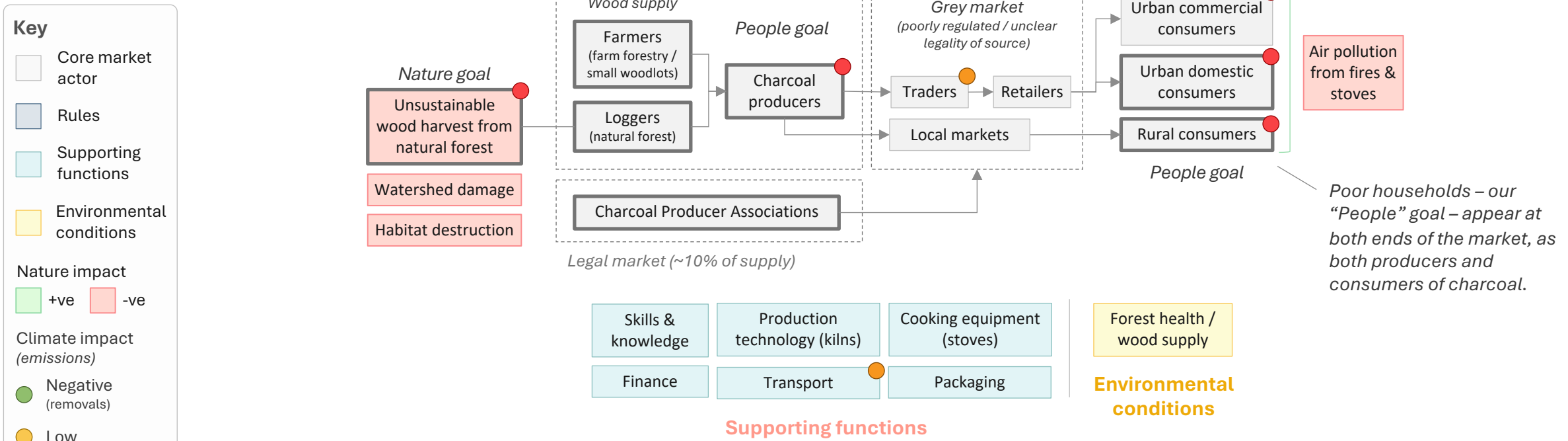
In this example, we consider what would be needed to drive lasting change at scale in charcoal markets. As such, we will avoid common charcoal intervention strategies, including:

- Directly establishing woodlots for fuelwood in small-scale "sustainable charcoal" projects.
- Direct provision of clean cookstoves and training.

As with all direct delivery programming, such approaches tend to have limited impact, scale, and sustainability of results, leaving the wider market largely unchanged.

Example 3: Energy – Market mapping

Mapping the charcoal market is the basis for subsequent analysis and intervention design.

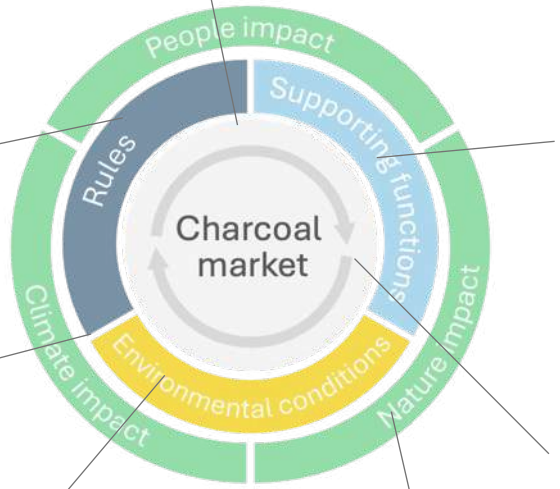


Example 3: Energy – Market analysis

The analysis here is simplified for illustrative purposes and limited to a narrative commentary. In reality this would likely be more detailed, and accompanied with any available data on the sector (e.g., numbers of different types of actors, values and volumes traded, market growth, prices etc.)

Rules: The charcoal sector is poorly regulated. Despite most activity being illegal, there is little political will to enforce laws due to sensitivity around fuel prices. Efforts to formalize the sector through the creation of legal Charcoal Producer Associations have struggled due to bureaucratic inefficiencies and an inability to compete commercially with the informal sector.

Traditional cooking methods mean that charcoal is strongly preferred to alternatives (gas, electricity), particularly in rural areas. In urban areas, particularly commercial settings such as restaurants, the scope for shifting norms via an energy transition is more promising due to increased purchasing power and openness to change.



People impact: The charcoal market is important not only as critical energy source for both rural and urban consumers (including private households and small businesses), but also as an important livelihood strategy.

Efforts to ban charcoal production only push people into illegal production and trade and raise the cost of fuel for households.

Supporting functions: Two key supporting functions are the availability of technology for production (kilns) and consumption (stoves). For both, highly inefficient technologies are dominant.

Many NGO projects have sought to provide improved cookstoves, but uptake and impact has been limited due to their expense, maintenance issues, and strong preferences for traditional methods.

On the production side, traditional kilns require 10t of wood input to produce 1t of charcoal - a 10% recovery rate. Modern kilns can achieve recovery rates of 30-40% and offer the best prospects for reducing deforestation – though there are no local manufacturers, suppliers, or technical support available, knowledge of the technology is limited, and uptake is almost non-existent.

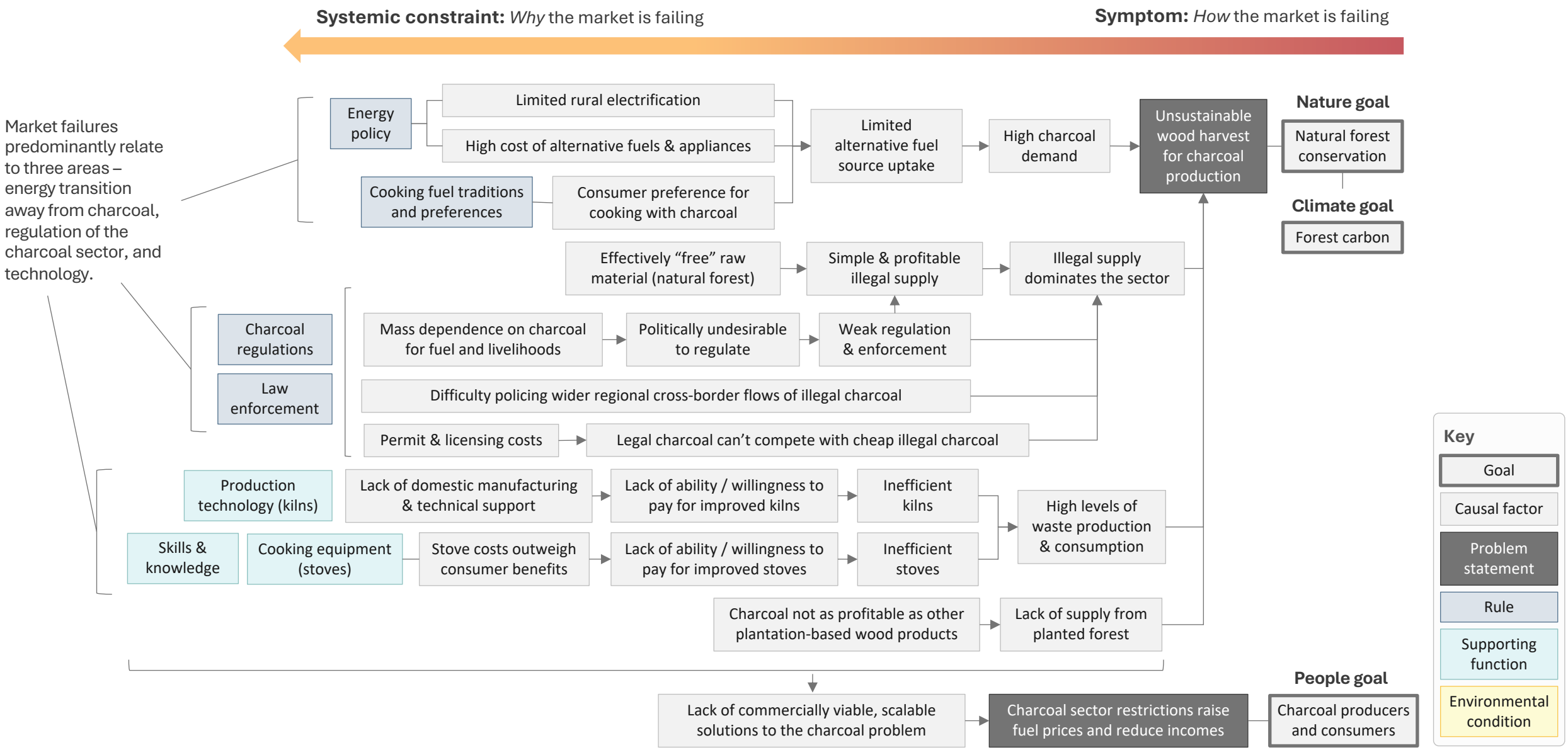
Climate impact: Wood harvesting for charcoal is the primary cause of deforestation and therefore emissions and reduced sequestration in landscapes across the country.

