



What is the Market Systems Framework and Its Role in Developing Family Planning, and Maternal, Newborn, and Child Health Markets?

Brief #2 of 4 in a series on the MDA

September 2022 / by Mark Hellowell, David Elliott, and Barbara O'Hanlon

Introduction

To create a common understanding of key concepts in a market development approach (MDA), USAID's Frontier Health Markets (FHM) Engage produced a series of short "MDA briefs," for a diverse audience of policymakers, private sector actors, and development partners working in these health markets in low- and middle-income countries. The purpose of the MDA briefs is to clarify what MDA is and how it works in family planning (FP) and maternal, newborn, and child health (MNCH) markets. This second briefing note (Brief #2) aims to define what the *market systems framework* is, its role in implementing the market development approach, and how it will be used by FHM Engage.

What is the market systems framework (MSF)?

MDA is a broad framework and process¹ to engage and facilitate local market actors to *diagnose* the root causes of a health market's underperformance and develop solutions, to collectively *design* interventions that will lead to improvements in FP and MNCH health outcomes, to collaboratively *deliver* a market strategy and implement its market interventions, and to *detect* changes in the market over time and make mid-course corrections as needed.

The reason for MDA's focus on market systems is clear. By bringing about change in a market system within which people live and work, it is possible to effect substantial and lasting change that can impact many sustainably rather than a few temporarily.² As noted in the MDA Brief #1, learning from past experiences in economic and social sectors has logically led the development community in health to emphasize systemic change.

What is less clear is what is meant by a market system. A market system is multi-player, multi-function construct comprised of **three main sets of functions** – core, rules, and supporting – undertaken by different market actors (government, private sector, civil society, etc.) through which an exchange takes place, develops, adapts, and grows.³ The market systems framework is a new lens by which to view

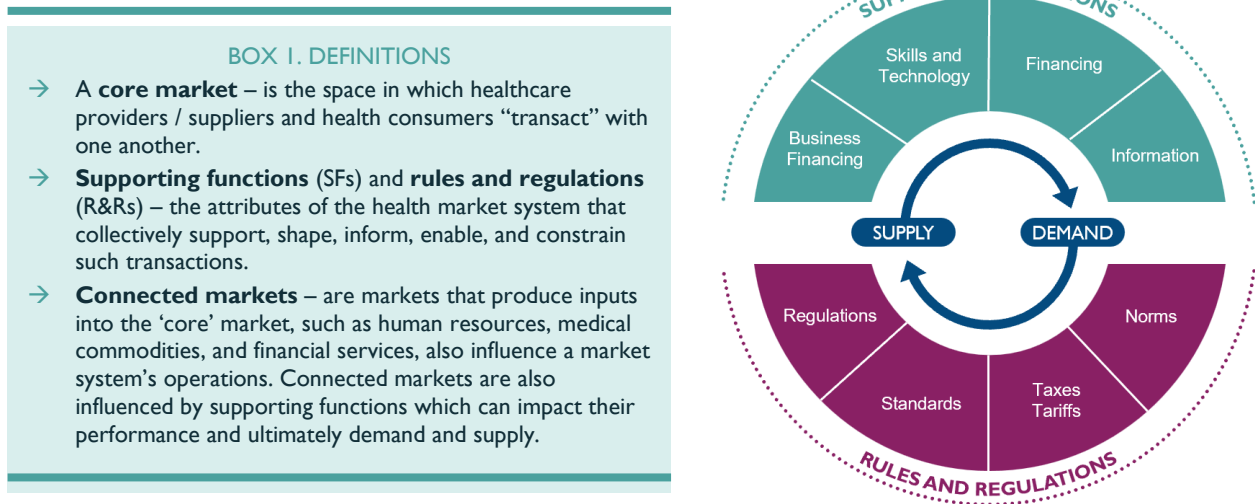
¹ Refer to FHM Engage MDA Brief #1: What is the MDA Process for Family Planning, and Maternal, Newborn, and Child Health?

² A synthesis of The Making Markets Work for the Poor (M4P) Approach. UK Department for International Development (DFID) and the Swiss Agency for Development and Cooperation (SDC). 2010.

