e+i | employment and income network

Managing MSD/M4P projects

Internal guidance document for SDC head office and cooperation office staff
Version May 2014

Introduction

During the e+i network's face-to-face event in May 2013 in Thun, Switzerland, an open space was created for the participants to express issues around their work in e+i related programmes. Practical concerns about MSD/M4P[1] projects were brought forward and a number of challenges were collected. This created some resonance even beyond the face-to-face event. Therefore, the e+i Focal Point decided to take up this issue with a two-tier approach:

- **Tier 1:** an SDC internal consultation leading to better guidance for head and cooperation office staff regarding internal processes and good practices when working with MSD/M4P projects from their conceptualisation to implementation.
- **Tier 2:** a connected open consultation to include the views of implementing partners on issues at the interface between SDC and its partners.

This guidance document seen as a living document intended to enable SDC staff to manage internal processes better and collaborate with the implementing partners more effectively.
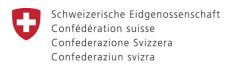
Who is this document for?

This document has been prepared for SDC staff that is confronted with managing an MSD/M4P project through all phases, particularly its preparation, tendering, and steering and evaluation. It is intended for new staff to get familiar with the process but also for existing staff to find advice to manage the process. Implementers and project staff may benefit from it as well as it explains the restrictions SDC staff faces and can help better shaping mutual expectations and understanding.

What is in this document?

The table below guides you through the different phases of managing an MSD/M4P project. Common questions are answered by giving "good practice" guidelines[2] but also by sharing experiences from SCOs that have already managed such processes. As there is no synchronised practice, sometimes the experiences are diverging, as they are adapted to the particular circumstances of the situation in which the process was managed. Similarly, an adaptation to one's own circumstances is necessary when using this document. As usual – due to highly diverse contexts and markets – the one best practice cannot exist.

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[1] M4P (making markets work for the poor) is within SDC the most prominent approach to pro-poor market systems development (MSD). However, variations exist and it has been decided to add the more general label "MSD" as a common denominator for a variety of projects and programmes targeting systemic change in markets.
[2] The guidelines are seen as "good practice" because they are the distillation of a participatory process where the guidelines were presented and discussed by SDC staff and commented by implementing partners.

Short recapitulation of some elements of the SDC project cycle management[3]

At the beginning of every project is the **project idea**. The concerned SDC staff has to convince different levels inside the SDC hierarchy of the relevance, feasibility, pertinence, etc. of a new idea. The idea becomes formal with the **entry proposal**, a document which has to be written by SDC staff and structured along the internal SDC guidelines. This document is discussed first inside the SCO and then sent to the Head Office in Bern, where it is first approved by an internal committee of the Division and finally by the Operational Committee and SDC top management. This process takes several weeks as each instance may have additional questions or recommendations for improvement.

The approval of the entry proposal provides the SCO with *backing* (management is supporting the idea), *time* (to solve open issues and elaborate a project document), and *resources*. If coupled with an **opening credit**, the SCO has funds available to hire consultants, organise workshops or do whatever is necessary to elaborate the project document.

The elaboration of the **project document** is done in different steps and depends much on the kind of project. In the case of MSD/M4P projects, these usually are:

- preparation and context analysis by SDC staff, if necessary with the help of external or internal specialists
- preparation of the tender (tender document, etc.), tender process, evaluation of bids, negotiation/contracting
- contracting includes some first project document, usually budgeting and describing in detail the activities foreseen for an inception phase.

The **inception phase** lasts several months and serves the elaboration of a full-fledged project document, being the basis for the project implementation over several years.
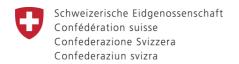
Either after the tender or after the inception phase, SCO has to write another internal document, the **credit proposal**, again according to internal guidelines, again going through the same approval process to obtain final approval by SDC top management. The credit proposal needs to confirm to Head Office and management that the project will achieve the planned results, resources are spent wisely, everything is according to the strategies, etc. A detailed project document with detailed budget is usually the requirement for writing the credit proposal.

As MSD/M4P programmes as well as tender procedures require more flexibility, there are some exceptions possible in this process. However, the SCO and partners run the risk that SDC management is not or not fully approving credit proposals, if things are not sufficiently clear, realistic, detailed, concrete etc. Consequences may be additional work, delays or even cancellation.

Obviously, this is to a certain extent a dilemma, as MSD/M4P projects need to do a lot of capacity building and analysis upfront. Often some sectors of intervention are only determined long after project start. It is therefore more difficult to foresee quantifiable targets (systemic changes) and activities than in a direct delivery project. Even while the programmes are running a lot of flexibility is necessary as systemic change, facilitation of behavioural change of (market) actors etc. need time, windows of opportunities, etc. Although almost all programmes face to a certain extent these problems, they are particularly pronounced in MSD/M4P programmes.

SCO staff therefore needs to make sure it can deliver on the "promises" made in the internal and project documents. SCO staff needs to manage its own and hierarchies expectations accordingly and partners need to understand this additional difficulty and support SCO staff in this task. And very importantly, this task is not finished after approval of the credit proposal, as the log frames and project documents may still be relatively open in their formulation. SCO staff involvement continues with steering and monitoring, annual reporting, mid-term evaluations and finally the planning of a next phase.

