Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Swiss Agency for Development and Cooperation SDC

ied | inclusive economic development

Managing MSD projects

Internal guidance paper for SDC head office and cooperation office staff

Introduction

The Swiss Agency for Development and Cooperation (SDC) has been championing the market systems approach – an approach also known as Making Markets Work for the Poor (M4P) – as part of its engagement in Inclusive Economic Development (IED)[1]. Market Systems Development (MSD) addresses the underlying causes of poor performance in markets that matter to people living in poverty and unemployment in order to create lasting changes that have a large-scale impact. It views a market as a system of multiple players interacting with each other based on formal and informal rules and regulations – each player fulfilling a particular market function. Optimising these market functions and the rules that shape them to make the markets more effective and at the same time contributing to poverty reduction is the central aim of MSD.

The adaptive and facilitative way of intervening that is typical for MSD makes managing these projects different from projects following other approaches, both from an implementer as well as from a donor perspective. This document will focus on the latter.

1 A first version of this guidance document was developed in 2014. In 2017, the guidance was revised based on a round of consultations and the structure adjusted to make it more user friendly. 2019 saw a minor revision that aimed predominantly to adjust some of the aspects that have changed in the meantime and update some experiences. The current revision is in response to recommendations from the Evaluation of SDC's performance in market systems development in agriculture 2013-2019 and its management response (accessible here).

It is SDC's aim promote inclusive and sustainable economic growth that creates jobs, increases productivity and protects the environment. Inclusive Economic Development (IED) is supporting this strategic orientation through three interlinked economic thematic priorities on system and individual level: Vocational Skills Development (VSD), Private Sector Development (PSD) and Financial Sector Development (FSD).

Who is this paper for?

The guidance is structured so it is both useful for people who are experienced in managing portfolios of MSD projects in SDC and people who are completely new to the approach. After getting some initial understanding of what MSD is, for example from the BEAM Exchange[2], this guidance will help you to deepen your understanding of the implications of MSD for programme management within SDC by providing different levels of depth for different audiences.

This guidance paper primarily targets the following audience:

Operational Project Managers (OPM): the people in the Swiss Cooperation Offices (SCO) who are directly responsible for MSD projects. Generally, these are National Programme Officers (NPO).

Line Managers. They are supervising the Operational Project Managers. Generally, these are expatriate staff in SCOs.

Other decision makers. This is a broader group including the responsible desk officers at SDC Head Office, the Operations Committee members, the Heads of Division and other relevant decision makers in SDC.

Implementers and project staff may benefit from the guidance paper as well, as it explains the processes SDC staff follows and can help better shape mutual expectations and understanding.

Finally, the paper is intended to contribute to discussions in the wider MSD community on how projects and programmes using market systems approaches are managed. Dissemination of the guidance is therefore intended to go beyond SDC.

2 Start here if this is the first time you have heard of Market Systems Approaches: https://beamexchange.org/market-systems/

What can you find in this paper?

This paper walks through the different phases of managing an MSD project from an SDC perspective. Common questions are answered by giving a general overview[3] that is relevant for a broader audience. This is supplemented by concrete good practice guidance specifically targeted at OPMs. Further, it includes voices and experiences from the field. As there is no synchronised practice, sometimes these experiences are diverging. They need to be adapted to the circumstances of the situation, i.e. the country context, in which the process is 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 and only best practice cannot exist.

Each section of the guidance paper is structured in four parts that are visually separated:

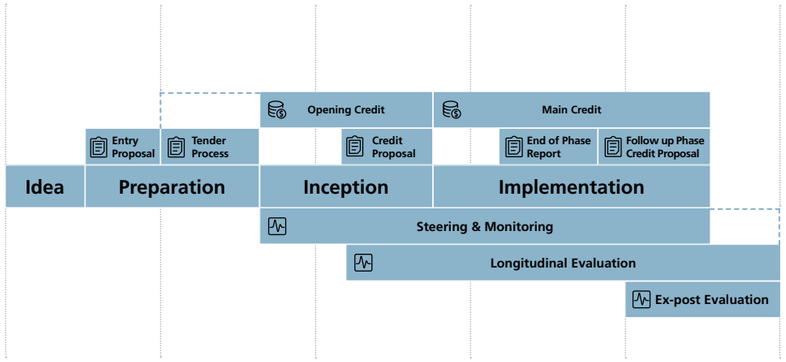
First, after an introduction on what the section is and is not about, you will find general considerations that provide an easily accessible summary for Line Managers and other decision makers. The general considerations are also important for OPMs.

