

Reimagining Market Systems Amid Shifting Donor Landscape



**BDS Donor Coordination
Group (BDCG)**

*Presented by: Mathews Wanjala-Senior Programme
Manager-Market Systems
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CIALA RESORT-KISUMU*

Introduction

- ❖ The global development financing environment is undergoing profound shifts as traditional donor resources (such as USAID) are flattening or declining, competing global priorities are intensifying (eg. War in Ukraine), and emerging philanthropic (such as Gates Foundation) and impact investors are reshaping how development is funded.
- ❖ At the same time, developing economies—especially in Africa—are confronting an increasingly complex constellation of shocks: climate risks, geopolitical disruptions, food system vulnerabilities, and youth unemployment pressures.
- ❖ Organisations working in trade, economic development, and market systems strengthening must rethink how they operate, collaborate, and deliver value. Market systems approaches remain critical, but they must be reimaged to respond to a donor landscape characterised by tighter budgets, higher expectations for sustainability, and strong demand for private-sector-led solutions.

What is a market systems?



A market system refers collectively to the range of individuals, organizations, institutions, regulations, and cultural norms that influence behavior within a given market. This should be considered as a dynamic system or process rather than a static whole.



It also refers to a range of actors and institutions that impact the delivery of a given commodity or service in a market.



Market systems development (MSD) is an approach to international development that emphasizes sustainability, scale, and systemic change.



The MSD approach has been applied across a range of sectors, including agriculture, water and sanitation, finance, labor markets, and health, amongst others

Key Terms



Sustainability: The extent to which impact or a proposed change in behaviors/norms persists beyond the life of an activity/project-efficient utilisation of resources for now and future generations.



- **Market actor:** refers more specifically to associations, businesses, governments and/or government entities, researchers, consumers, and others, who participate or interact within a particular market system.



- **Scale:** The number and proportion of a target population in a market system affected by activity activities. Meant to be subjective.



- **Leverage** point refers to an opportunity to have a disproportionate impact within a system by working with a strategic entity that will have a ripple impact on the behaviors of others.



- **Systemic change:** Deep shifts in a market system's underlying structure and predominant behaviors of individuals and groups.



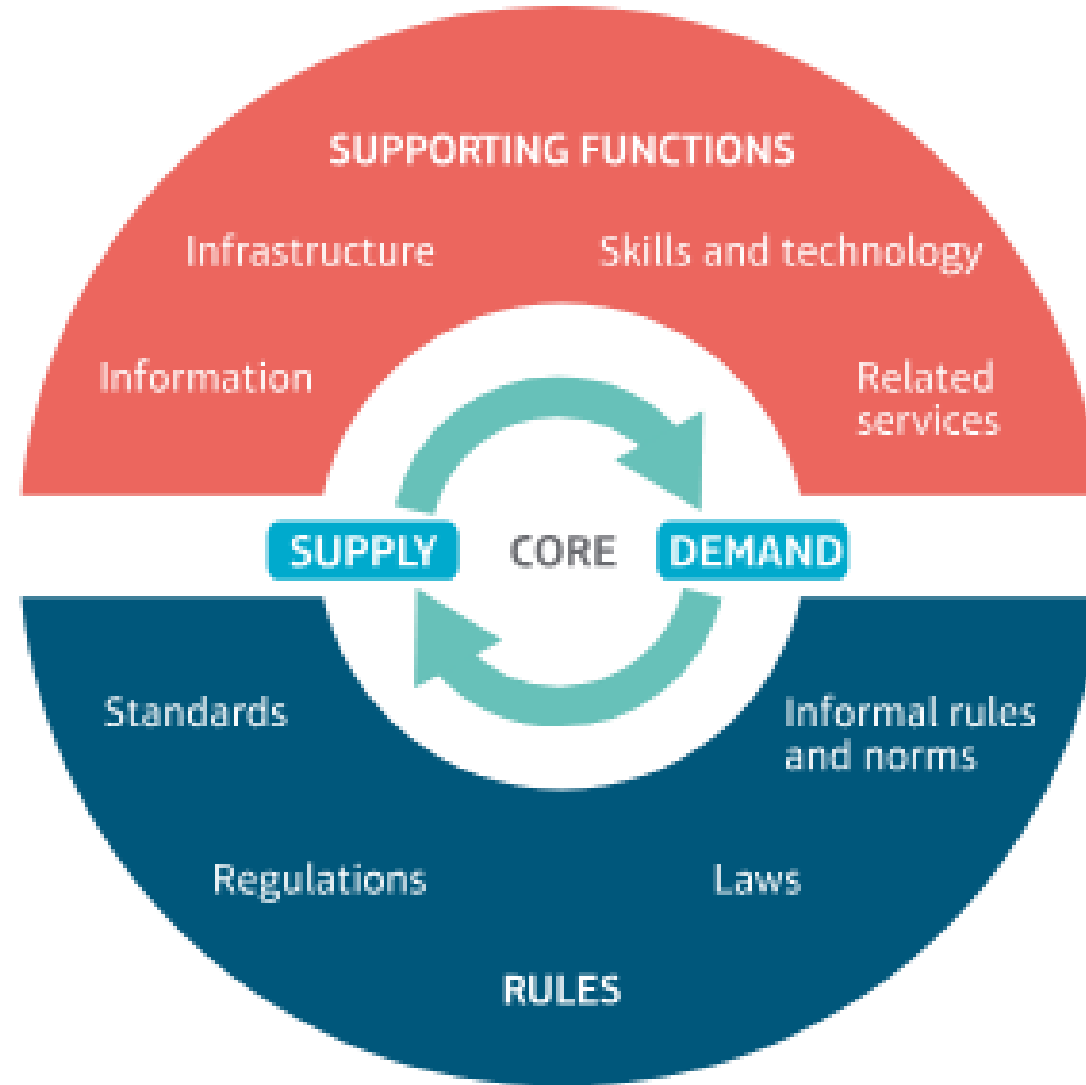
- **Facilitation:** The action of working in collaboration with a market actor(s) to solve problems as opposed to attempting to solve the problem directly using activity funds