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[3] Those familiar with the SDC PCM can skip this text and go directly to the table.

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Focal Point e+i and BSM Team, May 2014

1. Project idea and preparation

Phases and key questions	Good practice guidelines	Further remarks and experiences from SCOs

1.1 • What are the first considerations in the conceptualisation of an MSD/M4P project?	• As a basis for the entry proposal, it is important to answer the following questions:
	  o Why an MSD/M4P approach?
	  o What are our priority sectors?
	  o What geographic area?
	  o What are relevant national priorities?
	  o What are relevant activities of other donors?
	• Develop an initial strategic framework for the MSD/M4P project based on the existing knowledge and intention for change.
		• The M4P approach should not be seen as dogma but as a perspective for analysis and a set of working principles and tools; market systems development (MSD) can be achieved with other approaches, too.
		• It is often a challenge that SDC is one of only a few donors funding MSD/M4P projects. In order to enable a discussion with other donors, the SDC projects need to results on the ground. These results are the basis to ignite interest in the approach and move partners towards adopting it. In addition or separately, SDC and implementers can convene discussions around outreach, impact and sustainability of projects rather than around "M4P" versus "traditional" approaches.
		• In some instances (very poor and disadvantaged/marginalised groups, economically underdeveloped areas), the MSD/M4P approach alone might not be appropriate and one might plan for complementary 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, asset transfer to the very poor as a prerequisite for market creation)

1.2 • What kind of preparation is needed? • Who should be involved in the preparation? • How much time should be calculated for preparation?	• Build **MSD/M4P understanding and capacities** of the SCO team before starting an MSD/M4P project. SDC staff needs to understand the main principles of the approach and the differences to a conventional approach. • The preparation should involve all staff that are going to be involved in managing the project. The responsible desk officer at Head Office has to be kept up to date about the preparation and findings.	• Capacity building can be organised for the SCO only, in the country/region together with other SCOs, donors and implementing partners, or by sending staff to international training events. • There is still a lack of knowledge and understanding of the MSD/M4P approach on the level of both SCO and Head Office staff. Furthermore, there are diverging ideas and definitions of MSD/M4P within SDC. This affects the way MSD/M4P projects are treated in

		• It is recommended to conduct a **feasibility study** that goes as much into detail as possible given the available time and resource. The feasibility study will provide the key ingredients for an entry proposal and the tender document. The feasibility study should contain the following:
		
		    ○ A **context analysis** to understand the context in which the project will be implemented.
		    ○ A **first assessment of potential markets/sectors** that have growth potential for the target groups including a **stakeholder analysis**, first indications of **constraints and market failures** hampering sector growth, and **opportunities** on which to base first ideas or elements of intervention strategies.
		    ○ An **assessment of potential local partner organisations** with regard to their systemic understanding.
		
		• Based on these preliminary studies, develop a clear **strategic framework**, constituting the foundation for the whole project. Define the preliminary **goal and outcome(s)** of the project.
		
		• For the preparation of an MSD/M4P project, **enough time** needs to be calculated. Generally, preparation takes considerably more time than with other approaches, as SCO staff needs to understand the approach as well as already some of the key features of the system it wants to change. Good preparation should, however, pay off: entry proposal is easier to sell and a well prepared tender makes higher quality of offers more probable.
			terms of conceptualisation, documentation, communication, and steering. Ideally, a similar level of understanding between the Head Office, the SCO and the implementing partners should be achieved.
			
			• Exchange between different SCOs that have been doing MSD/M4P is needed to harmonise the approach within SDC and allow everyone benefiting from lessons learned. SCOs implementing MSD/M4P projects are asked to seek advice from other SCOs that have had experiences in the matter.

1.3	• Is external support needed for the preparation? • What to consider when	• An external consultant **can be very helpful** in supporting the SCO through all the phases of the management of a MSD/M4P process or just for some spe-	• A possibility to master challenges with MSD/M4P projects is to have a good backstopper for the SCO who can also challenge the position of SDC.

