



Managing MSD/M4P projects

Synthesis of the e-discussion of SDC's e+i Network from 10 March to 2 April 2014

Introduction

The discussion was part of a larger initiative by the SDC e+i Network to develop internal guidelines for effectively managing MSD/M4P projects. It was the second e-discussion on the topic. Together, the discussions led to the elaboration of a guidance document for SDC staff who manages MSD/M4P projects on a daily basis. The [guidance document](#) is available separately.

This document summarises the second e-discussion, as the topics that were discussed and the extent to which they were discussed could not be included in the guidance document. There was, however, still the intent to synthesise them in a document that could be shared with the wider e+i community.

Preparation and tendering of MSD/M4P projects

Applicability of MSD/M4P as an approach to systemic change

One of the questions that surfaced during the discussion was again whether the MSD/M4P approach was applicable in any circumstance. Apart from its obvious focus on market-based transactions, other situations were named by the participants that would either exclude use of an MSD/M4P approach or rather ask for additional approaches or lenses to be added to complement the focus on markets. An obvious tension was identified between the focus of the donor agencies on particular (usually remote) geographical areas, where the economic conditions are so basic and markets players and functions weak or near non-existent, and/or particular layers/parts of the society such as excluded or disadvantaged groups and the need to find commercially viable solutions. Hence, in some instances (very poor and disadvantaged/marginalised groups, economically underdeveloped areas), the M4P/MSD approach should allow for actions which are not strictly defined as “facilitative” and not purely rely on for profit service delivery (e.g. skills training for extreme poor salaried workers). In this regard, the diagnostic process of MSD/M4P projects starts with analysing the poor and their context and this requires an overlapping of a) impact on poverty b) growth and c) intervention feasibility. Excluding any of the three will cause problems in project design and implementation.

Introducing MSD/M4P into new contexts

A common thread through this and similar discussions was the question on how to introduce MSD/M4P projects into contexts where more traditional approaches are dominating; particularly introducing them into contexts where direct delivery and subsidised services are common. Based on experiences by some SDC funded projects it was judged as important not to shy away from introducing facilitation based approaches into these contexts. Such initiatives have to focus on changing the mindset of the own project team, which can take quite a while and continuous effort through training, coaching/mentoring and peer learning in order not to fall back into traditional patterns of delivery. It was also suggested to use a two-track approach. First, the project needs to do things on the ground and get results. In such situations, it is usually easier to keep all facilitation activities in the hand of the project rather than searching for local co-facilitators from the beginning. These results are the basis to ignite interest in the approach and move partners towards tweaking their activities in a more systemic direction. Second, convene discussions not around MSD/M4P per se, but around the pillars of MSD/M4P: outreach, impact and sustainability. In this way the discussion is no longer about “M4P” versus “traditional”.

Designing MSD/M4P projects

It was noted that most suitable for an MSD/M4P project would be a “design and implement” process where the implementer – once selected through a competitive tender – would design the concrete details of the program in close collaboration with the donor. While this was mentioned to be practiced in other donor organisations, namely the Department for International Development (DFID) in the UK, it was also made clear that this is not strictly in line with the procurement rules SDC has to follow. Nevertheless, many SDC managed MSD/M4P projects followed such an approach where the concrete project was planned in the inception phase, based on analyses done during this phase. This could be practiced by creatively managing the entry proposal and opening credit, contract for the inception, and the transition into the credit proposal and main implementation phase.

Budgets of MSD/M4P projects

It was argued by many participants that, as MSD/M4P projects are human resource intensive by focusing on facilitation activities, old rules for distribution between human resource and fiduciary funds are not working in these projects. One participant calculated that, given the rules governing SDC SOR budgets (profit and all overheads billed through international consultant fees), it is very difficult to have MSD/M4P project implementation units (PIUs) for less than 1 million CHF/year. So for all projects with a budget of less than 2 million CHF/year, having higher human resource/PIU than activity budgets comes pretty automatic.

Still, many SDC tender processes insist on a balanced budget between human resource costs and fiduciary funds. To comply with this, many projects outsource implementation and, with that, a big part of the human resource funds, effectively shifting human resource costs into the fiduciary funds. It was, however, cautioned that outsourcing is neither easier (having to deliver through another organization), cheaper (additional layer of costs and overheads) nor quicker (as the MSD/M4P project needs to make quite some investment in capacity building up front). The current approach is, thus, questionable in terms of its ability to select the most efficient projects.