Core market: The charcoal market is dominated by illegal wood harvesting, production, and trade supplying urban and rural consumers. A far smaller legal subsector made up of licensed Charcoal Producer Associations is the result of government efforts to formalize and regulate the sector, though these groups have been unable to compete with cheaper illegal charcoal.

Environmental conditions: The primary environmental condition that the sector depends on is the availability of forests to harvest for charcoal production. In many areas, decades of deforestation pressures have reduced the available fuelwood around population centers, leading to rising raw material prices.

Nature impact: Wood harvesting for charcoal production is the primary cause of deforestation and forest degradation, leading to drastic biodiversity loss and damage to important watersheds.

Example 3: Energy – Systemic constraints



Example 3: Energy – Vision

Before developing detailed intervention models, the market analysis can guide us to several initial design decisions:

1. Broader energy sector interventions

Making a difference in charcoal markets requires broader changes in energy markets.

2. Strong government role

Many conservation and development projects have sought to promote community-based sustainable charcoal or the use of improved cookstoves. These efforts have largely been dwarfed by the vast informal sector, with projects failing to create lasting incentives for sector-wide improvements.

Transformational change is unlikely to come from any one development or conservation actor or project – a long-term approach is required with strong ownership from national governments, including a suite of regulations and incentives that can help to shape the market.

3. Separate strategies for urban and rural subsectors

A transition away from wood energy is more likely to be feasible in urban (particularly commercial) settings, where purchasing power and openness to new technologies is greater.

In rural areas, a broad transition to cooking with gas or electricity is unlikely for the foreseeable future. For now, the focus should be on improving the wood energy sector by formalizing and modernizing production, improving the efficiency of production technologies, and ensuring equitable fuel access for rural households.

4. A long-term, sequenced approach

Given the scale of ambition, complexity of the problem, and wide range of public and private sector actors who would likely be involved in any strategy, a long-term programmatic approach is required, whereby a portfolio of intervention strategies build on one another over time. This would be best suited to a long-term organizational strategy for an NGO, foundation, or donor.

5. International coordination

Given the key challenge of illegal charcoal flows from neighboring countries, a regional approach coordinated between multiple countries is likely to be required.

For **conservation** practitioners:

Many of the identified systemic constraints and proposed actions may seem like "governance" or "policy" interventions, and therefore not a "market-based" strategy.

However, for market systems practitioners, the "rules" of the system are a critical feature of the market, and many market systems strategies are focused primarily - if not exclusively - on influencing the policies, institutions, norms through partnerships with government ministries/agencies, and traditions that shape the way the market works.

In face of severe market failures and environmental externalities, pure private sector solutions are often not feasible – and may indeed have caused the problem in the first place. In these cases, a market systems approach should be flexible to promote the use of regulation, subsidies, and other government functions to address the problem.

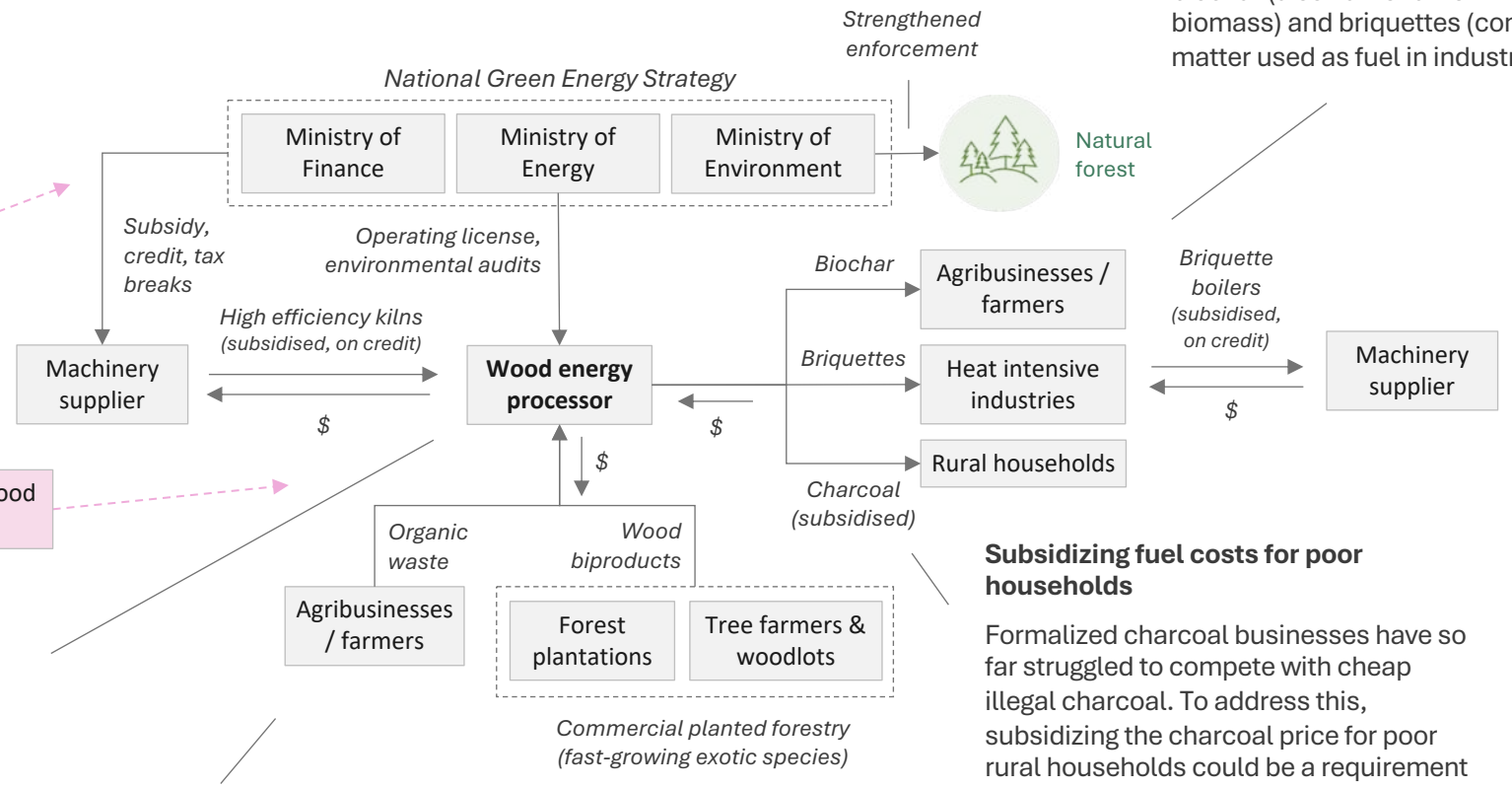
Example 3: Energy – Vision

(1) Rural strategy: We begin with a model for the rural wood energy sector, focused on high-efficiency technologies, formalized and modernized production, and sustainable sourcing from planted forests and farms. We start by considering what a successful model might look like in a single country.