	employing a consultant for the preparation? • How to fund external support before the entry proposal is approved?	cific tasks like to conduct the feasibility study or other elaborate assessments. • **A consultant cannot take all the work from SDC staff!** Also when a consultant is involved, **the responsible staff members at the SCO still need to be closely involved** in order to have a sound knowledge of the context and be able to contribute to the elaboration of the project documents and be meaningfully involved in project steering. Obviously, this is as well a great opportunity for learning by doing on MSD. • If an external consultant/backstopper is engaged, it should be done **at an early stage of preparation**. The consultant needs to prove extensive experience with the application of MSD/M4P approaches. • A conflict of interest of the consultant has to be avoided. The consultant or her/his organisation is excluded naturally from the tender process.	• A good network to learning is also important. e+i Network and f2f is good, but not enough. There needs to be more possibilities for NGOs to exchange and learn. • The risk of using an external consultant to do a feasibility study or context analysis is that often such consultants bring their own believes and experiences with them and therefore their recommendations are sometimes based on individual experiences rather than the market analysis. Therefore, the SDC team should be knowledgeable enough to take a step back and look critically at the recommendations. • Funding of external support for preparation is often a dilemma, as the entry proposal with an opening credit has not yet been accepted. However, a certain degree of flexibility exists within SCOs or their divisions to find appropriate solutions.
1.4	• What decisions need to be taken during the preparation phase?	• **Goals**: Based on the understanding of the context and the strategic framework, define clear goals or at least a clear direction for the intended change. The goals need to be realistic as to what can be achieved by a project. The goals need to be clear but wide in the beginning and they will be concretised during the course of the process, which stretches over usually more than one phase. • **Target Groups**: Define the target group. • **Budget**: the overall budget has to be realistic to achieve the given goals. For MSD/M4P alone it should not be too large, but additional fiduciary funds may be necessary depending on the bottlenecks (e.g. finance, initial risk sharing, etc.). • **Project set-up**: there are various options to set up a project, e.g. having one consortium implementing the whole project or splitting the projects into two lots,	• The openness and flexibility of the MSD/M4P approach should not be taken as an excuse to not be concrete with what SDC wants to achieve. Clear goals and milestones need to be defined. • A budget that is too big makes it difficult for the implementer to stick to a facilitative approach, as it is more difficult to spend a lot of money doing only facilitation. MSD/M4P is mostly about analysing and facilitation and at least in the beginning, not much money can be spent. • If the implementation and backstopping are tendered in separate lots, local organisations have bigger chances to bid for the implementation part, as they don't necessarily need experiences in MSD/M4P. On the other hand, there is a risk that the implementer and backstopper don't get along, putting the whole project in jeopardy.

| | | one for implementation and one for backstopping. Pros and cons for both need to be weighed in the given context.
• **Inception phase**: the length of the inception phase has to be adapted to the existing knowledge and the complexity of the context.
• **Evaluation**: what kind of evaluation is planned for the intervention needs to be defined before the start of the project, especially if a before-after comparison is desired (see also questions for evaluation below). | • If there is a fair amount of knowledge of the context and the sectors have already been chosen, 3-4 months can be enough to set up a project. If many analyses still need to be done during the inception phase, it can be planned up to a year or even more. Essentially, the inception phase should be seen as a "research and action" phase to validate the findings of the feasibility study; but more importantly it should be a reality check to see if the approach proposed by the selected implementer is suitable and appropriate given the constraints and the opportunities in the context. Enough time needs to be planned to achieve this. A longer inception phase makes at the same time the implementer more accountable for results and thus mitigates the risk of having to adjust the project during the implementation phase.
• The combination of research and action reduces the risk of an inception phase leading to 'overanalysis' and 'overplaning,' resulting in being stuck in a detailed plan and having difficulty to pick up opportunities. |
| 1.5 | • How is the division of roles between Head Office and SCO in the tender and selection process? | • The desk at Head Office provides strategic support and helps with administrative PCM work, SCO concentrates on content and owns the process.
• The representation of the Head Office in the evaluation of bids is mandatory (SDC guidelines). Head office thus needs to be involved early and informed about results of the preparatory work.
• A dialogue between Head Office and SCO has to start already during preparation to develop a common understanding of the context and goals.
• The Competence Centre Contracts and Procurements supports the process where needed. | • Unclear division of roles both within the SCO as well as between the SCO and the Head Office can lead to considerable delays in a tender process.
• Involving the Competence Centre Contracts and Procurements as early as possible is very helpful. They have been of great help in many cases and many good ideas in this paper have been provided by them. |

2. Entry proposal

Phases and key questions	Good practice guidelines	Further remarks and experiences from SCOs
2.1 • What are the different options to design the entry proposal and opening credit?	• **Option 1**: The entry proposal covers the preparation steps up to the selection of a bidder. This usually includes support from an external consultant to make the necessary analyses, prepare the tender document, and accompany the selection process. • **Option 2:** the opening credit includes in addition the whole inception phase.	• The advantage of option 2 is that the project document and credit proposal can be prepared based on the analyses and experiences of the inception phase and, thus, be much more concrete and rooted in the context. If "research and action" has been done as recommended above, first results confirm feasibility. • The maximum period of 18 months for the entry phase can even be extended if needed.
2.2 • What needs to be in an entry proposal? • How concrete does the content have to be?	• An entry proposal cannot be limited to the theoretical description of the MSD/M4P approach; a concrete strategic framework, project goals, some indications on sectors, constraints and possible interventions must be included as well as suggestions for activities based on preliminary studies of the market systems by SDC. • Generally it should be kept open for the tender process to define concrete activities; for "illustration" an entry proposal can contain references to typical MSD/M4P interventions of other existing projects.	• Sometimes a there is a divergence between what the Operation Committees want to see in entry proposals and the level of specificity that MSD/M4P actually allows without narrowing the flexibility of the project. Senior management at times is reluctant to approve entry proposals having the feeling to sign a blank check. This strongly depends on the understanding of MSD/M4P by the members of the operations committee and an appropriate presentation of the proposals.