Key pillars of Market Systems



The mission of MSD is to help system actors improve the overall functioning of market systems so that they become more competitive, inclusive, and resilient, with the goal of driving impact at scale.

APPROACHES TO MARKET SYSTEMS DEVELOPMENT



1. The M4P Approach 'Doughnut'

2. Value chain approach framework

GLOBAL BUSINESS
ENABLING ENVIRONMENT

LOCAL / NATIONAL
BUSINESS ENABLING ENVIRONMENT

Sector-specific
providers

Cross-cutting
providers

Financial
(cross-cutting)

Global
retailers

Exporters

National
retailers

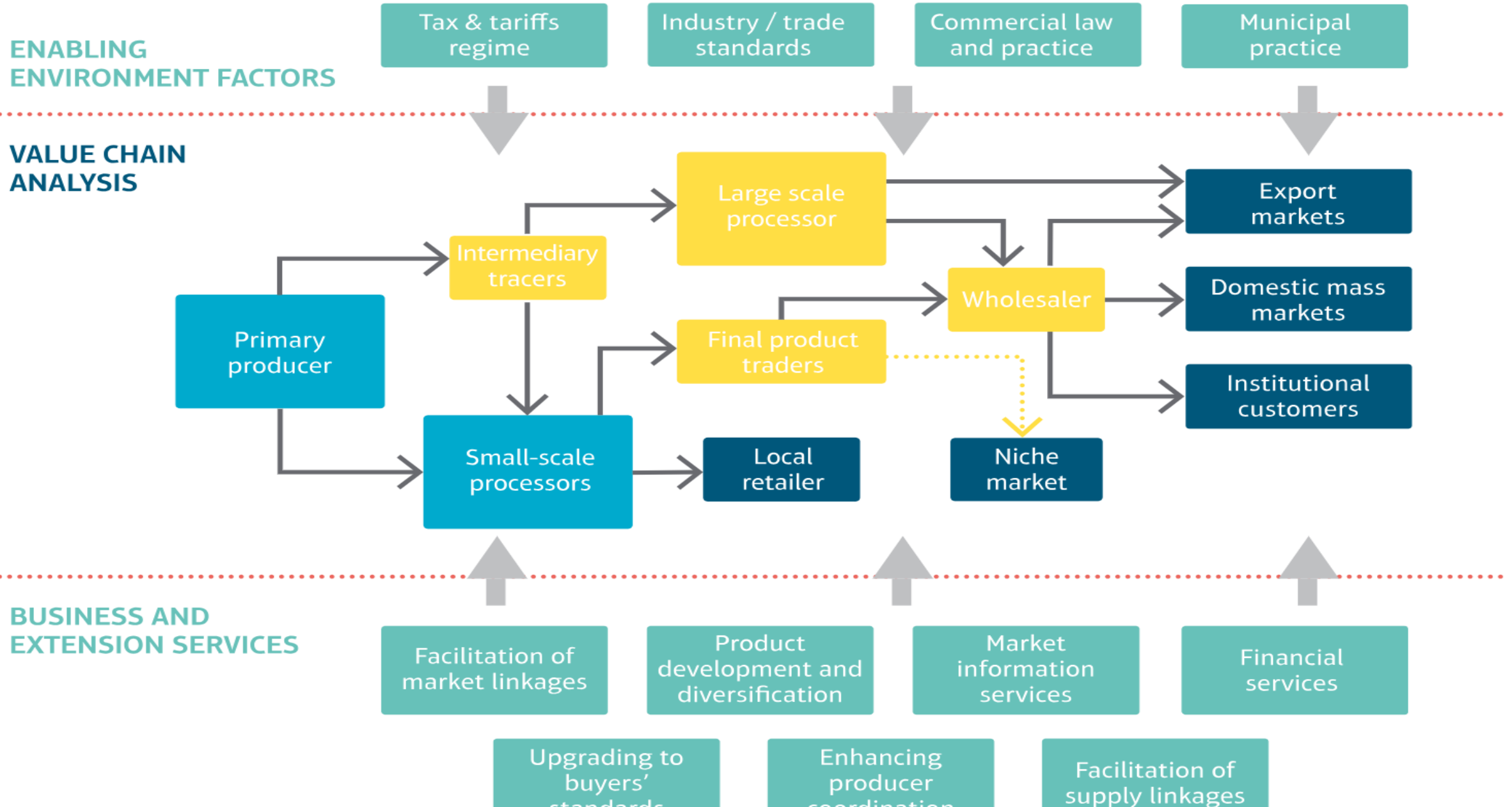
Wholesalers

Processors / Traders

Producers

Input suppliers

3. Participatory Market System Development (PMSD) Roadmap



Changing donor landscape

- ❖ Declining Traditional ODA-Foreign aid budgets in several donor countries have plateaued, and funding is increasingly tied to domestic fiscal pressures, geopolitical priorities, and thematic earmarks (e.g., climate, migration, health security).
- ❖ Rise of Donor Blended Finance-Donors are increasingly leveraging concessional grants to mobilise private capital. Funding models now emphasise return on investment, shared risk, and commercial sustainability.
- ❖ Greater Focus on Self-Reliance and Localization-Donors expect governments, private sector, and regional institutions to take greater ownership of development. Localisation agendas prioritise national systems, local institutions, and community-driven solutions.
- ❖ Demand for Measurable, Transformative Results-Donors are pushing for large-scale systemic changes rather than standalone projects—requiring innovative delivery models, strong partnerships, and evidence of impact on jobs, income, resilience, and inclusion.

Why Reimagining Market Systems is Imperative

Market systems development (MSD) remains a powerful tool for economic transformation. However, the traditional MSD model—often grant-driven, time-bound, and donor-dependent—must evolve. Emerging realities demand:

- ❖ More commercially viable and investment-ready interventions
- ❖ Long-term systems change, not one-off facilitation
- ❖ Stronger private sector incentives and co-financing
- ❖ Integration of climate resilience, digitalisation, and inclusion
- ❖ Greater collaboration across countries and value chains
- ❖ Regional integration that drives competitiveness and scale

Market systems must therefore be repositioned as market-shaping platforms that crowd in private investment, amplify public-sector reforms, and enable firms and communities to thrive amid global shocks.

Strategic Shifts Needed in Market Systems Approaches

- ❖ Position MSD as a Catalyst for Investment-Market development programmes should integrate investor intelligence, market analytics, and de-risking instruments to crowd in capital. This includes blended finance structures, pipeline development for SMEs, risk-sharing facilities and incentives for green and inclusive investments
- ❖ Build Multi-Country, Borderless Market Systems-In regions like the Horn of Africa, East Africa, and West Africa, trade corridors and cross-border markets are critical. Future market systems approaches must support regional value chain competitiveness, harmonised standards, cross-border infrastructure and integrated digital trade solutions