Role of government

Given the constraints around technology access, we include a prominent role for targeted subsidies and concessional finance, coordinated via a cross-ministry National Green Energy Strategy.

Support for development of national strategy, including design of regulations & incentive schemes.



Diversified business model

Rather than focusing only on charcoal, our model enhances the likelihood of commercial success by diversifying into related products - biochar (a soil amendment made from organic biomass) and briquettes (compressed organic matter used as fuel in industrial processes).

Formalizing & modernizing the wood energy business

Instead of charcoal being produced by community groups (Charcoal Producer Associations), our model is based on a larger, more sophisticated wood energy processing company – the lead firm at the center of the model.

Subsidizing fuel costs for poor households

Formalized charcoal businesses have so far struggled to compete with cheap illegal charcoal. To address this, subsidizing the charcoal price for poor rural households could be a requirement of the operating license.

Shifting the resource base from natural forest to farms and tree plantations

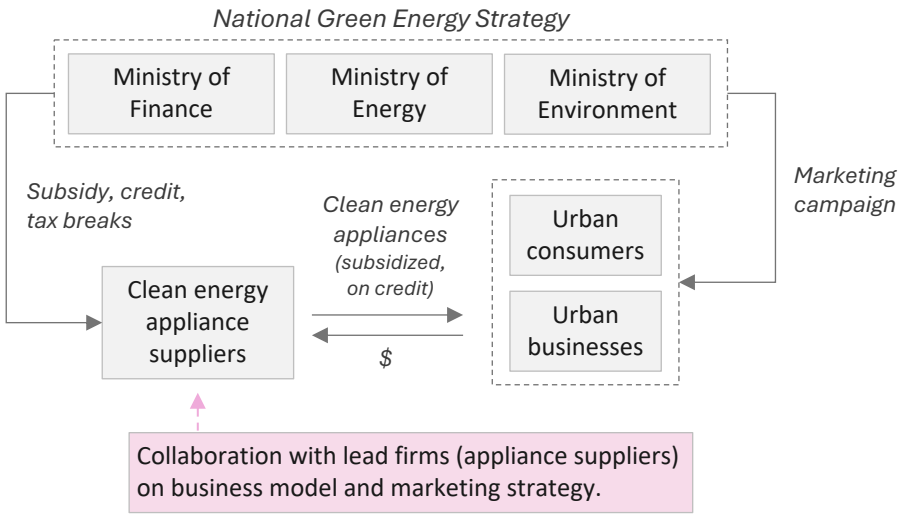
Efforts to promote private woodlots and plantations for fuelwood have failed because foresters make more money selling trees for timber and other high-value products. However, selling residual wood as a biproduct into the charcoal value chain helps to diversify commercial forestry business models and reduce waste. Similarly, farmers can sell other organic waste into our wood energy processing business to produce briquettes – again reducing waste and adding a new revenue stream to agricultural business models. Drawing on biomass from the forestry & agriculture sectors should reduce pressure on natural forests.

Example 3: Energy – Vision

(2) Urban strategy: In urban markets where households and businesses have greater purchasing power – and openness to change – the vision may focus more on transition to alternative energy technologies.

Targeted incentives to attract investors

Targeted, time-limited incentives (subsidies, tax breaks, credit) can be used to encourage first movers to enter the market – in this case, manufacturers and retailers of clean energy appliances.



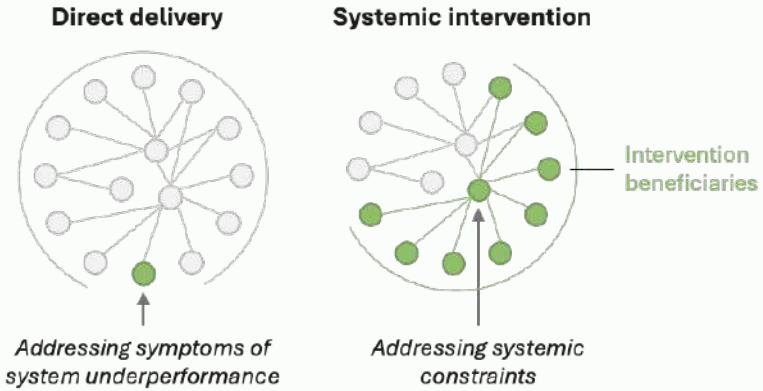
Promoting behavior change for a green energy transition

Targeted incentives (subsidies, tax breaks, credit) are likely to be more effective if coupled with marketing campaigns that seek to shift attitudes and behavior among households and businesses.

Systemic interventions: Follow where the analysis leads

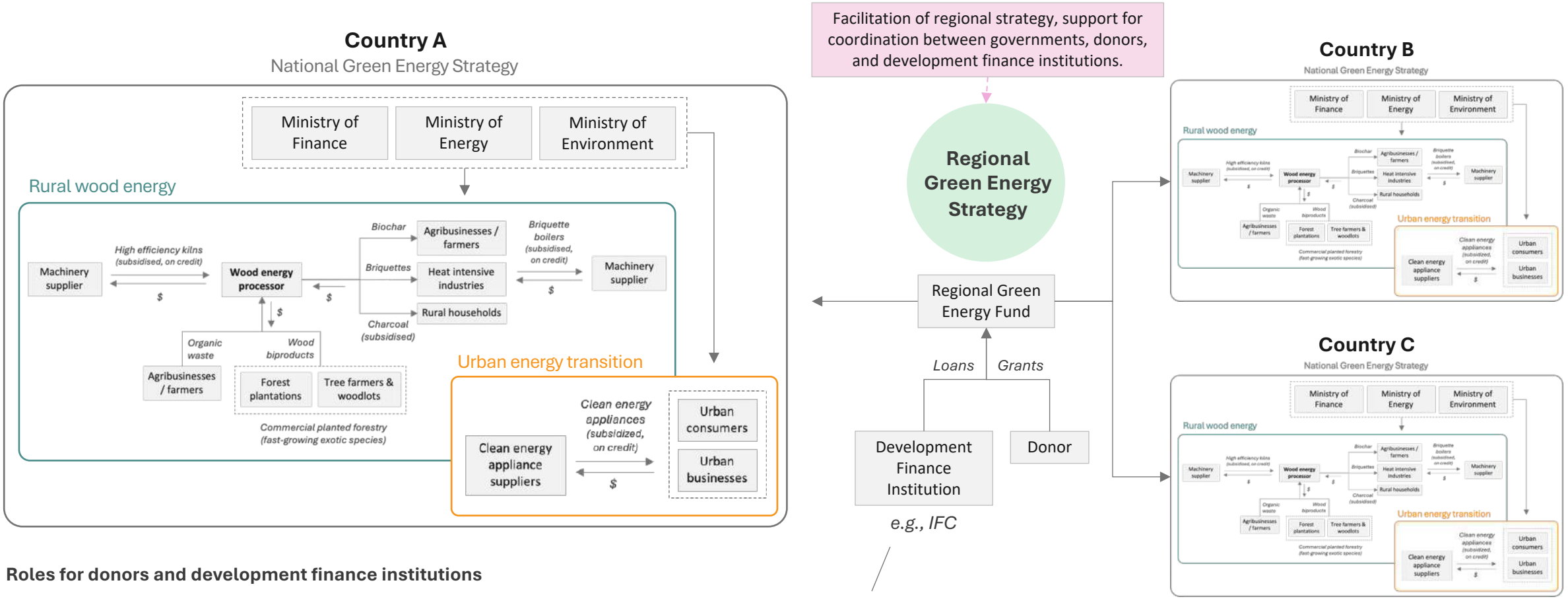
In pursuing systemic constraints, a market systems approach will often lead far from the symptoms of the problem you are trying to solve. In this example, our concern about charcoal-driven deforestation has led us to working with the Ministry of Finance on reducing import duties on electric appliances for the urban market – far from the forest frontier communities where charcoal is being produced.