3. Tender process

Phases and key questions	Good practice guidelines	Further remarks and experiences from SCOs
3.1 • What are the different options for tender processes?	• **Open tender process**: Tender document already rather specific, defining the goals; bidder is selected based on the best offer following a number of pre-defined criteria. • **Selective tender process**: same as above, but an expression of interest, based on which a pre-selection of bidders is made, precedes the actual technical offer. Only bidders that are pre-selected based on the ex-	• The selective tender process needs more time, but is generally seen as the better option by most SCOs as it allows to pre-select bidders that actually understand and have experiences with the MSD/M4P approach. • Additionally to the documents submitted by the bidders, the best bidders can be invited to present their proposal and interact directly with the selection committee.

		pression of interest are invited to submit a technical offer. • **_Dialogue_**: Based on an expression of interest or technical offer and following predefined criteria, a small number of bidders are selected to enter a dialogue. The final technical offers are then developed in a dialogue between SDC and each bidder, whereas the bidders are paid for the time invested in the elaboration of the technical proposal. At the end, the bidder with the best technical offer emerging out of the dialogue is selected. (See Annex for more detail.)	• The dialogue option has not been widely used yet but seems to fit well to the MSD/M4P approach as projects usually start with very general ideas and get concretised over time based on increasing knowledge of the market system. • The dialogue option may even lead to a participative planning process involving external experts and SDC staff.
3.2	• What needs to be considered when developing the tender document? • How specific does the tender document have to be?	• A balance between specificity and openness is important. The tender document needs to be specific enough to elicit an offer that is able to reach the defined needs and objectives, but open enough to be flexible and encourage bidders to come up with innovative project proposals. • The tender document needs to be context specific, not generic; the people writing the tender document need to have enough local knowledge. The results of the feasibility study are used in the tender document to supply information on the context to the potential bidders. • Objectives of the project, i.e. what should change in the system, needs to be reflected very clearly in the tender document; it also has to be clear that a MSD/M4P approach should be chosen. The bidder should however be able to define exactly *how* the change will be achieved within the given frame. • A tender can contain 'must have' parts that are expected in every offer and parts that are optional or that can be suggested by the bidders. • It has to be made clear what the implementer needs to do during the inception phase so concrete and mean-	• An open tender document is positive in a way that it brings in innovative ideas but it needs to have some specificity in order to get concrete offers on what the bidders are intending to do. • The more carefully the tender document is developed based on preliminary studies, the more appropriate the offers will be. • The tender document should challenge bidders to go as deep as possible into the context in order to get a good idea about their knowledge and experience. • Allow bidders enough space for writing a good offer; be aware of timing, don't publish tender documents before holidays and give enough time for preparation of the offer.

		ingful results can be achieved. • If capacity building of local entities is part of the project purpose, then this should be clearly stated in the tender document. Similarly, it should also be made clear if advancing the MSD agenda is a goal of the project. Consequently, resources for that can be planned and performance criteria developed. • Avoid MSD/M4P slang to the extent possible and to be as concrete and accurate as possible with regard to the description of constraints and intervention strategies.	
3.3	• In which cases should the sectors be fixed in the tender document and when should the implementer be allowed to suggest sectors during the inception phase?	• Sector selection depends on the extent to which SDC knows the context and situation when tendering a project. If that knowledge is really good, SDC can pre-select sectors for a project. The pre-selection by SDC will also be based on SDC sector policies and country strategies as well as national or local development strategies and priorities. • The preferred solution is for SDC and the implementer to select the sectors together during the inception phase, based on results of the market analyses. • If sector selection is left to the bidder during the inception phase, SDC would have to clearly stipulate the selection criteria based on a context analysis. A pre-selection of sectors from which the bidder can choose may be given.	• A choice which is made jointly by SDC and the implementer creates ownership and understanding and provides a solid ground for a good collaboration during implementation. • If the sectors are left open, it can come to surprises, e.g. sectors are selected where there is only little knowledge available in the SCO, which will make it difficult to argue for the selection during the approval process.
3.4	• How to develop selection criteria? • What needs to be taken into account? • What are characteristics of a good implementer? • What to consider when including an external con-	• Selection criteria for the bidder have to be elaborated already together with the tender document. • Selection criteria have to be designed to select organisations or consortia that have experiences with MSD/M4P but can at the same time show enough local knowledge and experience. This balance of knowledge about the approach and local knowledge should also be reflected in the evaluation committee.	• There is not much choice in implementing partners for MSD/M4P projects as there are only a handful of international organisations who know the MSD/M4P approach well enough. The question is how *not* to exclude local organisations and make tenders accessible to a more diverse set of bidders, not just the hand-full MSD/M4P specialists. • Most common practice at the moment to keep key