One forward-looking suggestion was not to judge projects on their cost structure, but on their poverty reduction potential. Concretely, one would use the “unit cost/poverty reduction” ratio projected/achieved by the project, instead of looking at detailed budget structure. This would of course require that a project could accurately predict its poverty reduction impact. As SDC is, however, increasingly moving towards value for money evaluation,¹ the mentioned ratio will become obsolete.

In any case, there is certain flexibility in the budgets once a project has been awarded. As stated in the draft guidance document for managing MSD/M4P projects for SDC staff, the budget parts that cover the services of the implementer (parts 1-3) are fixed in the contract and should not be changed during implementation. There is, however, a relative flexibility within the fiduciary funds (part 4). Budget lines can be changed based on the need for adjustment in an on-going project. It was, however, also shared by a participant that parts 1-3 can sometimes be adjusted downwards if the savings are moved into part 4.

Tendering MSD/M4P projects and selecting implementers

The participants again reiterated how important it is to tailor the tender documents to the context at hand. The more general the tender document, the more general the offers will be and the more difficult it is to select an implementer with enough knowledge of the context. At the same time, the tender should allow for or even reward the suggestion of creative solutions to achieve the project goal by the bidder instead of prescribing these solutions in advance. When selecting the bidder, its track record also has to prove creativity and flexibility by displaying preferably a diversity of reasonably successful experiences rather than a record of success over a narrow range.

Another critical aspect in the selection of implementers was mentioned as the strong weight given to international experts, rather than using local expertise, and the money that, thus, flows out of the country rather than staying there to build capacity. This was, however, countered by saying that investing a lot in the capacity building of local implementers reduces the overall efficiency of a project to reach its goal. In any case, it was argued, as the core tool of engagement in MSD/M4P, facilitation

¹ Ex-ante financial and economic evaluations are adding important criteria, taking into account additional quantitative criteria like net present value, cost-benefit, cost effectiveness, etc. see <http://www.blog4dev.ch/ei-f2f2013/2013/05/16/psd-training-on-financial-and-economic-project-evaluation/>). Of course, this is not replacing other criteria (systemic change), but adding interesting information.

requires a lot of understanding on the contexts, the technicalities and the overall strategic outlook. It, hence, requires engagement of both local (contextual understanding) and international (technical, analytical and/or, strategic) capacities in a MSD/M4P programme. To find the right mix of international expertise and context knowledge requires a good understanding by the SDC staff of the situation, and flexibility on both sides to adapt to changing circumstances.

Selecting sectors for intervention

There was a strong consensus that the best option is for the implementer and SDC to choose the sectors together during the inception phase, when the necessary data has been collected. SDC in all likelihood will not have the resources to invest in detailed studies and more importantly pilot interventions to validate sector choice before a tender process. In any case, it is useful to define criteria for sector selection based on context analysis and responding to SDC's objectives in the country. It is also possible if the necessary information is available to define a range of sectors already in the tender document from which the bidder can choose – though leaving room for other sectors if convincingly justified. SDC should, however, allow for a critical review of the tender documents by the bidders if the latter come up with alternative, more effective solutions to reach the project's poverty reduction goal. This could mean, for example, to switch from a produce market to a labour market focus.

Availability of key staff on offers

A topic that was hotly discussed was the availability of key staff, as it often happens that people that were proposed in the original offer are no longer available once the contract is signed. This is especially frustrating if these people were a reason for awarding the project to this party in the first place. A variety of solutions was proposed to solve this problem.