Second, more concrete good practice guidance is added, specifically targeted at the OPM.

Third, voices from the field are presenting shared experiences and opinions from different SDC staff and implementers that are not applied widely enough to count as 'good practice' but could provide inspiration for others, namely OPMs.

Fourth, further resources and links are provided where appropriate.

3 The guidance is seen as "good practice" because it represents a distillation of the broadly applied management practices in SCOs, commented on by implementing partners.



This illustration will be used to guide the reader through the document. The guide is roughly structured along the main phases of an MSD project cycle. The reader will find this illustration at the beginning of each section featuring yellow highlights on those phases that are being discussed in the section.

In the centre of the illustration the four main implementation phases are reflected: **Idea**, **preparation**, **inception phase** and **implementation phase**.

In the upper part of the illustration you will find administration and funding aspects: On the one hand, **key documents** are marked with the symbol of a **task list**.

On the other hand, **corresponding funding mechanisms** are complemented with the symbol of a **coin stack**.

The **monitoring, steering** and **evaluation phases** are reflected in the lower part of the illustration and are complemented with the symbol of **stats**.

Content

Project idea and preparation 9

1.1 How do I know that a market systems approach is the right way to go? 10
1.2 How to make sure MSD projects contribute to wider change processes on the level of the SCO, other development actors, and other national change processes? 12
1.3 What are the requirements to manage MSD projects? 13
1.4 How do MSD programmes fit into the SDC Project Cycle Management? 14
1.5 What kind of preparation is needed?
Who should be involved in the preparation?
How much time should be calculated for preparation? 15
1.6 What decisions need to be taken during the preparation phase? 17
1.7 Is external support needed for the preparation?
What to consider when mandating a consultant for the preparation? 19

Entry proposal and tender process 20

2.1 What is the division of roles between Head Office and SCO in the tender and selection process? 21
2.2 What needs to be in an entry proposal? How concrete does the content have to be? 22
2.3 What are the different options for tender processes? 23
2.4 What needs to be considered when developing the tender document?
How specific does the tender document have to be? 24
2.5 How to develop selection criteria for implementers?
What are characteristics of a good implementer?
Should external consultants be used in selection committees? 25
2.6 In what cases should the markets already be fixed in the tender document and when should the implementer be allowed to suggest sectors during the inception phase? 27
2.7 When can aspects of offers (e.g. budget or project set-up) be negotiated?
What to consider for the contracting process? 28

Inception phase 29

3.1 What can be expected by the implementer in the inception phase?
What are typical activities in the inception phase? 30
3.2 How much involvement of the SCO in the inception phase is needed? 32
3.3 What to consider with regards to capacity building on MSD? 33

Credit proposal and implementation phase 35

4.1 When to write the project document and the credit proposal? 36
4.2 What needs to be in a credit proposal?
How concrete does the content have to be? 37

4.3 How should a logframe and budget for an MSD project look like? 38

Steering and monitoring 40

5.1 What are possible steering mechanisms and set-ups for MSD projects?
How much involvement of the SCO during implementation is needed? 41
5.2 How to handle adaptive management in MSD projects?
How big is the flexibility within the various parts of the budget? How flexible is the logframe? 42
5.3 What to consider in monitoring of MSD projects? 44
5.4 What kind of knowledge management is expected from an MSD project?
What is the role of SDC in knowledge management? 46