If electric appliance suppliers can be supported to provide cheaper appliances to urban consumers, who therefore switch from cooking with charcoal to gas or electric stoves, the effects on the charcoal market and therefore forest conservation may be far wider-reaching than through NGO projects working in individual rural communities. Leverage points such as this can lead to transformational change in the system.



Example 3: Energy – Vision

(3) Multi-country strategy: Given the challenges of cross-border trade in illegal charcoal, the vision will be most likely to succeed if multi-country coordination can be secured, depicted here through a Regional Green Energy Strategy, expanding the model to three countries.



Roles for donors and development finance institutions

The direct incentives detailed on previous slides (subsidies, tax breaks, and credit) could be funded by international donors and development finance institutions, coordinated across countries through a **Regional Green Energy Fund**. In the spirit of market systems programming, to avoid endless subsidy, the incentives could be time-bound, based on a long-term vision of sector transformation. Once enough lead firms are crowded in and uptake of new technologies has taken off, incentives can be gradually removed as the market shifts to a new norm.

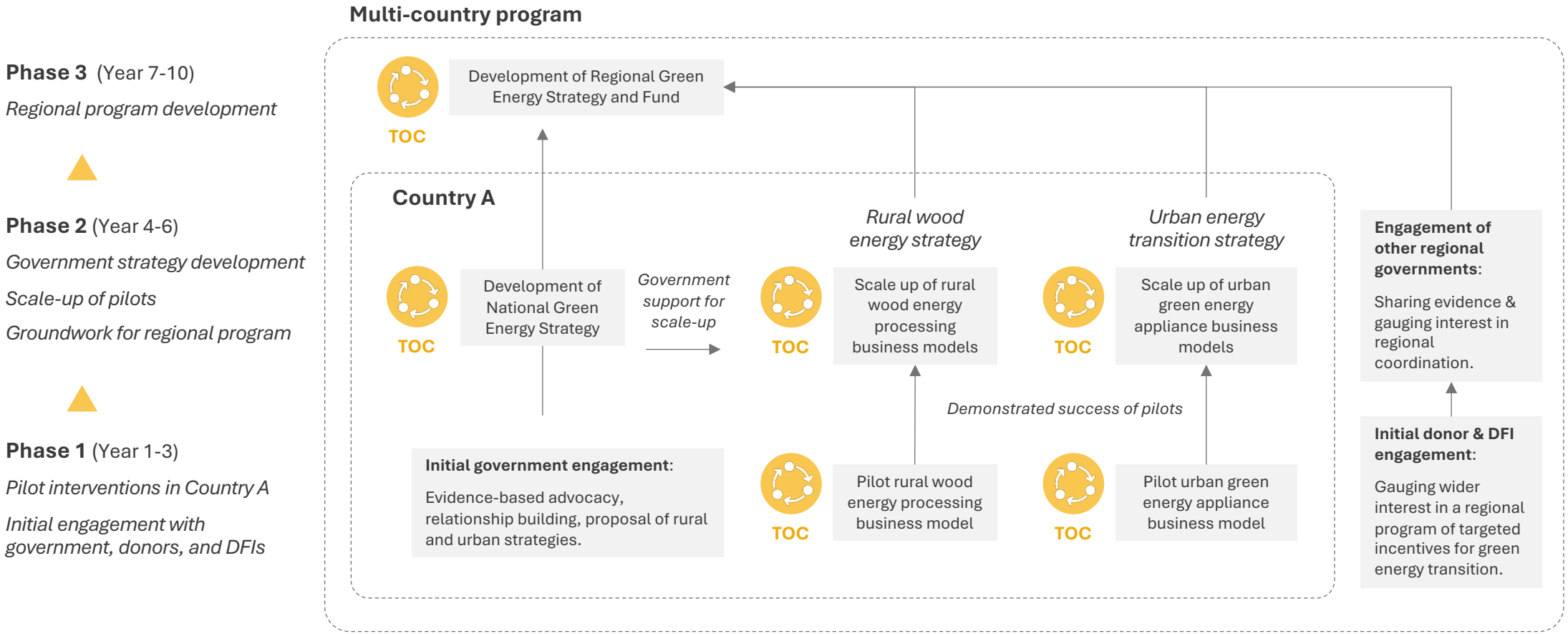
Example 3: Energy – Theory of change

The complexity of this multi-sector, multi-country vision will require separate TOCs for each intervention within the program.

Rather than map each TOC in detail, we present here an overall schematic for a 10-year, 3-phase strategy, beginning with pilot interventions in Country A in Phase 1, before moving to national policy development and scale-up of successful interventions in Phase 2, and finally to a regional, multi-country program in Phase 3. Each phase lays the groundwork for the next, and works toward the vision laid out in previous slides.

TOC

Each intervention in the program would have its own TOC similar in structure and level of detail to those presented in earlier examples.



Taking Conservation to Scale is a useful framework for designing this type of phased approach.

Example 3: Energy – So what?

The energy market example demonstrates how a Green MSD approach can be used to bring about lasting change at scale in large, complex markets with high rates of illegal activity and challenging politics.

Key takeaways:

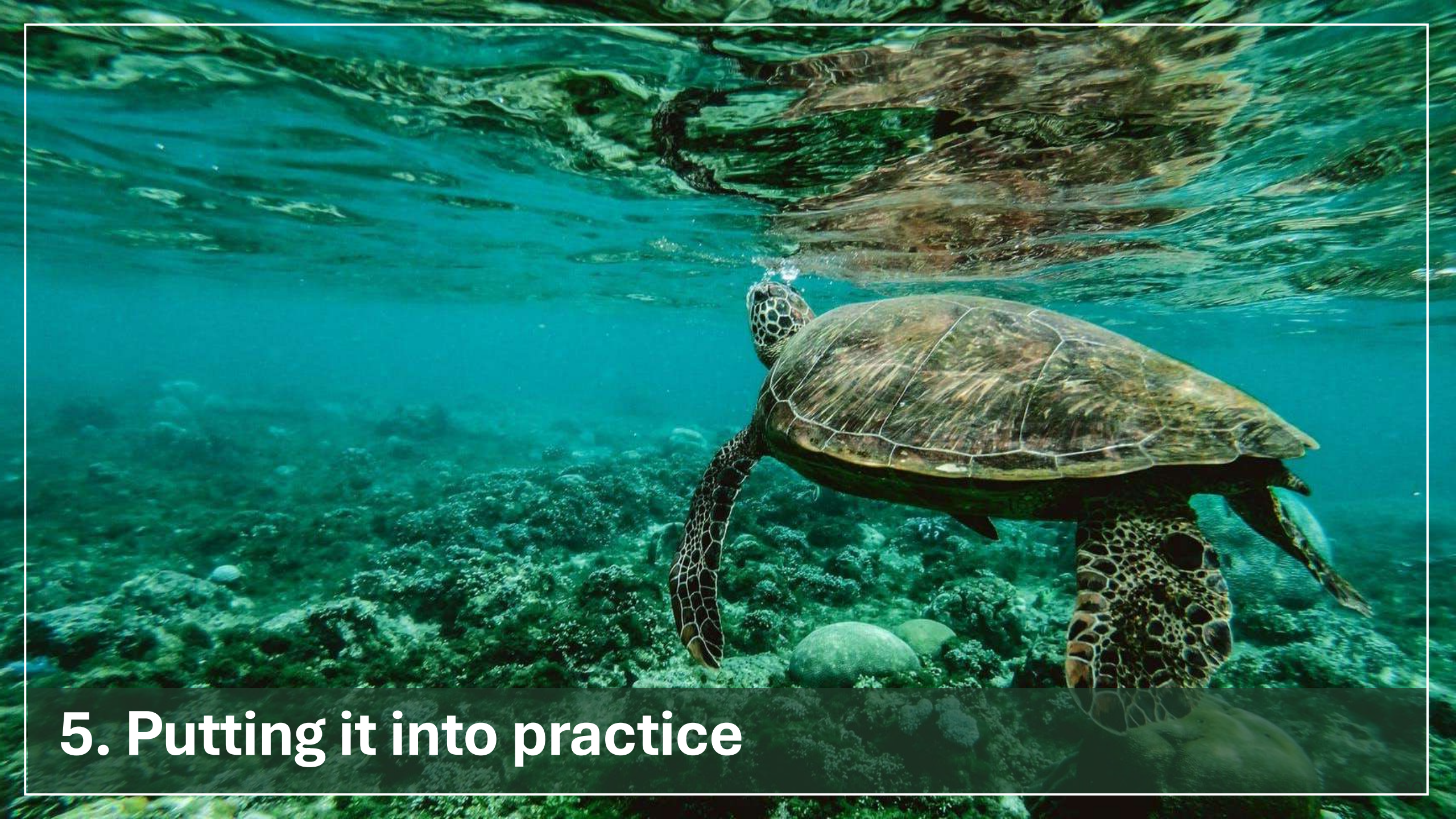
- The proposed solution required a **patient, long-term approach** – something that many conventional MSD programs and smaller conversation projects are not able to do.
    - Conservation organizations with a permanent presence in priority landscapes are well-placed to build Green MSD into **overarching organizational strategies** to address these seemingly intractable problems.
    - Elsewhere, we encourage **donors** to consider funding models that enable long-term, flexible, innovative solutions to these complex problems – and to avoid creating incentives for quick wins that lead to the "**tinkering around the edges**" effect.
- Shaping **incentives** is central to Green MSD's focus on results that last beyond the project - but this doesn't mean only focusing on private sector solutions. While **commercial business models** again featured in Example 3, there was also a strong role for targeted and time-bound **government incentives** via subsidies, credit, and tax breaks – as well as forest **regulations and enforcement**. While some may not consider these to be "market-based" solutions, these "rules" of the market are critical in a market systems approach.
- **Following the analysis** to find systemic constraints in markets can lead you to **solutions that lie far from the symptoms of the problem** – rather than working in forest communities where the charcoal problem is most visible, our analysis and resulting strategy led us to work on brokering multi-country concessional finance mechanisms for green energy and negotiating tax breaks for importers of clean energy appliances.
    - Naturally, delivering this strategy (or even the underlying analysis) requires different **teams and skillsets** than those used to direct delivery of support in forest communities (e.g., distributing stoves, planting trees).

For **donors**

If complex environmental problems are to be addressed, patient, long-term funding is required that enables a flexible, innovative approach. Most project-based funding on short-to-medium timescales incentivizes the "quick wins" of direct delivery strategies that are ultimately little more than "tinkering around the edges".

In conventional MSD in particular, projects often hesitate to engage with the "rules" of the system. Even when the most critical systemic constraints are identified here, MSD projects often consider this out of scope or unlikely to deliver results fast enough to satisfy donors.

When tackling climate change and biodiversity loss, there won't always be commercial, private sector solutions – a strong role is needed for government partners. Funders need to enable this kind of programming.



5. Putting it into practice

Implications for conservation and development practice

Our Green MSD framework modifies the widely-used MSD model to incorporate climate and nature impacts, while also drawing attention to the supporting environmental conditions required for market systems to function, informing joined-up programming targeting people, climate, and nature goals.

The main implications for MSD programming are as follows:

- By placing nature and climate on a level with people goals environmental considerations can become firmly mainstreamed within MSD programming.
    - Green MSD shifts the guiding question of MSD from how we make markets work for the poor, to how we make markets work for people, climate, and nature.
- In using the Green MSD approach, even projects *without* explicit climate and nature goals will become more conscious of their environmental impact and better able to manage it accordingly.
    - While there will always be trade-offs between human development and environmental goals, making increased environmental awareness the norm in development programming can help to mitigate and minimize environmental harm.
- For the growing number of development projects that *do* have climate and/or nature goals, the framework helps to inform development strategies that balance human development with environmental sustainability within complex systems.

The main implications for conservation programming are as follows:

- The Green MSD framework equips conservation practitioners with the tools needed to effectively engage in markets, drawing on best practice in the economic development field.
- From small-scale sustainable livelihoods projects to efforts to drive transformational change in global markets, Green MSD can help to shape the way that markets work through a facilitative, systemic approach that can leverage lasting change at scale.
- For users of the Conservation Standards (see Annex 1), Green MSD provides complementary tools that allow practitioners to identify relevant markets behind identified conservation threats and develop effective strategies to shift markets towards more conservation-friendly outcomes.

Implications for donors

For donors, Green MSD encourages the development of funding models that prioritize patient, long-term transformation of markets in the face of vast, complex environmental challenges. As funders increasingly look to integrate people, nature, and climate goals, Green MSD provides a practical framework for the design on truly integrated approaches.

Next steps

The current project builds on several years of work bringing together experience in conservation and market systems practice. In the coming years, we will continue to test and refine the guidelines in collaboration with donors and practitioners in both fields.

Priorities for Green MSD in 2025 and beyond include:

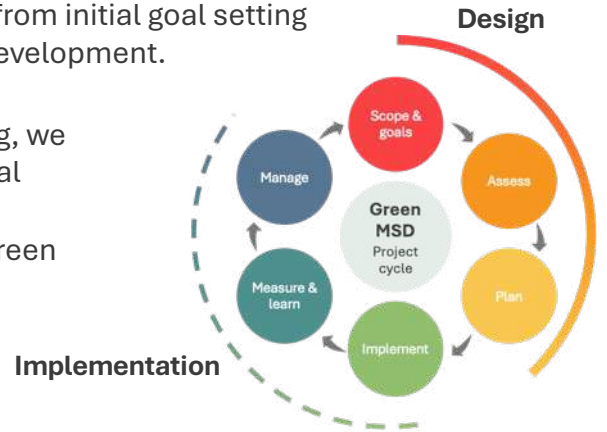
Publication & launch: The final guidelines will be published and promoted at various launch events in 2025.

Ongoing fundraising: Additional funds will be sought to further develop and refine the guidelines, conduct pilot projects, and carry out research and evaluations of Green MSD to better understand how it can support development and conservation practice.

Testing: Field testing of the guidelines in real-world projects in collaboration with conservation and development practitioners and donors.

Further guideline development: The present guidelines primarily focus on the design of Green MSD projects from initial goal setting through to strategy development.

Following field testing, we will develop additional guidelines on the implementation of Green MSD projects.



Annex 1: Green MSD and the Conservation Standards

Green MSD and the Conservation Standards

For users of the Conservation Standards, the Green MSD approach can add a great deal of value - particularly at the Assess and Plan stages – in developing a robust understanding of **market-based threats** and designing corresponding systemic interventions that can fundamentally alter the way that these markets work. The Conservation Standards Version 5.0 includes initial linkages with this Green MSD guidance document; an ongoing collaboration between the MSD and CS communities will build on this over time - refer to the CMP Markets Workspace for the latest insights.

