



## MARKET SYSTEMS RESILIENCE IN NEPAL SUMMARY ASSESSMENT BRIEF

Photo credit: Andy Hunter

Nepal is undergoing a substantial change process, especially in the context of how risks are managed. This process is central to how the communities and market actors manage risks related to shocks and stresses.

Diving into these shifting contexts, this brief summarizes [key insights from a recent assessment of the drivers of market systems resilience \(MSR\) in target areas of mid-west Nepal](#), within the Feed the Future Zone of Influence.

The assessment, alongside three complementary case studies, presents [1\) the drivers of MSR](#); [2\) qualitative insights on the role that layered implementation of several Activities within the Mission's portfolio may have played in shaping these MSR drivers](#); and [3\) several innovative practices from across these Activities influencing MSR](#). There is a special focus on connecting the market system's resilience capacities with household-level resilience. The assessment was conducted between November 2021 and March 2022, with field work taking place in March 2022. Several subsequent interactive workshops in both Kathmandu and Washington D.C. supported USAID and implementers in interpreting and applying learnings. [Check out the full report and relevant case studies.](#)

**About the research framework.** The assessment applied an MSR lens as a useful diagnostic that focuses on how market systems manage risks and analyzed a market system according to eight structural and behavioral domains, identified in the circle of Figure 1 and discussed more in the full report. These provide insight into likely responses to known and knowable shocks and stresses, including in Nepal.

Through this process, the assessment uncovered three systemic change trends that act as signals to the way risks and opportunities are being managed in Nepal: 1) more formal social safety nets, 2) more competitive, inclusive market systems, and 3) disruptions in migration and labor market dynamics. These trends ultimately contribute to resilience at the national and household level, including in marginalized communities. Additionally, Collaboration, learning, and adaptation (CLA) formed a fourth line of inquiry as a programmatic response that supports leveraging the three systemic change trends to strengthen MSR. These four areas of inquiry were analyzed according to the eight MSR domains.

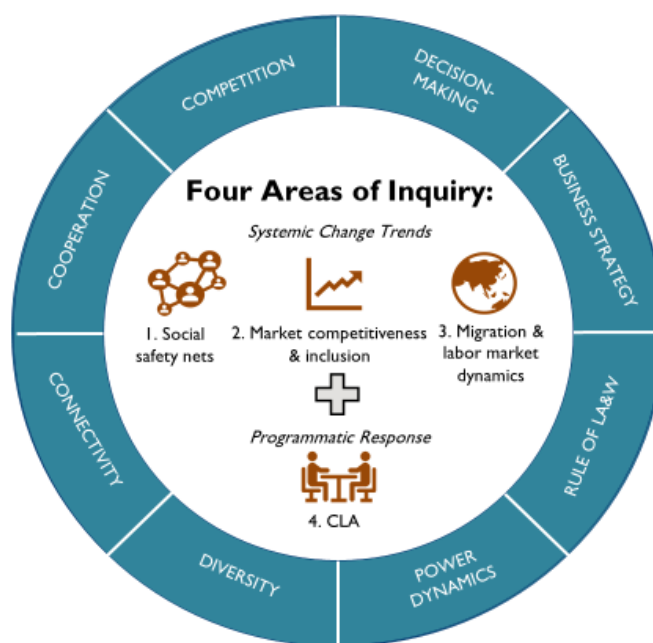


Figure 1: Summary of Analytical Framework

**Insights into MSR.** Key insights across the three prioritized systemic change trends are highlighted below.



**Social safety nets** shifting from informal, communal mechanisms to more formal, fair, and transparent social safety nets and emergency response services indicate a substantial shift away from the full burden of risks being managed at the community level.

Sharing the burden in a more formal, fair, and transparent way allows for more rapid recovery when shocks occur and creates an environment for households to take on more risks related to their economic activities.



**More competitive, inclusive market systems** signal improved capacity to identify, prioritize, and harness national resources to mitigate and neutralize risks that often manifest into shocks and longer-term stresses that have real and damaging effects.

Harnessed resources can then be directed in a coordinated manner towards both preparing for and responding to shocks.



**Migration and labor market dynamics.** Substantial shifts in population location can be very disruptive, affecting market systems and the wider society positively or negatively. Opportunities, for example, lie in the COVID-19 induced shift away from exporting labor to having a large population of younger males looking for work and opportunities within Nepal.

Migration patterns are still unfolding, and examples are emerging of both new patterns of behavior, and the slow return of pre-pandemic migration patterns as travel restrictions are eased beyond the most recent COVID-19 wave.



These systemic shifts partly reflect a substantial positive change in the role of the private sector, especially in relation to rural and more marginalized communities in both how these populations generate income, and how products flow to those communities.

*For example*, the advances in connectivity are enabling a more sophisticated trading network of goods and services which has an impact on both consumption and opportunities for livelihoods that are connected into a larger, national market system. At the same time, the change process is emerging in uneven ways as various factors and forces, like problematic social norms, misaligned incentives, and various external forces, are hindering or slowing the pace of positive change. *For example*, informal social safety nets are dependent on following or adhering to communal social norms, which have negative knock-on effects and are often unfairly distributed. This includes prevailing norms like those tied up in rigid social structures around ethnicity, caste, or gender.