³ A synthesis of The Making Markets Work for the Poor (M4P) Approach. UK Department for International Development (DFID) and the Swiss Agency for Development and Cooperation (SDC). 2010.

conventionally defined markets and basic services and help organize thinking about the institutional arrangements and market actors that collectively determine the performance of an FP and/or other health market (See Figure 1).

FIGURE 1: THE MARKET SYSTEMS FRAMEWORK



As Figure 1 illustrates, the MSF organizes one’s diagnosis of an FP market by *three main sets of functions* – core, rules, and supporting.

Core market function

The core function in any market system is to provide a space for a network of *buyers, sellers, and other market actors* to come together to ‘transact for’ a given product or service.⁴ In the case of FP, the market is where market actor or actors provide (supply) an FP service and/or product while consumers seek (demand) them. On both sides, the transaction decision is based on a valuation – *What costs do I incur? What benefits do I secure?*

- **Supply.** Supply in an FP market includes suppliers of both services and products. To differentiate the type of supply offered, suppliers of FP and health services are referred to as **‘providers’** and suppliers of products are **‘suppliers.’** FP and sexual reproductive services for youth and women are diverse, ranging from information about contraceptive options, to client screening and testing to determine pregnancy status, to provision of a preferred FP product and follow-up. ‘Providers’ vary, including community-based organizations, different levels of health facilities, and retail outlets like pharmacies and drug shops. These service ‘providers’ can be public, for-profit, and not-for-profit.

‘Suppliers’ of FP products include manufacturers, wholesalers, and distributors that supply products to the points of care described above. These ‘suppliers’ offer a wide range of short-term and long-acting FP methods (e.g., condoms, oral contraceptives, emergency contraceptives,

⁴ This does not always involve an exchange of money, specifically. For example, an individual obtaining a free family planning method at a public or private pharmacy would be captured in this definition of “exchange”.

IUDs, implants, injectables, and voluntary sterilization). The type of products supplied will differ given the health market; for example, the child health market supplies oral rehydration salts, Amoxicillin DT, etc.

- **Demand.** Demand in an FP market focuses on two segments: those who are currently using an FP service and method, and those who are not. But focusing on these two segments is not enough and requires dividing (or “segmenting”) the target consumer or population into smaller groups according to their specific needs, preferences, and characteristics. The keystone USE-NEED⁵ analysis is a helpful tool to quantify and segment the target population as well as estimate total potential demand. This approach analyzes demand through various lenses such as age, gender, geography, wealth quintiles, and risk factors to identify the largest groups with unmet need.

The core market focuses on understanding the simple exchange of goods and services; for example, how and where a young married woman accesses a quality, affordable FP method to delay her first birth. Often these simple exchanges are more complex than they seem, forming part of a longer chain of transactions involving multiple 'players' and a long a 'value chain.' An example would be a chain starting with manufacturers, that sell to distributors, who in turn sell to wholesalers, then shopkeepers, and finally to households that buy the products.

A close examination of the core market reveals the relationships between consumers and suppliers who are linked together. Each of their behaviors depends on their roles, functions, incentives, and capabilities. This, in turn, shapes the availability, choice, price, and quality of goods or services exchanged. Thus, this ultimately determines how effective and accessible an FP market is for both current, but more importantly, non-current users of FP services and products.

For governments and agencies, intervening to bring about change throughout a market system usually involves addressing **rules and supporting functions** in collaboration with other market actors in FP.

Rules function⁶

Core market operations do not happen in a vacuum. They are subject to institutional arrangements and health and business environments that influence when, where, and how a 'transaction' in an FP market takes place. These rules set the formal and informal 'rules of the game' for FP market actors. Governments, regulatory agencies, development partners working in the health sector, and health business associations often create these rules.⁷ But they can also be shaped by broader societal values and attitudes, such as cultural attitudes that restrict women's access to FP products and services. Norms are also relevant because they influence the extent to which formal rules are accepted, as well as consumer behavior.

- **Regulations.** Formal rules include policies, laws, and regulations issued by public authorities and rules and standards (not to be confused with clinical standards) issued by professional associations and industry bodies (for example, industry standards or codes of conduct). Types of formal rules include laws and policies (e.g., Ministry of Health Population Policy, FP Strategy, FP2030 commitment, etc.), health regulations (e.g., ministry facility and

⁵ <https://www.psi.org/keystone/diagnose-phase/>

⁶ Refer to FHM Engage Operational Guide on Rules for an in-depth discussion on the rules, regulations and norms that directly impact FP and other health markets.