- Most common practice at the moment is to oblige bidders to have letters signed by individual potential team members, in which they state which position they would occupy, that they are aware of contracting & mobilisation schedules, that they know the terms they are offered by in the bid, and that they confirm to take up the jobs under those conditions. Those letters are addressed to SDC, thereby establishing a contractual obligation between the persons and SDC.
- In order to avoid delays of donors in selecting the winning tender and negotiating a contract, donors should ensure that procedures are in place to analyse the bids promptly and to provide feedback to the tendering companies according to a strict timetable. This tighter timetable can be used by the consultancy companies to better arrange their pre-contract agreements with prospective candidates. Beyond the dates agreed in the timetable, clearly the consultants would no longer be bound by that undertaking. As a concrete reaction to this, it was proposed from SDC side that SDC should not ask by default for a validity of 180 days for the offers, but rather reduce that to 90 days maximum.
- A variation on making the tender evaluation process more rigid and systematic would be to follow a two-stage evaluation process. The bids are reviewed and the top three ones are selected. Then the short listed companies are informed that their bid is selected conditionally on the proposed candidates' availability. Once the company can confirm the availability of their proposed experts, the evaluation process can quickly be completed.
- Asking in the first place for too many experts to be defined in advance provides a negative incentive. MSD/M4P projects need a few good, experienced leaders within a team that is otherwise young, smart, open-minded and driven. Of course some key people should have a proven track-record in their CV.

Capacity building as part of MSD/M4P initiatives

One of the topics brought up by the participants was capacity building. It was criticised that it is often not clearly defined by the donor what the goal of capacity building should be: improving implementation or influencing national development agents. Usually, both aspects play a certain role. What is missing in tender documents, however, are targets, indicators and the distribution of roles between the donor and the implementer, the latter especially if the goal is to influence local stakeholders to use more systemic approaches.

From SDC's perspective, an MSD/M4P approach is usually chosen as a means to have a bigger impact in poverty reduction; by changing a system the outreach is high and the impact sustainable. This can

be achieved by focusing on sectors and/or territories. As local capacity building is always an objective for SDC, having this in an offer is obviously a plus. The same is true for changing a donor system where feasible. However, these cannot be the main objectives of projects, in particular not in a tender for a first phase. So the focus should not become blurred, but obviously, all else equal, a project achieving advances in those dimension scores higher.

Popularising the MSD/M4P approach in a country

Re-orienting key development partners towards an MSD/M4P approach is an important part of most MSD/M4P projects. While this makes sense from a perspective of experience sharing and knowledge capitalisation, it was cautioned that we have to be clear on the local partners' incentives before making major investments in influencing. Most agencies have a portfolio of projects and MSD/M4P may be a small part of this. In addition, it is more difficult to plan, staff up, implement and monitor.

Building capacity for implementing MSD/M4P projects

As MSD/M4P is relatively new in most countries, the project needs an intensive capacity building approach to get the local (co-)facilitator to act as an extension of the project. While a certain theory is useful for understanding MSD/M4P, it was suggested that learning is thereby most effectively achieved through doing. Besides, a learning-by-doing-approach does not take too much time and allows the staff to focus on the work at hand during the inception phase. This would need an initial training and then continuous coaching by experts. Corresponding time and budget needs to be set aside.

Managing MSD/M4P inception phases

It has become clear that there is still a certain ambiguity about the achievable results of the inception phase in an MSD/M4P project. It is, thus, important that the donor and implementer have the same expectations of the inception phase. Importantly, it was noticed by one participant that in MSD/M4P, the distinction between design and implement does not hold. The design of a project is perpetually changing based on not only the economic environment but also possibilities for innovations in business models by firms. Therefore the most an inception phase can accomplish is to prepare an opening portfolio of sectors/interventions and piloting a number of these interventions. Hence, the inception phase in an MSD/M4P project is really scoping, project design, project set-up and piloting interventions all rolled into one.

One risk of the inception phase is that projects tend to gather a lot of information in order to cover their backs before taking the risk of an intervention. This can lead to *paralysis through analysis*, i.e. gathering a wealth of information that prevents projects from seeing clear and developing a focused intervention.

Monitoring and Evaluation

Differentiating between monitoring and evaluation

First of all, some participants highlighted the need to differentiate between monitoring and evaluation. The former being a series of logical steps which establish a causal link between the project and its projected impact, and the latter being a snapshot of the situation of the poor after the projects' interventions, ideally compared to a counterfactual.