	sultant in the selection committee?	• Besides the local knowledge, other characteristics of the bidder should be excellent project management skills, important participation of local human resources, a flexible and open minded approach, creativity, etc. • A sensible way should be found to ensure that key staff proposed by the bidders will still be available for the project's inception and implementation. This can be a mix of asking key staff to sign a letter of availability and exclusivity and a commitment from SDC side to keep the selection process short, if possible not more than 90 days. • The track record of the implementer 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. • Before a bidder is selected, it is important to make sure that staff that was proposed in the offer is actually committed to work for the project. • External consultants can be a valid support in the evaluation committee. You need to decide whether they participate with vote and voice or only voice.	staff available 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. Part of the problem is delays in selecting the winning tender, and then the length of time it takes to negotiate a contract. • Often in the received offers expenditures for experts is the biggest part (parts 1-3 in SDC's SOR budget template). But systemic change is mainly about indirect impacts; MSD/M4P projects are human resource intensive by focusing on facilitation activities. Therefore, existing rules for balancing human resource and fiduciary funds are often not working in these projects. However, to comply with the demand for a balanced budget, many projects outsource implementation and with that a big part of the human resource funds, effectively shifting human resource costs into the fiduciary funds. • As SDC is increasingly moving towards value for money criteria and economic evaluation[4] this should become a problem of the past, i.e. SDC staff should replace this "balance" criterion with criteria like outreach, net present value, systemic change, cost-benefit relations, cost-effectiveness or other value for money concepts adapted to the specific project objectives. • Knowledge transfer to local partners can be a specific

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[4] http://www.blog4dev.ch/ei-f2f2013/2013/05/16/psd-training-on-financial-and-economic-project-evaluation/

			objective of a project and/or be an important selection or evaluation criterion. There is however a danger that building the partners' capacities becomes a predominant objective of the implementer, forgetting the main outcome which is to be achieved.
3.5	• When can aspects of offers (e.g. budget or project set-up) be negotiated? • What to consider for the contracting process?	• Negotiations with the bidders can only be done before the final selection. These negotiations should include the bidders that have the potential to reach the requirements of SDC also if there is only one. After the selection, only details can be changed, if they do not potentially influence the original ranking of bidders. • Enough time needs to be put aside for contracting.	• It is generally better to have shorter contract durations so the performance can be re-evaluated more often. • In the contract, it must be clear that if the partner does not deliver or falls back to traditional approaches, the contract will be terminated. This has been done before by SDC and although it is not the preferred option, it always is one of the options.
3.6	• When to write the project document and the credit proposal?	• In some cases the submitted bids may be sufficiently detailed and concrete that they serve as project document. This bid is then the appendix to the contract and comprises inception and implementation phase. • In this case, SCO needs to time the approval of the credit proposal properly, i.e. writing the credit proposal needs to start as soon as some acceptable bid materialises. Otherwise sufficient time before the start of activities needs to be foreseen. • In most cases, it may be advisable to write the credit proposal at the end of the inception phase. This implies that the opening credit of the entry proposal needs to foresee funds and time for the inception phase, too (see Option 2 for the entry proposal above). SCO needs to do two contracts: one for the inception phase and a second contract once the project document for the implementation phase is elaborated and the credit proposal approved. As project staff is already hired, timing is critical to avoid that staff is on the payroll but the implementation phase cannot yet be started due to delays in the approval processes.	

4. Inception phase

Phases and key questions	Good practice guidelines	Further remarks and experiences from SCOs
4.1 • How much involvement of the SCO in the inception phase is needed?	• Analysis in M4P/MSD projects needs time. Local Capacity Building needs time. Facilitation systemic change needs time. Obtaining results, i.e. the improved performance of the system leading to improved livelihoods needs even more time. Obviously SCO staff cannot wait until outcomes and impacts show. Therefore they need to be informed about progress of the change process. However, a balance needs to be found in every specific case. SCO staff needs to be informed, contribute to decision-making as adjustments happen often, but at the same time leave enough space for the implementer to develop the necessary ownership and avoid micro-management.	• The biggest challenge during the inception phase is to get a new team to work in a relatively short period of time according to MSD/M4P principles and deliver results, i.e. solid analyses and intervention strategies in view of the main implementation phase. • Sometimes, partners have a tendency to keep SDC out of the loop, as they don't see it as SDC's role to be closely involved overseeing the inception phase. • However, the stronger the SCO is involved the project, the easier it is to argue and convince during the approval process for the implementation phase.
4.2 • What can be expected by the implementer in the inception phase? • What are typical activities in the inception phase?	• Due to the flexible nature of MSD/M4P projects, the most an inception phase can accomplish is to prepare an opening portfolio of sectors/interventions and piloting a number of these interventions. • The first step in the inception phase is to develop a common understanding between the SCO and the implementing partners, reaching a joint agreement on the expected results of the phase. At this point it is also important that the implementing partner knows that the SCO needs to closely accompany them on the journey through the project (see 4.1). • If not all the sectors have been selected before the inception phase, clear criteria for the selection of sectors need to be elaborated involving both SDC and the implementer. • The implementer needs to be held accountable for the results that were agreed upon. Although the MSD/M4P approach requires flexibility to adapt in-	• In MSD/M4P, 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. Hence, design and implementation cannot be separated. The inception phase cannot deliver a finished project design that can then only be implemented without adjustments. • Reaching a joint agreement with the implementer on the expected results from the inception already at the beginning showed to reduce the possibility of at the end of inception having asymmetric expectations. Waiting until the last months of the inception phase to find out that the implementer delivers exactly what they were not supposed to, would be a rude awakening – for both sides. • A possibility to select sectors during the inception phase is to have a panel of sector experts that can orientate the project and SCO to assess the sector analyses and the selection of sectors. It is important to