- ❖ Embed Climate and Resilience as Core Market Drivers-Climate shocks now undermine every value chain—livestock, fisheries, grains, horticulture, transport, logistics, and cross-border trade. A climate-smart market systems approach must include climate information systems, resilient production and post-harvest technologies, circular economy models, green trade investments and carbon market readiness
- ❖ Transition from Grants to Partnership Portfolios-Development actors must pivot from grant disbursement to strategic partnership management, co-creation, and performance-based financing with private sector firms, national governments, regional economic communities, research institutions and social enterprises
- ❖ Increased Localisation and Capability Strengthening-Supporting local institutions to lead long-term change is essential. This includes public-private dialogue platforms, local business associations, border community cooperatives, farmer groups and women trader networks and national think tanks and regulators

Opportunities in New Donor Landscape

- ❖ Rising Demand for Food Security and Resilient Food Systems-Governments are prioritising staple food production, livestock systems, trade corridors for food movement, storage and processing investments
- ❖ Growth in Green and Digital Trade-Increasing investment in renewable energy for trade logistics, digital customs and trade facilitation platforms and low-carbon manufacturing and exports
- ❖ Private Investors Seeking Impact-Linked Returns-Impact investors, pension funds, and agribusiness companies are looking for bankable value chain opportunities, climate-smart agriculture ventures and SME financing partnerships
- ❖ Regional Integration Momentum-The AfCFTA accelerates demand for regional value chains, trade facilitation reforms, investment climate harmonisation and industrial transformation

What Development Organisations can do differently

- ❖ Prioritise co-investment over pure grant support
- ❖ Focus on long-term systemic outcomes, not project activities
- ❖ Build regional-scale programmes instead of fragmented country-specific projects
- ❖ Develop flexible financing models adapted to shifting donor priorities
- ❖ Engage early with donor strategies, demonstrating value in policy alignment
- ❖ Invest in data, evidence, and thought leadership to influence funding flows
- ❖ Promote shared value partnerships with the private sector

Conclusion

The donor landscape is shifting—but it is not shrinking in opportunity. It is demanding smarter, more resilient, more integrated, and more investment-driven solutions.

Reimagining market systems in this environment means leveraging what works, innovating where systems are weak, and building powerful partnerships that transcend traditional development models.

It is an opportunity to redesign how economies grow, how value chains function, and how communities prosper—ensuring that market systems deliver inclusive, sustainable, and resilient transformation for generations to come.



*Thank
You*