⁷ Refer to FHM Engage MDA Brief #4 on stewardship.

professional licensing, quality certification and accreditation, product registration, etc.), and economic regulations (e.g., business licensing, income taxes, import taxes, VAT taxes, etc.)

- **Norms.** Informal rules that govern behaviors in individuals, groups and societies and are established by culture, religion, society, and other factors. They are generally a product of local culture, value systems, and practices. On the supply side, a service provider may resist offering an FP method to youth or to an unmarried woman due to his/her cultural perspective. On the demand side, a woman may not be able to spend household income on an FP method because it requires her husband's or partner's approval.

Supporting function

A range of other functions support core operations in an FP market to perform better and to develop and grow. Supporting functions are **attributes** of a market system that collectively determine the incentives, capacities, and accountabilities of all market actors within it. The nature of these supporting functions, and who provides them, vary from one country to another. Stewardship is primarily viewed as a government function but can also be performed by other market actors, such as private health associations. Although governments are responsible for providing information on health sector trends including FP, private sector businesses also play a role in sharing information on their activities. Coordination in specific skills and disciplines is always likely to involve government and business or professional associations.

- **Stewardship.** The concept of “stewardship” within MDA is concerned with “what is done,” “what should be done,” and “who does it” to ensure that an FP market performs well. The goal of FP market stewards is to ensure that supporting functions and rules **are** present and performed to the standard required to achieve a government's FP goals and objectives.
- **Financing.** Supply-side financing mechanisms, such as contracts, advance purchase agreements, and national health insurance, are powerful tools of government to ‘crowd-in’ providers and suppliers of FP services and products. Demand-side financing mechanisms, like vouchers, product donations and others, are effective mechanisms to stimulate demand for FP services and products while at the same time remove economic access barriers. In the case of health, subsidies – particularly those created by development partners to prime the market and/or stimulate demand – can have a deleterious effect and ‘crowd-out’ both providers and suppliers of FP services and products.
- **Business financing.** Access to favorable terms of capital and credit that reflect the needs and business environment of FP providers and suppliers is another mechanism to grow and expand supply and improve quality.
- **Information.** Both supply- and demand-side information are critical in influencing market actor behavior. Effective collection, integration, and utilization of private sector data, market information, market intelligence, and market performance inform public and private decision-making and action. Similarly, demand-side information shapes health consumers’ ability to perceive their FP needs, ability to select which FP method is appropriate for his/her needs, and ability to obtain their FP methods.

- **Skills and technology.** Providers and suppliers require access to commodities, skills (both clinical and business), and appropriate technologies needed to perform their respective roles in an FP market system. Examples can include a healthcare provider delivering affordable, quality FP services and products, a policymaker skilled in using private sector data to make informed decisions on an FP market performance, or a private sector provider or supplier with the technology to report and access market data.

How does MSF inform MDA?

The MSF is fundamental to each step in the MDA process. The MSF is the organizing construct by which to **Diagnose** an FP market – the first step on the MDA Pathway to Impact – in which FHM Engage facilitates market actors to analyze and prioritize the root causes of an FP market underperformance. The MSF also supports the MDA’s next step – **Design** – in which the project facilitates market actors to co-design a market strategy with intervention areas constructed to stimulate changes in the core market and address the root causes of barriers found in supporting functions and rules. **Delivering** the FP market strategy – the third step of MDA – is focused on supporting market actors to collectively implement and perform their respective roles in stimulating changes in both the core FP market operations and the market system changes in the supporting functions and rules. Finally, the last step in the MDA – **Adapt and Learn** – strives to measure the changes in the core FP market and supporting functions and rules and their contribution to achieving a country’s national FP goals and objectives. In effect, the MSF is the ‘golden thread’ that runs throughout all of FHM Engage’s project activities.

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Frontier Health Markets (FHM) Engage works to improve the market environment for greater private sector participation in the delivery of health products and services and to improve equal access to and uptake of high-quality consumer driven health products, services, and information. FHM Engage is implemented by four core consortium partners: Chemonics International (prime and co-technical lead), Results for Development (co-technical lead), Pathfinder International, and Zenysis Technologies, and a host of Network Implementation Partners (NIPs).

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