	terventions, this should not be taken as an excuse by the bidder to remain in a state of constant analysis without delivering any outputs, nor in revising agreed targets.	bring systemic change and sector expertise together.
	• The SCO or a consultant hired by the SCO can support the implementing partner to elaborate the project document for the inception phase in order to keep it in line with the needs and intentions of SDC.	• The findings, recommendations and strategic documents produced for the main phase are very important. At the end of the inception phase, the biggest difficulty is to have concrete intervention lines and clear outputs and outcomes defined. Designing the logical framework (which is a compulsory part of the credit proposal) is the trickiest part because it calls for numbers, quantitative targets and indicators that are not easy to be set and delivered in the 3-4 years time frame of the programme, which is expected to contribute at the level of the market system and were still some sector may not yet be defined.
	• If implementation and backstopping are separate mandates, make sure that the backstopper takes on a strategic advisory position and does not take over the role of project leader. The latter would be detrimental for building capacities of local implementers for a long-term application of MSD/M4P and for building the local implementers' facilitator role.	
	• In general, the typical activities of the inception phase are various analyses of the market system. The inception phase should, however, not consist of purely analysis but ideally of action research, too, i.e. some interventions should already be tested during the inception phase.	

5. Credit proposal and implementation phase

Phases and key questions	Good practice guidelines	Further remarks and experiences from SCOs
5.1 • How does a good project document look like? How detailed can it be. • What needs to be in a credit proposal? • How concrete does the content have to be, given that MSD/M4P projects are adaptive and still not	• Project document and credit proposal must be much more concrete than the entry proposal. Normally, at this stage the facilitator has already worked for several months and done more in depth assessments. Markets/sectors, constraints and intervention strategies must be described in much more detail. • A plausible, reasonable quantification of objectives is needed at this point (outreach, net additional income, etc.), allowing an estimation of cost effective-	• There is a need to manage expectations about a good project document as in M4P/MSD projects, not all details can be fixed in a document. Many things need to be decided along the way.

	all aspects can be well planned in advance?	ness/cost-benefit/ex-ante economic evaluations. Do we get value for money, i.e. are beneficiaries benefiting at the scale M4P/MSD programmes usually promise? • The general checklist for project documents by SDC (for external partners, too) and the guidelines for credit proposal (SDC internal) state the requirements and obviously apply to M4P/MSD projects, too. However, some flexibility needs to be applied.	
5.2	• How should a log frame for an MSD/M4P project look like? • How can it be as concrete as needed and still open enough to accommodate the flexibility needed in MSD/M4P projects?	• The log frame is an essential part of the contract, but it should be flexible and open so the project can still adjust. • Use the log frame to give direction, illustrate with an overall results chain for the whole project and use detailed results chains as operational tool for monitoring and steering.	• It is difficult to find log frame indicators that remain valid over the lifetime of the project, as it is possible that interventions change. One should also be realistic what a facilitation project can reach over a three or four year's period. • The log frame may even be changed in the early project phases. But if the log frame changes frequently in a "mature" project, this indicates the project's uncertainty on the overall project direction.
5.3	• How big is the flexibility within the various parts of the budget?	• There needs to be a sound relation between the economic reality in the country and the costs for (international) MSD/M4P key staff. One way to achieve this is to strengthen the backstopping part while having more local personal in the implementation unit. • The budget parts that cover the services of the implementer (parts 1-3) are fixed in the contract and should not be changed. There is 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. Parts 1-3 can sometimes be adjusted downwards if the savings are moved into part 4. • In MSD/M4P projects, there is limited spending in the beginning because first market analyses and capacity building of local partners need to be done before bigger amounts of money can be spent.	• Doing cost-benefit calculations and economic ex-ante evaluations may help in explaining whether for example it is more important to have a high local participation or to change systems so that poverty is reduced massively? Outreach and net additional incomes created with beneficiaries should be put in relation to cost and be a criterion for evaluation of bids. • Innovation funds can be used to fund innovative local initiatives. • The fees that SDC pays for one specific implementation partner should be harmonised between the SCOs. Sometimes partners get a higher fee for the same position in other countries. • In different countries, budgets to reach a specific goal can be vastly different. There should be more harmonisation or at least exchange in this regard.

