

USING A MARKET SYSTEMS RESILIENCE LENS TO SUPPORT HOUSEHOLD RESILIENCE



Key Takeaways

- Household level resilience capacities and development outcomes can be strengthened through applying a market systems resilience lens.
- Market systems directly benefit households; thus, it is important to also consider the resilience of these systems to help households to manage risks and support recovery.
- Market systems also play a critical role in supporting households to generate cash to better manage shocks and stresses.
- As economic growth occurs, markets are better equipped to integrate households and can provide better risk management solutions by sharing risks at a higher level.

Household level resilience (HHR) and market systems resilience (MSR) are interdependent concepts that are increasingly seen as complementary analytical lenses. Frameworks and practical experience continue to emerge that can guide donors and practitioners to gain insights into this interconnectivity. USAID's [MSR framework](#), explored through an accompanying [introductory-level brief](#), provides a lens that programs are applying globally to better understand the ability of the market system to plan for and respond to shocks and stresses.

This brief focuses on how practitioners can use a MSR lens to identify key linkages that households need before, during and after a shock or stress - strengthening resilience and household level outcomes. This brief focuses on how applying an MSR is useful in three of these linkages:



Protection and recovery: Households often rely on markets to provide specific products and services that are essential to preventing, managing, and avoiding the downsides of shocks and stresses. As access improves (e.g., ease, reliability, quality assurance), communities' and households' resilience improves too.



Generating cash: Households often need to access cash to buy food, shelter, products, and services that can help them manage the challenges before, during, and after a shock or stress. Households engage market systems in various ways to access or generate cash; including selling assets and labor or via utilizing financial services.



Improving a household's longer-term risk management capacity: When households participate in fair and transparent market systems, characterized by effective governance that provide protections to marginalized populations, households often can reevaluate how they manage risks. They can share more responsibilities related to risk management with various market mechanisms that cut across communal and regional boundaries.

The USAID Growth, Enterprise, Employment and Livelihoods (GEEL) activity leveraged an MSR lens to strengthen HHR outcomes. Practical insights from this resilience program are shared in teal boxes

GEEL, implemented by IRG, a subsidiary of RTI International, from 2016 to 2021, was designed to promote and facilitate inclusive economic growth in Somalia. The activity focused on the agricultural sector, fisheries, livestock, and renewable energy sectors with a strong emphasis on private sector engagement. The GEEL team believed that if the market system could become more resilient, then the households relying on it for income, jobs, and food security would in turn experience increased resilience.

GEEL resilience activities were funded in part by the Foreign, Commonwealth, and Development Office (FCDO), a department of the Government of the United Kingdom.

BACKGROUND

MSR is based on the inextricable link between competitiveness, inclusivity, and resilience in a market system. The nature of the linkage exists along a spectrum that ranges from *complementarity*, that can create synergies around positive systemic change, to *counter-productive*, that can create increasing inequities and vulnerabilities. MSR explicitly recognizes that the resilience of vulnerable households and communities, and the enterprises which they run and do business with, depend on the resilience of the market system. Resilience practitioners are engaging market systems as a way to improve household resilience. Practitioners have been learning that, as households become more fairly and transparently integrated into market systems, they can better access products and technologies, increase incomes, and share risks in various ways, each of which improves their resilience.

Additionally, financial inclusion, access to markets, and diversity of livelihood are three critically important sources of household resilience (especially during a shock or stress). They are each central elements of a well-functioning market system. Long term, as market systems evolve to become more sophisticated (which also means more inclusive with improved governance), they tend to ease and improve the quality of access to these and other sources of resilience.

LINKAGES BETWEEN MSR AND HOUSEHOLD RESILIENCE



Market systems are a combination of different actors performing various functions that all share a common interest in getting a product or service to an end customer. As a result, effective and well governed market systems involve a wide range of mechanisms to support households and communities, bolstering their resilience capacities in various ways that allows them to weather shocks and stresses more effectively. Many such market systems provide products and services, like packaged technologies or expertise, that can be critical to protecting or recovering from a shock or stress. These market systems also provide various ways households can generate cash that is often essential for effective management of shocks or stresses. They do this by supplying crops, animals, other products, or labor to various market actors. Using an MSR lens, in particular the eight domains outlined in the figure to the right, can help resilience practitioners identify and better understand the potential for how market systems can help to neutralize and mitigate known and knowable risks.