Conservation Standards project cycle

Assess
- Define Purpose and Identify Project Team
- Define Scope, Vision, and Focal Values / Targets
- **Identify Critical Threats**
- **Assess the Conservation Situation**

Plan
- **Develop a Formal Strategic Plan: Goals, Actions, Assumptions, and Objectives**
- Develop a Formal MEL Plan
- Develop an Operational Plan

Implement
- Revisit Team Structure & Process
- Develop a Detailed Short-Term Work Plan and Timeline
- Develop and Refine Your Project Budget
- Implement Your Plans

Analyse and adapt
- Prepare Your Data for Analysis
- Analyze and Reflect on Results
- Adapt Your plan and Budget

Share
- Document What You Learn
- Share What You Learn
- Foster a Learning Environment

*For **market-based threats**:*

- Identify the market systems underlying direct threats and contributing factors
- Prioritise one or more focal market systems to work in
- Assess the market system – how and why is it failing?
- Identify systemic constraints and leverage points for intervention
- Design green market systems interventions

Market-based threats

Market-based threats are those relating to human behaviour in response to market incentives.

Most drivers of biodiversity loss and climate change are market-based.

- *Markets*

IUCN - CMP Direct Threats Classification v 4.0

- *Construction*
- *Housing*
- *Manufacturing*
- *Tourism*

A. Use of Lands & Waters

1. Residential. Commercial & Recreation Areas
1.1 Residential Areas
1.2 Commercial & Industrial Areas
1.3 Recreation & Tourism Areas

- *Agriculture*
- *Forestry*
- *Aquaculture*

2. Agriculture & Aquaculture
2.1 Annual & Perennial Non-Timber Crops
2.2 Wood & Pulp Plantations
2.3 Terrestrial Animal Farming, Ranching & Herding
2.4 Marine & Freshwater Aquaculture

- *Oil & gas*
- *Mining*
- *Energy*

3. Energy Production & Mining
3.1 Oil & Gas Exploration & Extraction
3.2 Mining & Quarrying
3.3 Renewable Energy

- *Transport*

4. Transportation. Service & Security Corridors
4.1 Roads, Trails & Railroads
4.2 Utility & Service Lines
4.3 Shipping Lanes
4.4 Atmospheric & Space Activities
4.5 Fencing & Walls

B. Use / Management of Species & Ecosystems

- *Hunting*
- *Logging*
- *Fishing*

5. Biological Resource Use & Control
5.1 Hunting, Collecting & Controlling Terrestrial Animals
5.2 Gathering, Harvesting & Controlling Terrestrial Plants & Fungi
5.3 Logging, Harvesting & Controlling Trees
5.4 Fishing, Harvesting & Controlling Aquatic Species

- *Recreation*
- *Defense*

6. Human Intrusions & Disturbances
6.1 Recreational Activities
6.2 Conflict, Civil Unrest & Security Activities
6.3 Other Human Disturbances

7. Natural System Management & Modifications
7.1 Fire & Fire Management
7.2 Dams & Water Management / Use
7.3 Earth & Sediment Management
7.4 Weather & Climate Management
7.5 Biological System Management
7.6 Removing / Reducing Human Management

- *Agriculture*
- *Forestry*
- *Water*

C. Additional Sources of Stress

8. Invasive / Other Problematic Species, Genes & Pathogens
8.1 Invasive Non-Native / Alien Species
8.2 Problematic Native Species
8.3 Introduced Genetic Material
8.4 Pathogens

9. Pollution
9.1 Water-Borne & Other Effluent Pollution
9.2 Garbage & Solid Waste
9.3 Air-Borne Pollutants
9.4 Energy Emissions

- *Agriculture*
- *Manufacturing*
- *Waste*
- *Energy*
- *Defense*

10. Natural Disasters
10.1 Geological Events
10.2 Severe Weather Events

11. Climate Change
11.1 Changes in Physical & Chemical Regimes
11.2 Changes in Temperature Regimes
11.3 Changes in Precipitation & Hydrological Regimes

Anthropogenic climate change (various markets)

12. Unknown Threats

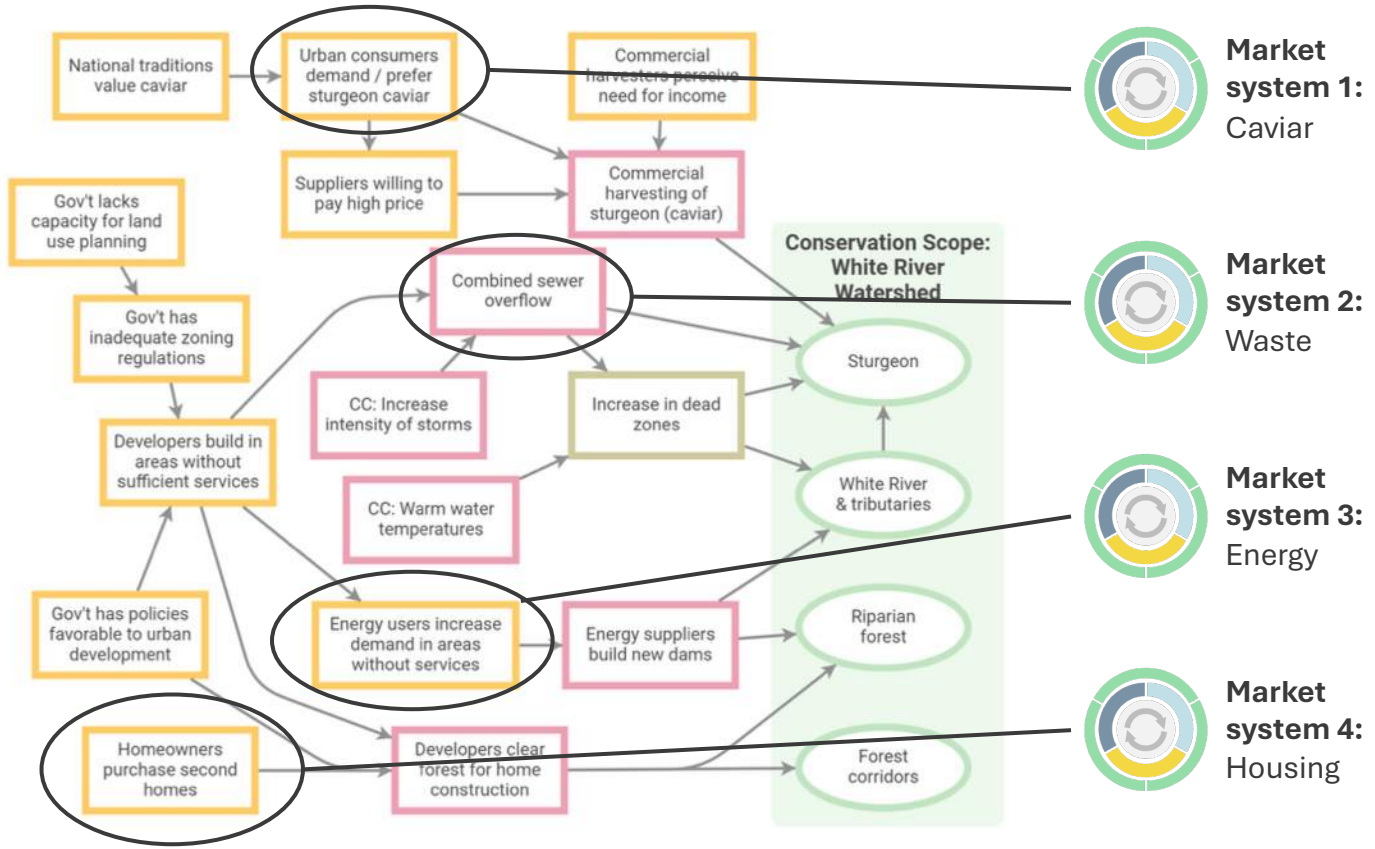
Green MSD and the Conservation Standards: Situation analysis

Direct Threats in a CS **situation analysis** often originate from multiple market systems, and Contributing Factors are often driven by market forces. A Green MSD approach can help to analyse how these market systems work and design interventions that drive lasting change at scale in support of conservation goals.

Many situational analyses reveal threats that originate from multiple market systems.