6. Steering and Monitoring

Phases and key questions	Good practice guidelines	Further remarks and experiences from SCOs
6.1 • What are possible steering mechanisms and set-ups for MSD/M4P projects? • How much involvement of the SCO during implementation is needed?	• As in the inception phase, clear definition of roles between SDC, the local implementing partner and international partner are needed. Clear and realistic targets and milestones need to be set, keeping in mind that facilitative projects cannot yield strong results in the beginning. • The division of roles between international and local implementing partners or other administrative issues internal to the project should not be the problem of the SCO. • The SCO can be involved, either by hiring a consultant but ideally directly, to support the implementing partner in the long term. Especially for establishing and maintaining a good relationship with private and public partners it is important that the SCO is involved. A strong involvement from the SCO will be required to maintain all partners aligned to the project objectives and is particularly helpful in policy dialogue.	• The biggest challenge, not only with implementing partners, but also in SCOs and Head Office, is the demand for quick results. This leads to project's falling back to traditional way of working. One role of steering is to avoid the falling back to a traditional approach by the partner, i.e. manage expectations correctly inside and outside SDC.
6.2 • What to consider in monitoring of MSD/M4P projects?	• MSD/M4P is targeting impacts on the beneficiaries without directly intervening but facilitating change. The logic for indirect interventions is based on a lot of assumptions. A methodologically sound monitoring system is needed, making these assumptions transparent and estimating outreach and impact plausibly. Obviously, a balance between cost and reasonable "precision" needs to be found. • The DCED standard is a specific approach that has been recognised by many practitioners as very helpful in establishing credible monitoring and results measurement frameworks. The use of the standard in	• Due to the facilitative nature of MSD/M4P projects it can take more time to see results. • It is difficult to be able to differentiate between underperformance and the need for more time to show results on the ground. Having early external reviews to see if the programs are progressing can be helpful. When it comes to scrutinizing, analysing and interpreting the resulting information, staff with high analytical capacities and a critical frame of mind are required. • However, the SCO does not always have the capacity to scrutinize reported impact figures thoroughly.

		MSD/M4P projects should be encouraged. At the same time, the projects should retain the flexibility to adapt their monitoring systems to their specific context if necessary and well founded. Particularly for smaller projects, the standard should be right-sized to fit the needs of the project. • If it is the intention to fully implement the DCED standard including the audit process, the necessary resources need to be planned for from the beginning. • The monitoring and results measurement system should serve a learning purpose and not only serve for accountability purposes. • Attributing observed changes to the projects intervention is still a challenge for many projects. 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 as a result of a project's facilitation. • Results chains as suggested by the DCED standard are a working instrument for project teams and are continuously adapted; they should not be a requirement of formal documents such as project documents and reports; rather the log frame should be used as reporting instrument between projects and SDC (and perfectly fits with results chains as aggregation instrument).	Nevertheless, they need to be able to explain results as these results are often challenged: "I do not believe this huge outreach and impact. How is it calculated?" SCO and implementers need to find the appropriate communication channel to answer to these critics and to substantiate the results so future phases can be prepared. • Still a lot of work needs to be done also on international standards on measuring systemic change. • The DCED standard has significantly helped to increase the credibility of impact reporting and acts as a good tool for better project management. In particular the results chains contribute to the strengthening of the results measurement as they require a structured strategic reflection process from activities up to the impact level. The clear definition of the indicators of change and the subsequent measurement of this change support the project management to make strategic decisions. • Many project have made the experience that working only with quantitative indicators does not answer some of the central questions about the quality of change in market systems. For example, empowerment processes (as part of systemic changes) as seen by women who are "the receiving end" of project interventions cannot be captured only with quantitative indicators.
6.3	• What kind of knowledge management is expected from an MSD/M4P project? • What is the role of SDC in	• 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. Planned activities and budget has to be included in the annual planning. The strategy should include how	• Knowledge management strategies should foster 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 oppor-

Phases and key questions	Good practice guidelines	Further remarks and experiences from SCOs
knowledge management?	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. • SDC should play a supportive role in knowledge exchange and learning between projects and between countries: foster exchange on specific topics, offering trainings on research tools and monitoring, encouraging exchange between project implemented by different organisations, etc.	tunity 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. • 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. Projects need relevant inputs that help them to do great work with large-scale and sustainable outcomes. SDC should focus more on what we can do to offer them better and relevant support.

7. Evaluation

Phases and key questions	Good practice guidelines	Further remarks and experiences from SCOs

7.1 • What to consider regarding the evaluation of MSD/M4P projects?	• The following questions should be answered in order to be able to plan for a good evaluation:
	  o What do we want to learn from the evaluation? (Evaluation purpose)
	  o What are the specific questions we would like the evaluation to answer? (Evaluation questions)
	  o How are we answering the evaluation questions? (Evaluation method)
	  o When should we plan an evaluation? (Evaluation
		• Since certain types of evaluation questions can only be answered with certain types of evaluations, the SCO should be thinking about the evaluation at project design. Once the project has started – and even if we only start with the identification study or market systems analysis – it might be too late for any type of evaluation that requires a before-after comparison.
		• Still a lot of work needs to be done also on international standards on measuring systemic change, also

	timing) • The DAC Criteria for Evaluating Development Assistance are also relevant for MSD/M4P projects[5]. • If the selected evaluation type requires a before-after comparison, there is a need to have a very good and reliable baseline survey. To do this, the necessary financial and human resources need to be put aside and the survey needs to be planned early on. • Possibilities for evaluations are mid-term and end of project evaluations, and specific studies that tackle particular questions, e.g. how income increase translates into social development. • The choice of consultant is critical for MSD/M4P project evaluations / reviews; it needs to be someone who understands the approach.	from an evaluation point of view. • The biggest challenge is the question of attribution and the aggregation of results, as there are different ways of making the calculations in different projects.