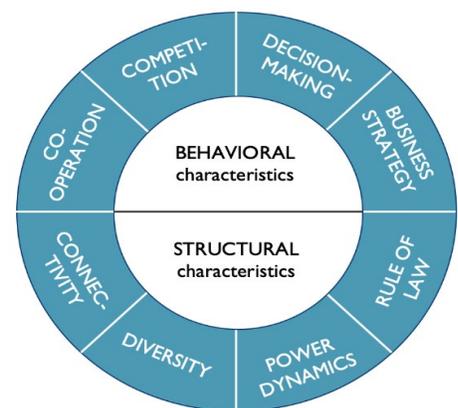


Figure: Common Characteristics of MSR

Specifically, more resilient market systems can support households through the following three linkages:



LINKAGE I: PROTECTION AND RECOVERY

Depending on the shock or stress at hand, the protection against the loss of health and wealth of households is foundational to household resilience. Often the capacities to prevent loss and rebuild the health and wealth of a community is dependent on how market systems interact with households before, during, and after a shock or stress hits. For example, the quality and affordability of pre-existing housing and construction services, private health care services, irrigation, agricultural inputs, veterinary services, insurances, financial services, or information services are all potentially critical to minimizing loss during a shock or stress. How these service and product market systems connect to and engage community members as valued customers is central to the ability of the market system to support household resilience around shocks and stresses. There are particular products and services, such as food, temporary shelter, effective governance, and healthcare that can be critical to households during a shock or stress that would need to be prioritized as contexts dictate.

Additionally, products and services are also central to effective recovery from shocks or stresses, including construction, land preparation, agricultural inputs, and healthcare, which allow community members to replace, re-start, and rebuild their health, homes, and livelihoods. In order to effectively rebound, market systems need to be attuned to the needs, interests, and priorities of households as they come out of shock or stress and during early recovery.



APPLYING AN MSR LENS Applying an MSR lens can provide actionable insights into:

1. The kinds of products and services that households need, as well as how best those products and services could flow to households.
2. How the public sector supports or delivers social safety net and emergency response services before, during, and aftershocks and stresses.
3. How the structure of the market (e.g., the diversity of actors and market channels; the density of connections; power dynamics) will influence susceptibility to risk.
4. How predominant behaviors will shape how market actors will respond around a shock.
5. Identify the risks and opportunities related to how best to engage market actors to balance immediate needs with longer-term considerations related to building effective relationships between households (or customers) and market actors.

An MSR lens helps to illuminate considerations related to the kinds of products and services that households need, as well as how best those products and services could flow to households, before, during, or after a shock or stress. Access to services, in particular, may be complicated by the level of formality in which such services were provided historically. For example, as highlighted in the ‘MSR In Practice Spotlight’ box on the next page, GOAL’s Barrio Resiliente program supported the emergence of micro-enterprises within the community to provide access to essential products and services throughout shocks and stresses. While an MSR lens tends to focus on private sector actors and functions, public sector actors and functions are also integrated as central to effective market system performance. In particular, an MSR lens includes how the public sector supports or delivers social safety net and emergency response services before, during and after shocks and stresses. Increasingly, practitioners understand that effective support to households requires both public and private sector functions working effectively together.¹

¹ For instance, the 2018 assessment of the value for money of resilience programming builds an estimate based on social safety net transfers replacing humanitarian assistance and adding to them increased incomes through improved livelihoods. The value for money estimate of \$2-3 gained per \$1 invested is based on the fundamental premise of complementary social safety net and livelihood programming over a 15-year period with the

MSR In Practice Spotlight

One of GOAL's programs, Barrio Resiliente, aims to build urban resilience in informal settlements in target cities in Colombia and Central America, including strengthening the resilience of basic food supply systems. It considers various shocks and stresses such as disease outbreak, flooding, and insecurity.