**From a systems-thinking perspective, the uneven, and at times unfair, progress strongly suggests that increased importance be placed on areas of positive change in Nepal, including a focus on:**

- positive trends like diversity in agroveter product offerings or customer segmentation;
- the growing examples of emerging healthy competition and cooperation within market systems; and/or
- opportunities emerging from the diffusion of government power under federalism, such as by aligning donor efforts to support the emergence of fair, reliable, localized formal safety nets and emergency response services.

Programming that is sensitive to these trends will be able to build on these organic changes from within Nepal to increase momentum, build up or leverage the market system's capacity, and make the changes increasingly more attractive and mutually beneficial.



## The Role of CLA, Layering, and Sequencing in Influencing MSR.

Using USAID's [MSR Framework](#), the assessment also identified (i) areas in which layering seemed to be present and achieving resilience outcomes, (ii) where sequencing seems to have high potential, and (iii) where some considerations have emerged that might have limited the catalytic effect of USAID's investments.



Three key insights from the assessment process are:

- **Sequencing is essential element to layering.** This is demonstrated when an Activity works with elements of a market system with the expectation that as change begins to emerge, other Activities can build on and leverage that change. *For example*, KISAN II engages with many private sector actors. Most of these actors will want to focus on the easiest path for growth which will likely not include most marginalized communities. However, over time, as those firms grow and marginalized populations become more connected, the interaction between firms and these communities will occur more frequently with a greater potential for positive knock-on effects.
- **Look for specific areas of leverage when designing layering and sequencing, to improve impact.** Activities with no geographic overlap may seem to have minimal leverage capacity at first. For example, beyond geography, a market system's narrowly defined boundaries can also limit the leverage that layering can have. *For example*, maize is a relatively narrowly defined market system, meaning any marginalized community not engaged in maize will not be impacted. However - when viewing agricultural inputs as a market system in itself, positive effects are likely to result via knock-on effects for all marginalized communities active in an agricultural system more broadly defined, and most rural communities.
- **CLA provides a key foundation to put layering and sequencing into practice.** Activities must apply effective CLA practices to determine when and where the immediate opportunities are to generate the short- and long-term benefits of layered or sequenced interventions. *For example*, two Activities in Nepal were working on targeting the poorest and most marginalized populations, and their market interactions have a strong subsistence or short-term focus, which makes sense given the more immediate risks facing these target populations. A third Activity is focused more on growth, focusing on larger, more commercially active partners in the ZOI. As a result, there are areas where there is overlap that leads to effective layering. Yet there are some important opportunities that did or indeed could emerge, but because cross-Activity CLA was not at the forefront of these Activities, adaptations are unlikely to happen.

The assessment also surfaced [misconceptions that can bias seizing CLA, sequencing and layering opportunities](#):

- Market systems tend to evolve based on the most attractive next opportunity – so it is unlikely that specific market actors are going to jump to the most difficult path for growth. This means **interaction and CLA around emerging opportunities can play an important role in quickening the pace of market systems reaching the last mile.**
- As market systems do evolve, **quirks of geography, microclimates, or isolation that were once a driving force for vulnerability can become a competitive advantage.**
- Basic commodity crops and monocropping are typically risky and low margin, requiring scale efficiencies. Increasing smallholder income and resilience requires effective adaptation to find an appropriate mix for a given community and market system, so **how a program is framed becomes more important.**

**Highlights of Influence:** The assessment captured three case studies to highlight where USAID programming – including layered programming across Activities - was strengthening more resilient market systems.



**Connectivity Trends Among Small Retailers** explores how the BHAKARI Activity is catalyzing improved connectivity, especially between commercially grounded relationships outside traditional identity-related, friend, and family groups.

**Cooperation Along the Rice Value Chain** explores the efforts of USAID-funded programming in Nepal, such as KISAN II, PAHAL, and CSISA, to catalyze mindset shifts that lead to more cooperation along the rice value chain.

**Catalyzing Healthy Competition and Cooperation Among Agrovet's** explores how KISAN II and other Activities have catalyzed more customer-oriented agrovet's, supporting shifts in their business strategies to focus on the value they deliver to customers in order to catalyze changes in the competitive landscape that favors inclusive growth-oriented firms.

To explore the full MSR assessment more, and read the brief case studies, visit [www.agrilinks.org/msp](http://www.agrilinks.org/msp) or [this direct link](#).

Additional resources on MSR, including an introductory brief and cartoon-based visual training tools, are available at [www.agrilinks.org/post/market-systems-resilience-learning-resources-series](http://www.agrilinks.org/post/market-systems-resilience-learning-resources-series).

The **Feed the Future Market Systems and Partnerships (MSP) Activity** is advancing learning and good practice in market systems development and private sector engagement within USAID, USAID partners, and market actors. For more information, access to technical resources, and opportunities to engage, visit [www.agrilinks.org/msp](http://www.agrilinks.org/msp). This brief is excerpted from the Nepal MSR Assessment report prepared by Vikāra Institute for DAI. This document was made possible through support provided by Feed the Future through the U.S. Agency for International Development, under the terms of Contract No. 7200AA20C00054 managed by DAI. The opinions expressed herein are those of the author(s) and do not necessarily reflect the views of USAID or the United States Government.