Trying to address threats from all of these markets at once is unlikely to succeed. A Green MSD approach can help to prioritize focal market systems to work in, analyze the chosen market(s), identify systemic constraints, and develop strategies that aim to leverage lasting change at scale in the way that markets work.

The below situation analysis from Conservation Standards v5 finds that at least four different markets are generating threats to the watershed that the project is trying to conserve. At this level, the situation analysis does not provide sufficient detail for the design of effective market interventions.



Adapted from Conservation Standards v5, Figure 6

Given the high-level nature of this situation analysis, and the diversity of threats faced, the analysis is oversimplified – causal factors such as "demand" and "high prices" need unpacking and understanding in detail.

Faced with this initial analysis, it may be useful to **pause** and **zoom in** to specific market systems using a Green MSD approach.

Green MSD and the Conservation Standards: Conservation actions

Conservation practitioners deploy a wide range of **conservation actions** – or intervention strategies - in their work. Many of these are relevant to the Green MSD approach. As a result, Green MSD can help to decide which conservation actions to use when mitigating market-based threats.

We illustrate this using the Conservation Actions Classification v2.0, which sets out a typology of conservation strategies:

Conservation actions relating to livelihood, economic, & moral incentives are the most obvious area of relevance to Green MSD.

In the following slides, we show the implications of Green MSD for strategies relating to 5.1 Linked Enterprises & Alternative Livelihoods.

Conservation Actions Classification v2.0

A. TARGET RESTORATION / STRESS REDUCTION ACTIONS
1. Land / Water Management
- 1.1 Site/Area Stewardship
- 1.2 Ecosystem & Natural Process (Re)Creation

2. Species Management
- 2.1 Species Stewardship
- 2.2 Species Re-Introduction & Translocation
- 2.3 *Ex-Situ* Conservation

B. BEHAVORIAL CHANGE / THREAT REDUCTION ACTIONS
3. Awareness Raising
- 3.1 Outreach & Communications
- 3.2 Protests & Civil Disobedience

4. Law Enforcement & Prosecution
- 4.1 Detection & Arrest
- 4.2 Criminal Prosecution & Conviction
- 4.3 Non-Criminal Legal Action

5. Livelihood, Economic & Moral Incentives
- 5.1 Linked Enterprises & Alternative Livelihoods
- 5.2 Better Products & Management Practices
- 5.3 Market-Based Incentives
- 5.4 Direct Economic Incentives
- 5.5 Non-Monetary Values

C. ENABLING CONDITION ACTIONS
6. Conservation Designation & Planning
- 6.1 Protected Area Designation &/or Acquisition
- 6.2 Easements & Resource Rights
- 6.3 Land/Water Use Zoning & Designation
- 6.4 Conservation Planning
- 6.5 Site Infrastructure

7. Legal & Policy Frameworks
- 7.1 Laws, Regulations & Codes
- 7.2 Policies & Guidelines

8. Research & Monitoring
- 8.1 Basic Research & Status Monitoring
- 8.2 Evaluation, Effectiveness Measures & Learning

9. Education & Training
- 9.1 Formal Education
- 9.2 Training & Individual Capacity Development

10. Institutional Development
- 10.1 Internal Organizational Management & Administration
- 10.2 External Organizational Development & Support
- 10.3 Alliance & Partnership Development
- 10.4 Financing Conservation

However, many other conservation actions are relevant to markets and could be used as part of a Green MSD strategy.

Actions relating to land, water, and species management, and conservation design & planning can all relate to **markets for natural resources**, such as agriculture, fishing, and forestry.

Actions relating to awareness raising, law enforcement, prosecution, legal, & policy can all relate to the **rules** of market systems.

Actions relating to education & training, institutional development, & awareness raising can all relate to **supporting functions** of market systems.

Since most threats are **market-based...** ▶ ...most corresponding conservation actions are relevant to **markets** ▶ Green MSD can help CS users to understand markets in detail and decide which conservation actions to use as part of a **market systems strategy**.

Green MSD and the Conservation Standards: A systemic approach

While many **conservation actions** are relevant for market interventions, the Green MSD approach has implications for the way that conservation actions are delivered – primarily by encouraging the facilitation of change through a **systemic approach**, rather than **direct delivery** of support.

Typically, direct delivery approaches have little prospect for results lasting beyond the lifetime of a project (sustainability) or reaching large numbers of people (scale).

There are some limited cases where direct delivery may remain relevant, which we explore here.

On the next two slides, we show how livelihoods and enterprise conservation actions could shift from direct delivery to a systemic approach under Green MSD.

See also the *Push-Pull Approach*, which explores contexts where an element of direct delivery may be relevant.

Direct delivery

Systemic approach
(Green MSD)

"Give a person a fish"

"Teach a person to fish"

Work with buyers of fish to teach thousands of fishers or intermediaries to improve efficiency & grow the industry.

Work with buyers of fish to shape incentives for sustainable fishing practices in pursuit of conservation outcomes.

Direct delivery may be appropriate where:

- The organization owns or manages the geographic area entirely (e.g. a protected area)
- The program / action is commercially sustainable in itself (user fees, etc.).
- Extremely remote areas with limited market systems
- Extremely distorted markets due to war, displacement etc.

Systemic approach appropriate where:

- The project does not directly own or manage the geographic area.
- Project funding is short-term, and actions would end if funding ends.
- The project's intention is to provide a short-term catalyst to longer-term change.
- Opportunity exists to build the capacity of existing market actors in pursuit of a vision for the future of the sector.

Green MSD and the Conservation Standards: Generic TOCs

The Conservation Actions and Measures Library, CAML, is a resource library for Conservation Standards users outlining a range of generic theories of change for conservation practice. Below we show the potential implications of Green MSD on two specific TOCs - **alternative livelihoods** and **linked enterprises**. The ongoing collaboration between the MSD and CS communities is working on updates to the CAML examples to show how the Green MSD concepts can be incorporated.