Measures to increase systemic resilience include developing the capacity of small and micro-enterprises providing essential goods and services to vulnerable households. This is done through facilitating establishment of business networks, continuity planning, linking businesses to early warning and response mechanisms, improved management of supply chains, enhanced financial inclusion, and support to women business leaders. These micro-enterprises include neighborhood stores which provide essential foods and other supplies, often on zero interest credit to vulnerable households. It is critical that they continue to function in times of crisis.

Additionally, in many parts of the world, traditional public sector services such as water, energy, healthcare, and education are increasingly being provided by the private sector. Firms are seeing gaps in the services being offered by the government and respond with a diverse range of innovative business models, products, and services that can be accessed by households. At the same time, the longer-term effectiveness of such services, in terms of adding value back to society, requires governmental, judicial, and civil society systems to provide guardrails that ensure essential services remain accessible, fair, quality assured, affordable, and transparently delivered. As a result, an MSR lens can help to identify where and how private and public sector actors operate in a given context, allowing interventions to adapt as needed to the realities on the ground. For example, in

Kenya, practitioners are working with market actors to test business models that leverage retail distribution modalities such as pharmacies, to deliver a wider range of healthcare services. These complement the more public goods models that are struggling to meet the needs. Through such efforts that diversify delivery channels, vulnerable populations are more likely to be able to access key health services during a shock or stress.

An MSR lens can identify the risks and opportunities related to how best to engage market actors to balance immediate needs with longer-term considerations related to building effective relationships between customers (including households) and market actors.

For example, practitioners often have to decide how best to support improved access to certain products and services, and depending on context, the options may be limited. An MSR lens can help identify which market actors are more likely to see households as valued customers or suppliers, which is often a good indication of the willingness of those market actors to respond and invest in relationships with households post shock or stress. If there are not sufficient market actors likely to target households as customers post shock or stress, an MSR lens can also help practitioners know how best to engage market actors in a given context. For example, projects can use an MSR lens, including one built into tools such as the [USAID Modality Decision Tool](#) or agency-specific decision trees, to determine whether vulnerable

MSR In Practice Spotlight

In the small town of Khajura in the Banke district of southwestern Nepal, Mr. Ashok Pant has managed a small agrovet retail store for 15 years. Mr. Pant has actively grown a loyal customer base of 6,000 households, as he stocks and sells high-quality agricultural products and supports his customers with informed technical support. By taking a customer-focused, growth-oriented business strategy, Mr. Pant is able to improve connectivity with his customers, compete with other agrovets to deliver quality-assured products, and cooperate along the retail distribution chain—all of these actions increase household resilience, minimizing the impact of shocks and stresses.

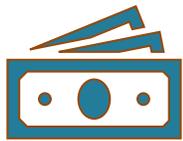
To learn more about this example, refer to [this full case study](#), published under the Feed the Future MSP Activity.

same population. For more information, see:

https://www.usaid.gov/sites/default/files/documents/1867/Summary_Economics_of_Resilience_Final_Jan_4_2018_BRANDED.pdf

households should receive cash and vouchers to purchase needed goods and services from local vendors, or whether the project should directly produce and distribute items. Direct distribution inserts a project agency into what might otherwise be a direct relationship between household consumers and market actors, which can dampen and distort important feedback loops that are essential for effective adaptation over time. Conversely, if certain goods or services are not available from market actors in adequate quantity and quality, projects may need to engage in direct distribution or consider supporting local market actors to supply these items. The MSR lens helps agencies avoid unintentionally weakening market systems.

While shocks and stresses present real dangers that have to be managed, they also are disruptive of the status quo. In this way, they provide an opportunity to catalyze improvements in how market systems respond to the needs of households and can have a positive effect on household resilience, especially in the context of mitigating the effects of recurrent shocks and stresses over the longer term.



LINKAGE II: GENERATING CASH

Before, during, and after a shock or stress, households often need to have access to cash to pay for various resources and services, such as food, water, transport, healthcare, shelter, seeds, crop protection, inventory, and services. Whether a household can generate cash effectively is dependent on two factors: (i) market access, meaning that households can actually sell assets or find work via some kind of market mechanism and (ii) the quality of the access point. In many cases, market access might be available, but systemic biases encourage market actors to leverage the situation to unfairly capture extra margins, putting households at even greater risk of not being able to recover effectively.