Use of the DCED standard in monitoring MSD/M4P projects

The DCED standard was recognised by many participants as a good approach to monitor results. It is a specific approach on which project teams can be trained and for which there are consultants to advise them; it offers a common language and the potential for synergies between projects. Its implementation is, however, seen as costly and particularly difficult for smaller projects. It is the opinion of some participants that if the donor "imposes" the application of the DCED standard, it should provide the necessary support to introduce it. At the same time, it was mentioned that there are good examples also of smaller MSD/M4P projects that have managed to implement the DCED standard quite well. In order to make the standard work for smaller projects, it is important to "right-

sizing” compliance to the DCED Standard, not being “self-selective” about what to implement and what to skip; this has been highly beneficial both to improve and prove results for smaller projects.

The problem of attribution

Attributing observed changes to the projects intervention is a challenge for all projects and a specific one for MSD/M4P projects with their focus on systemic change. It has been questioned whether it is even possible to link input and impact in highly complex environments such as markets. Projects have resorted to be rather at least partially correct than completely wrong in reporting why and how changes happened (or not) at each step of the results chains.

One issue that was raised in connection with attribution was that not equal importance is given to the question of whether a project’s work has made the very poor people worse-off. The issues of “displacement” or “unintended consequences” often seem to be given less importance. In an economic evaluation this would be obviously part of the costs, including costs like negative externalities (and with positive ones being a benefit, see footnote 1).

Results chains and log frames

Results chains are central to the DCED standard. They are however, as was cautioned by one participant, a working instrument for project teams and continuously adapted; they should not be a requirement of formal documents such as prodocs and reports; the log frame works perfectly well as reporting instrument between projects and SDC (and perfectly fits with aggregated results chains).

What to measure

One participant noted a mismatch between the extent to which numbers are required from private sector projects in general and MSD/M4P projects in particular on the one side, and from other development fields on the other side. For example, changing systems and increasing access to services in MSD/M4P is at the same logical level as access to healthcare and schooling. However, tax payers do not seem to be asking education projects to follow and prove that school projects through many steps increase the income effects of graduates or health projects how they lead to increased productivity and therefore incomes - and quantify this.

Another issue that was discussed was the question of whether it is enough to use quantitative indicators in a project’s monitoring system. It was questioned whether only quantifiable indicators really provide better understanding of, for example, empowerment processes (as part of systemic changes) as seen by women who are “the receiving end” of project interventions.

Besides these more fundamental questions, there was also a discussion about the usefulness of the universal impact indicators postulated by the DCED Standard. The group was, however, reminded by DCED staff that these indicators were not strictly binding and that if a project has good reasons to change them, this was accepted under the standard.

Knowledge management in MSD/M4P projects

Knowledge management and internal knowledge sharing

It is broadly recognised that it is important to have, at the beginning of the project, a knowledge management strategy that orients the process of reflection and the information needed. The strategy should include how to use the information coming from the monitoring system as input for reflection of the team as much as possible and promote knowledge sharing spaces with project stakeholders to analyse the best strategies and find win-win agreements.

One participant furthermore mentioned the importance of having a knowledge management strategy that fosters learning and exchange within the team. There is a tendency sometimes that members of the team lock themselves into their working areas and lose sight of what others do in the team. This can lead to opportunity costs and also inefficiencies when for example it is not realised that one intervention in one subsector is in fact also relevant for project interventions in other subsectors. The internal knowledge management strategy needs to stimulate a team dynamic that fosters exchange and learning.

Knowledge sharing between projects

It is seen by the participants as a challenge for different implementers to share their knowledge – in country and globally. At the country level, there is a disincentive to sharing information, as

implementers often are competitors. It is, thus, very much welcomed by implementers when SDC plays a supportive role here: foster exchange on specific topics, offer trainings on research tools and monitoring/DCED standard, encourage exchange between project implemented by different organisations, etc.

The burden of knowledge management

One participant cautioned that one should always be careful with how much burden is put onto projects in the name of knowledge management and learning. Requests for sharing learning experiences with the wider community can sometimes be overwhelming and distracting, and the benefit for the project itself is often not clear (apart from publicity perhaps). Projects need relevant inputs that help them to do great work with large-scale and sustainable outcomes. Rather than seeing them as milking cows, the discussions on knowledge management and learning should therefore focus more on what we can do to offer them better and relevant support.

Thanks to all contributors

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