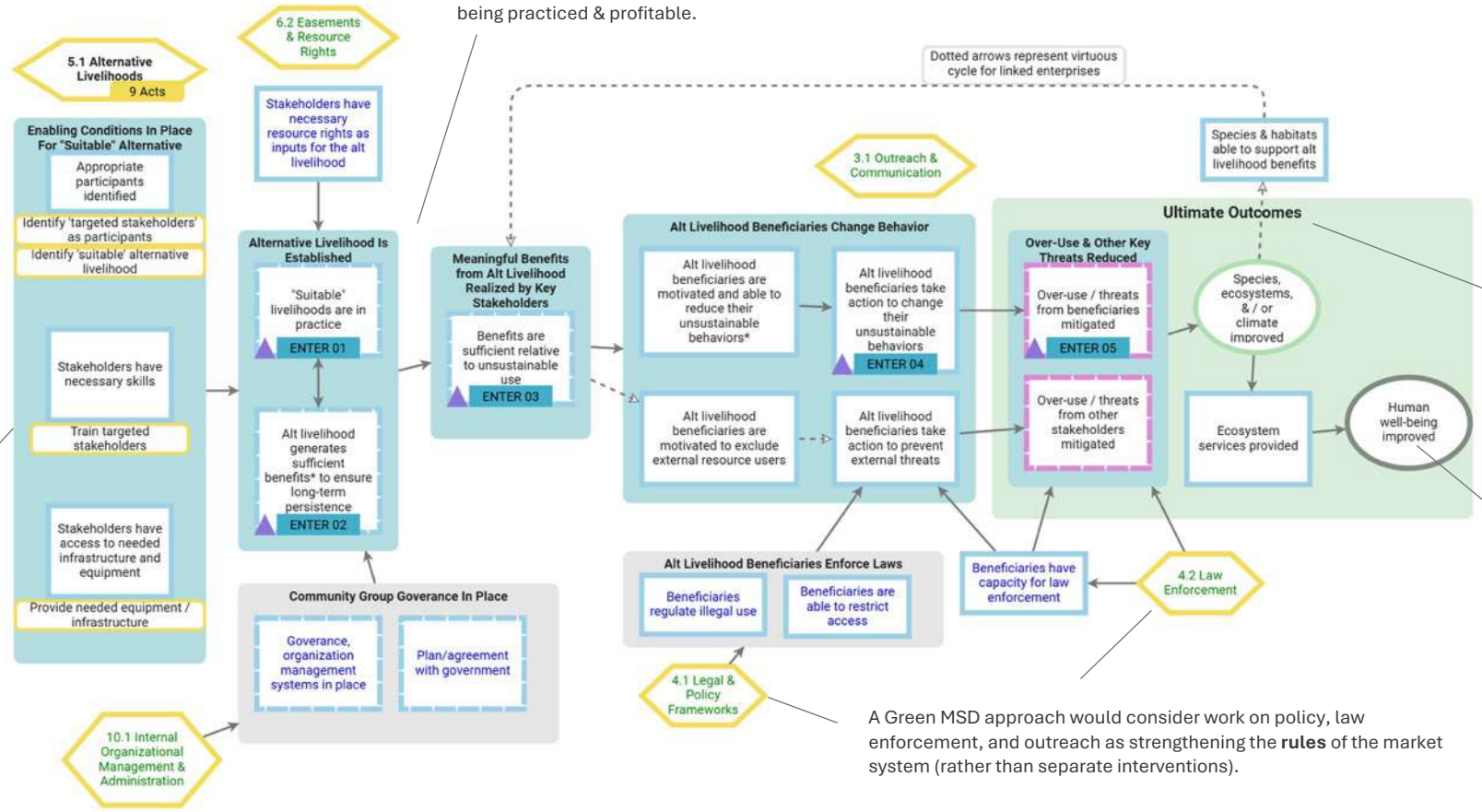
(1) Alternative livelihoods

Instead of the project identifying potential alternative livelihoods, a Green MSD project would first ask which livelihoods strategies are already being practiced, and then identify the **systemic constraints** in the associated market systems that are leading to undesirable outcomes for people, nature, and climate.

Commercially viable livelihoods strategies, and particularly business relationships with private sector actors, are extremely difficult to develop from scratch.

Instead of **direct delivery** of training, equipment, and infrastructure, a Green MSD project would ask why the target group (e.g., farmers) don't currently have access to these **supporting functions** – and then design strategies that improve delivery of supporting functions in a way that will last beyond the project's lifetime (**sustainability**) and reach far more people than a direct delivery approach would (**scale**).

A Green MSD approach would require far more careful consideration of the core market **relationships** and **incentives**, **rules**, **supporting functions**, and **environmental conditions** required for a livelihood strategy to be commercially viable. Under the TOC presented here, there are leaps of logic from provision of training and equipment to livelihood strategies being practiced & profitable.



By focusing on unlocking systemic constraints, the impacts of a Green MSD project should reach far more people – and therefore have greater impact on conservation goals - than the direct delivery model depicted here, which may only extend to the beneficiaries directly supported by the project.

Rather than human wellbeing only being improved via ecosystem services, the Green MSD approach focuses on the **people** impacts of enhanced livelihoods.

A Green MSD approach would consider work on policy, law enforcement, and outreach as strengthening the **rules** of the market system (rather than separate interventions).

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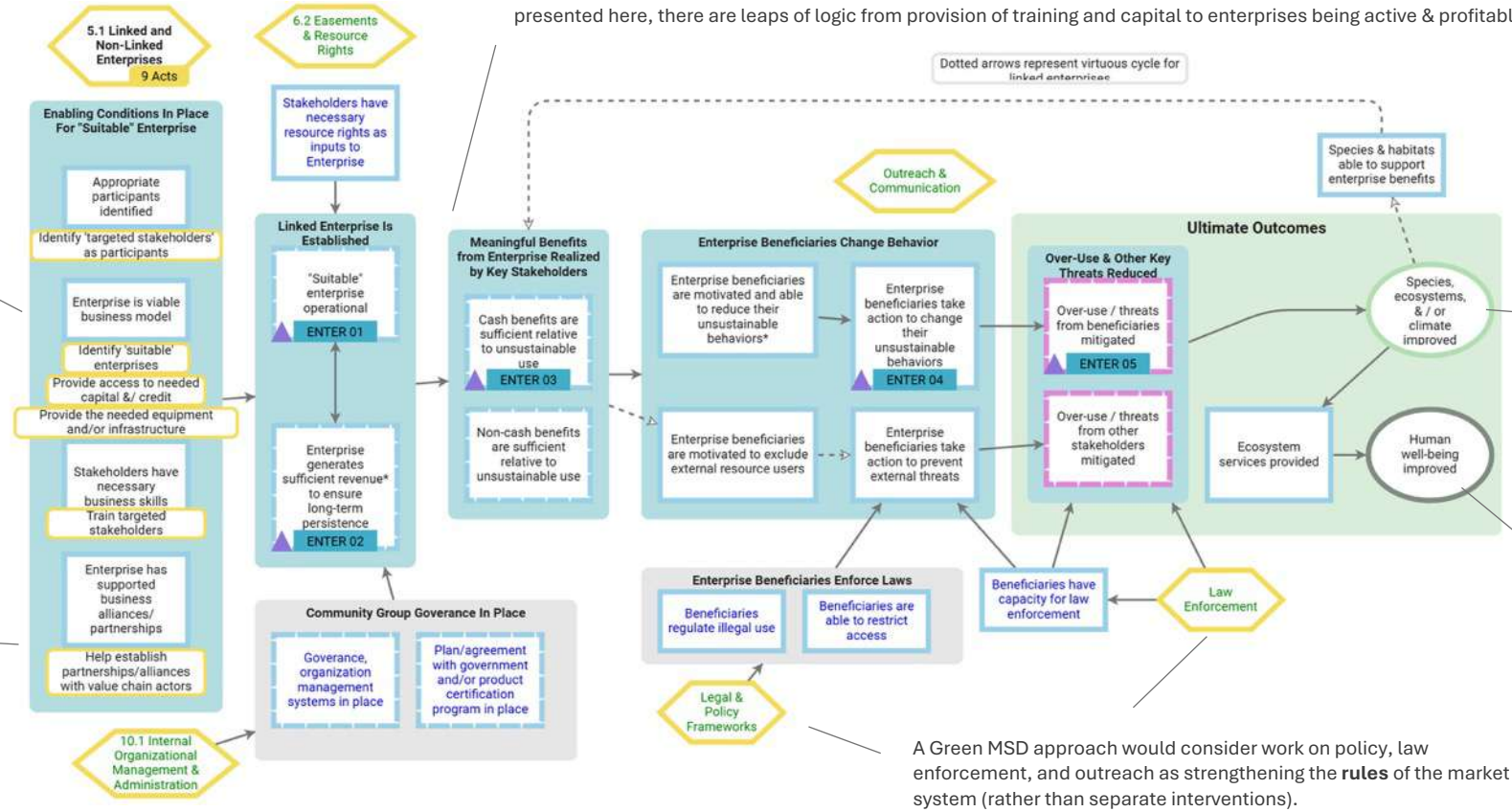
(2) Linked enterprises

Instead of **direct delivery** of capital, credit, and training, a Green MSD project would ask why the target group (e.g., farmers) don't currently have access to these **supporting functions** – and then design strategies that improve delivery of supporting functions in a way that will last beyond the project's lifetime (**sustainability**) and reach far more people than a direct delivery approach would (**scale**).

Helping to establish partnerships and **market linkages** would remain central to the strategy under Green MSD.

A Green MSD approach would require far more careful consideration of the core market **relationships** and **incentives**, **rules**, **supporting functions**, and **environmental conditions** required for an enterprise to be commercially viable. Under the TOC presented here, there are leaps of logic from provision of training and capital to enterprises being active & profitable.



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