Further, as countries head along a path toward middle income, labor market improvements often allow for improving returns on labor, diversifying, and stabilizing household income, and improving the overall household risk profile. However, in many developing countries, labor markets can be very difficult for marginalized and vulnerable populations, especially women. For example, RTI International's research in Ethiopia² has shown that male and female youth who migrate for work can often suffer from physical violence, sexual violence, exploitation, exposure to communicable diseases, and theft. Additionally, in many vulnerable communities, recurrent shocks and stresses are forcing out-migration, often causing substantial disruptions in traditional coping mechanisms, social norms, and livelihoods.



APPLYING AN MSR LENS Applying an MSR lens can provide actionable insights into:

1. How best to engage market actors to improve how households turn assets or labor (job creation) into cash when a shock or stress manifests.
2. Patterns of behavior between market actors and households to improve how they generate cash.

Prior to a shock, if households do not have access to markets or if the access they do have is characterized by unfair business practices, it is unlikely that the situation will improve during or after a shock. Rather in most cases, it will become more dire. Understanding the nature of the relationships households have with other market actors is important; using the behavioral domains from the MSR framework can help practitioners to determine the likelihood that a market actor or market mechanism will provide fair and transparent access. Equally useful are the structural domains referenced above in the Common

² USAID / Bureau of Humanitarian Affairs PReSERVE project – Promoting Recovery in an Environment of Resilient and Vibrant Economy. It is a Youth Employment and Labor Market Assessment in the Amhara region conducted by Bahir Dar University. Report forthcoming in December.

Characteristics of MSR figure that can provide insights into the power dynamics and the diversity of the market mechanism (i.e., whether there is a single buyer or more of a spot market with many buyers) that will be the primary access point for households.

In most cases, a shock or stress impacts other market actors beyond household and the effect might be positive or negative in terms of how market actors engage households. It can be in the interest of actors, such as private sector firms, to create healthy, cooperative relationships in order to be more resilient when a shock occurs. In other words, when healthy cooperative relationships are formed using fair and growth-oriented business strategies, firms are more able to assist households in the management of assets in times of shock or stress by adapting together or sharing resources and information. This kind of cooperation is explained in the text box to the right from the camel leasing model within the GEEL activity.³

When it comes to job creation or employability, an MSR lens can help to identify where there are opportunities for practitioners and donor-funded activities to support improvements, such as access to skills via training, apprenticeships, or mentoring, along with improving how market actors hire and manage staff. An MSR lens can also highlight where biases against marginalized households may require an activity to be more engaged in pay for work schemes to protect those populations from extractive business practices.

Additionally, access to certain technologies and processes can open up opportunities for households to find higher paying work or just ease demands on limited time. For example, an MSR lens application in Nepal found that changes in labor market patterns have created a context where women are playing increasingly more central roles tied to how a community can manage shocks and stresses. The increase in young men leaving the country to find work has two interrelated but different effects. The first is that as young men have left, women have had to take on more decision-making roles in agricultural production. The second is that the migration has also had a major effect on local labor availability, requiring many households to pay a fee for services such as land preparation and spraying. The combination is pushing women-led households to take the lead in commercializing their agricultural production as a way of ensuring an important source of income.

An MSR lens identified this important shift in the role women are playing in generating cash that was not recognized by market actors and this guided activities to adapt, recognizing that improving the return from the role of women in market systems also improves household resilience.

Market Actors Helping Households to Access Cash During a Shock

As a specific case example displaying the **connectivity** and **business strategy** domains, GEEL tested one successful strategy during the 2016/17 drought. In advance of this shock, camel pastoralists connected with local camel milk processors that, even during drought conditions, maintained a steady demand for camel milk, for which they needed to consolidate supply chains in order to meet. Milk processors formed lease agreements with camel owners to lease their herds during the period of scarcity, creating income protection. From their position of resilience and a long-term strategy for business growth, it made commercial sense for the milk processors to take on the care of the animals—including feed, water, and veterinary services—as well as paying a lease fee to the owners, thereby supporting the owners' cashflow. The milk processors in turn benefited from a reliable supply of the camel milk they needed to fulfill their market demand. Note, the camel lending model was already in use, but the project role was finding the market mechanism and using social capital to identify lessors and favored pastoralists with larger herds.