8. Preparation of the next phase

Phases and key questions	Good practice guidelines	Further remarks and experiences from SCOs
8.1 • What is necessary for the planning of the next phase?	• Most important: good results. • And continued high potential. • SDC project cycle management foresees the elaboration of an end of phase report. The first draft needs to be submitted by SCO staff nine months before the end of the phase. This is an important document asking the relevant questions for the continuation. • SCO and implementing partners therefore need to start the planning process early, at least nine months beforehand. • If a tender is necessary again, the procedure will have similarities with the process described above.	

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[5] http://www.oecd.org/dac/evaluation/daccriteriaforevaluatingdevelopmentassistance.htm

Annex: Dialog option for the tender process

This annex is based on guidelines developed by the Coordination Group for Construction and Property Services of the Swiss Confederation[6]. The annex is not intended as guidelines for SDC but to give an idea of the dialogue option.

Based on Article 20 of the Federal Law on Public Procurement (FLPP) and according to Article 26a of the Federal Ordinance on Public Procurement (FOPP), a procurement process with dialogue option contains the following steps:

Decision that the dialogue option shall be chosen

- Verification if the dialogue is allowed or not.

Dialogue is allowed in case of a complex tender or/and procurement of an intellectual service. As there is no definition of a complex tender and intellectual service, there are some guidelines: A tender is seen as a complex tender if it is objectively impossible, unreasonable or inappropriate to define the needed service without a dialogue among the bidders where the scope of the service will be developed together. An intellectual service may be asked for if the awarding authority is looking for new innovative solutions for unusual situations. Intellectual services are mandates where the intellectual solutions are more important than the physical results. It has to be distinguished if a high level of creativity or routine work is needed. Not relevant is the qualification as a mandate or a service contract relation.

- Verification of the usefulness of a dialogue to reach the goals of the tender, especially looking at the innovation potential.
- Consideration of the costs for a dialogue

If a bidders do not agree with the fact that the tender should be conducted with a dialogue option then they have to appeal already after the publication of the tender and not only after the selection of the dialogue partners.

Decision about the type of procedure

The dialogue is particularly designed for the open and the selective procedures of procurement. Because of the costs of the dialogue, it will be generally more interesting for the selective procurement procedure.

Preparation of the publication

- Already in the publication of the tender (not only in the tender documents), it has to be stated that a dialogue is probably or certainly planned for further the further development of the project.
- If only a number (e.g. the three best rated bidders) will be invited to the dialogue, this has to be mentioned in the publication. In this case, also the criteria to select the dialogue partners need to be mentioned (these criteria are the same that will later also be used to choose the winner of the tender). Also the rating of the criteria need to be stated, but without relative weight (percentage).
- As the detailed technical description of the project is to be developed during the dialogue, the tender documents only need to indicate the overall goal of the project and a general description of the expected services. It has to be mentioned, however, which elements are compulsory and where there is flexibility for the bidder.
- The further use of the results of the dialogue with the bidders has to be clarified with a focus on intellectual property matters. It has to be indicated how the development of the project is to be compensated as well as how the developed solutions will be further used (e.g. if solutions developed with one bidder can be implemented by another bidder). If at

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[6] The original document is available in German: http://www.bbl.admin.ch/kbob/00493/00502/02771/

the end the intellectual property rights shall be transmitted to SDC this has to be indicated also in the publication. This can, however, lead to disinterest of certain bidders.

Collection of expressions of interest

If a selective procedure was chosen, the bidders will be selected based on their expressions of interest.

Collection of preliminary offers

The preliminary offers show a possible solution for the project development. There has to be also an indication on the price for implementing this solution. The financial offer needs to be transparent enough so it can be adapted to the results of the dialogue.

Selection of the dialogue partners

- In case of an open procedure it will be evaluated if the offers meet the eligibility criteria for the project. In case of a selective procedure this evaluation was already made during prequalification.
- According to the offers, the bidders for the dialogue are chosen, following the predefined selection criteria.

Dialogue opening

- All the bidders have to be informed that the dialogue will be opened and whether they are chosen or not. It is recommended that the bidders who are not selected are not given a definite denial but that they are informed that their offer will not be further investigated and that a final response will be given later at the end of the dialogue phase.
- The dialogue partners have to be informed how the procedure will be continued and witch solution is to be developed or how the development shall proceed, about possible content of dialogue and deadline and modalities to provide the final offers.

Realisation of the dialogue

- Process and content of the dialogue have to be captured in a transparent way; any decision needs to be recorded.
- As it is a learning process, a dialogue can have several phases.

Submission of the final offers

As soon as a possible approach is found in the dialogue, the final offers shall be submitted, either by one or by multiple bidders. It is recommended to have at least two offers to compare.

Award / contract conclusion

The final offers are selected according to the award criteria and then the winning offer is chosen. The award has to be published and after the appeal period the contract can be signed.