³ <https://www.rti.org/impact/somalia-geel-update>



LINKAGE III: IMPROVING A HOUSEHOLD'S LONGER-TERM RISK MANAGEMENT CAPACITY

Over time, households (and the communities they make up) are better able to manage shocks and stresses when they shift from managing risks by producing and bartering for their needs at a subsistence level.⁴ This happens via local community networks to more fully integrate into market systems and generate a living wage and income, including self-employment. Such a shift often has implications related to ongoing access to informal social safety net services and other potential trade-offs that need to be understood. At the same time, when households generate consistent and growing income, they are often better able to access products and services that allow for better protection and recovery from shocks and stresses, such as better housing, healthcare, food, or transport.

Additionally, as communities generate wealth it can also create a dynamic where connected market systems become more responsive to the needs, wants, and interests of households, whether the households are consumers, suppliers or service providers. As this virtuous dynamic emerges, households benefit from ongoing innovation and new technologies that can manage risks as they emerge and manifest into specific challenges. As a result, households influence, and are influenced by, competitive, inclusive, and resilient markets systems in as much as they are able to share risks, reallocating them in ways that relieves much of the burden that would otherwise fall directly on households. These markets also provide specific remedies to risks as they manifest into specific needs.

At the core of the market systems' ability to engage and sustain this process of generating wealth, sharing risks, and solving problems over time, is an ability to identify, prioritize, and allocate resources based on the interests of the society and especially middle and lower income populations.



APPLYING AN MSR LENS Applying an MSR lens can provide actionable insights into:

1. How practitioners can catalyze market systems to become increasingly more competitive, inclusive, and resilient. Recognizing that market systems do not evolve linearly, and it can be hard to force market systems to evolve along a specific path of development.
2. How practitioners need to consider focusing on ways the overall system functions as a single unit before during and after a shock rather than only focusing on households' immediate needs and the market actors and functions that correspond with those needs.

As communities emerge out of poverty, they also tend to move beyond vulnerability, especially in regard to how they handle and rebound from various shocks and stresses. Central to this transformation is the role market systems play, not only in generating increased wealth within communities, but in integrating communities into market systems in ways that make those systems more responsive to household needs. As communities influence how market systems evolve, many risks are shifted away from communities and onto market platforms that diffuse risks across multiple communities.

For example, insurances are a specific type of financial product that allows an individual household a way to manage risks and shares the costs across a large population. This is an example of how market systems can shift some or most of the burden from a household to the system. In this context, it is essential that MSR

⁴ The willingness of households and communities to rely on market systems for risk management often requires sound, responsive, and transparent social safety nets and social services (e.g., child care, health care, public education, affordable housing, emergency response).

activities consider how best to catalyze market systems to become increasingly more competitive, inclusive, and resilient.

A challenge for practitioners is that market systems do not evolve linearly, and it can be hard to force market systems to evolve along a specific path. As a result, MSR activities may not be able to directly push a market system to evolve in a way that delivers sustainable benefits to the most vulnerable households and communities as fast as would be ideal. It is there important that humanitarian and MSR activities work closely together to adapt to local contexts so they can identify potential gaps, lags, or trade-offs where communities will need support. They must also allow MSR activities to continue to catalyze market systems to evolve in ways that integrate vulnerable populations to improve resilience, especially by mitigating and neutralizing known and knowable risks over time.

For example, in Nepal, poor transport routes into the highlands have limited how market actors engaged isolated communities in the region until only recently. At the same time, leading up to improvements in transport routes, market systems programs like USAID's KISAN and KISAN II worked with various lead firms to improve their ability to engage smallholder farmers as suppliers and customers in other parts of Nepal. As transport routes eased access to more remote communities, the lead firms were ready to take advantage of opportunities related to communities in more geographic areas.

Practitioners may need to focus more on households' immediate needs and the market actors and functions that correspond with those needs before, during, or immediately after a shock or stress. However, it is also critical to take a systems approach to catalyzing essential changes in how households are integrated into market systems. In practice, this means focusing more on how the overall system functions as a single unit. For example, how households access products and services is often defined by how the overall retail distribution market system is working and especially how that system is influenced by the interests of households that are central to identifying and prioritizing the emergent risks they are facing. Additionally, for households to generate increasing incomes over time, they have to act as suppliers or employees within a market system. How the overall related supply chain or labor market systems engage households is central to, if and how long, it will take households to reach a more stable and resilient financial

Inclusive Market Systems-Level Shifts that Impact the Resilience of Households

GEEL worked with a range of market actors, including financial service providers, as well as innovations in technology to strengthen the commercial position of the dairy sector as a whole to be able to pivot when needed. GEEL's efforts to improve loan quality and build capacity among Somali banks and enterprises' abilities to access loans resulted in a significant increase in the uptake of commercial finance. Such lending enabled investments in technology that strengthen capacity, thus positively impacting the households who feed into these markets. International trade shows and fairs also were made available to both enterprises and pastoralists, opening up new market opportunities for export and strategic business decisions not previously available. Ultimately, these new mechanisms to access finance as well as end markets support households to engage with more commercial markets in a way that deepened resilience capacity and diversified risk.

MSR In Practice Spotlight

GOAL's Resilience of the Blue Economy program supports women in local fishing communities to enter into new market opportunities that also support improved management of marine coastal resources. One example is the reuse of byproduct of fisheries' activity where women process fish skins into leather, turning a previously discarded by-product into an important and high value product. This generates higher returns per fish captured and reduces the pressure on fish stocks, and since women are responsible for the processing, women are gaining increased agency in family decision-making. The overall efforts to transform the blue economy contribute to the resilience of vulnerable coastal communities where natural resources such as mangroves provide essential protection against major storms, salination of ground water and soils, and tsunami and storm surges. In addition to various risks that natural resources like mangroves help to mitigate, households are also better able to manage risks related to uncertainty through improved income security.

position. An MSR lens can provide important insights into the likely trade-offs and concerns that would have to be addressed (either by market actors independently or influenced from donor activities) in order for households to improve their longer-term risk management capacity.

CONCLUSION

This brief explored how household level resilience capacities and development outcomes can be strengthened by applying a market systems resilience lens. In particular, the brief highlighted three linkages in which market systems play an important role in supporting household resilience.

1. **How market systems can provide services and products that can directly help households in protecting and recovering their wealth and health in relation to shocks and stresses.**

There may be valid arguments for providing agricultural inputs, veterinary services, or construction materials to communities which provide immediate recovery impact for households to grow their own food, maintain their livestock, or repair their houses. There could also be unintended negative consequences of doing so in regard to the health and resilience of market systems. From a market systems perspective, it is key to begin by working with vulnerable populations to understand the value proposition of a given product or service (e.g., an improved brick that is more durable to high winds) to understand how it can help households to protect or recover from a shock or stress. In times of stress, vulnerable populations are much less likely to try new ideas (such as purchasing a new technology like an improved brick). Lessons learned from market systems experience show that retailers must engage and communicate with communities based on their specific needs, interests, and social norms before the shock occurs.

Consequently, when trying to increase adoption of products or services important to household resilience, practitioners should support local or interested market actors to improve how they engage, educate, and make the value case (i.e., promotional campaign) related to key products and services.

2. **Market systems can also play a critical role in supporting households to generate cash to better manage shocks and stresses.**

In particular, how private sector actors engage households to buy crops, animals and other assets can have a substantial impact on how households weather shocks and stresses. This is especially related to the fairness in which the transactions are conducted. Furthermore, how private sector actors engage households in relation to hiring their labor, can also be central to the resilience capacity of households during some shocks and stresses. At the same time, where commercial employment can be maintained or even improved, practitioners should support such mechanisms.

3. **Over time, when economic growth is governed in ways that are fair, transparent, and grounded in some level of merit, households and communities can integrate into market systems that provide better risk management solutions by sharing risks at a higher level.**

Presence of feedback from media, civil society and government, as well as the collective voice of marginalized and vulnerable populations is necessary, so that market systems evolve in ways that ease the burden on such populations. Inclusivity, competitiveness, and resilience all need to emerge and maintain some level of dynamic balance to navigate trade-offs that ensure fairness, transparency, and shared value via effective feedback.