Evaluation 47

6.1 What to consider regarding the evaluation of MSD projects? 48

End of phase report and follow up phases 50

7.1 What is necessary for the planning of the next phase? 51

Glossary 52

Image source 53

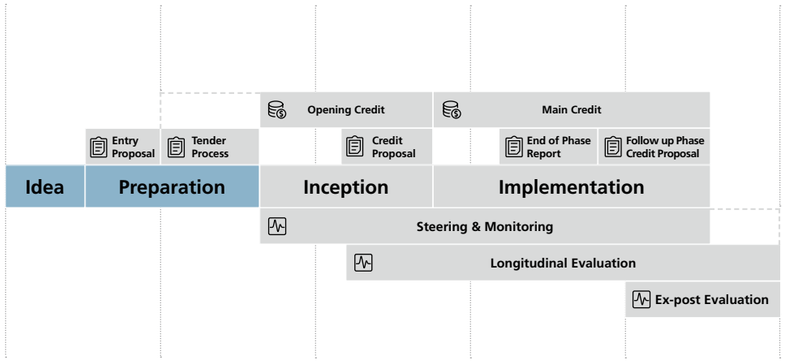
Annexes 54

Annex 1: Dialog option for the tender process 54
Annex 2: Market Systems Development (MSD) Approach – a brief introduction 56

MANAGING MSD PROJECTS

PROJECT IDEA AND PREPARATION

1



At the beginning of every project stands the project idea. The concerned SDC staff has to convince different levels inside the SDC hierarchy of the relevance, feasibility, pertinence, etc. of this new idea. This might require preparation in the form of preliminary analyses and the collection of evidence and previous experiences to support the feasibility of the project idea. The preparation work leads to the elaboration of the entry proposal (→ see Section 2 Entry proposal).

1.1 How do I know that a market systems approach is the right way to go?

general considerations

Market systems approaches are effective in situations where poor and marginalised people's livelihoods are dependent on **markets**[4]. Instead of directly supporting these people, for example by handing out inputs or training them, MSD focuses on modifying the incentives and behaviour of businesses and other market players – public, private, formal and informal – to ensure lasting and large-scale change that is beneficial in the long run. MSD is a catalytic approach with the potential to reach a large number of people in a sustainable way. Existing projects have proven that the approach can provide great value for money compared to other approaches and its principles go beyond traditional sectors and are relevant for basic services like education and health. SDC's Senior Management has renewed its commitment to MSD in its management response to the evaluation of SDC's performance in market systems development in agriculture 2013-2019 and instructed SCOs to prioritise MSD approaches.
MSD does not intend to provide immediate relieve to human suffering. Hence, depending on the target population, MSD alone might not lead to the required tangible results on a specific target group within the time frame of a project. This is usually the case when targeting very poor and disadvantaged/marginalised groups or people in economically underdeveloped areas – i.e. people who struggle to access any market in the first place. In this case, one might plan for interventions as part of the project, e.g. direct provision of skills training to extreme poor, asset transfer to the very poor, to enable these people to engage in a market (labour, product or service markets).

good practice guidance

In preparation of a project and to be able to decide whether an MSD approach is appropriate, you need to answer the following questions:

- What do we already know about the context?
- Who is the intended target group?
- What other relevant actors are active in the respective areas?
- Will the dominant working approaches by these other actors allow for a systemic/facilitative approach to be used?
- What are relevant national priorities?
- What are relevant activities of other donors?
- Where in SDC can I find support for the process?

voices from the field

- MSD is not a dogma but a perspective for analysis and a set of working principles and tools. It is important to understand the potentials and limitations of the approach.

further resources

- The BEAM Exchange provides a general introduction to market systems approaches and practical guidance and resources. The BEAM Exchange also provides evidence about results achieved by programmes that use the market systems development approach. The IED Network's shareweb page on MSD introduces MSD and SDC's approach to Market Systems Development. Also try the smart search of the IED shareweb.

4 Terms in bold font are explained in the Glossary at the end of the document.

→ | Back to table of contents

1.2 How to make sure MSD projects contribute to wider change processes on the level of the SCO, other development actors, and other national change processes?

general considerations

Project-based interventions are often by themselves not enough to lead to sector-wide and transformational change – they need to work together with other projects and government initiatives to create synergies that can lead to transformation. There are also risks from the wider political economy and external factors which are not always possible to deal with at the individual project level. MSD projects should therefore be linked with other change initiatives, both by other development actors and by national actors. Also, they need to be able to link into on-going policy change initiatives and policy dialogue. SCO can make use of the projects and information base to enhance policy dialogue. Yet, the boundaries of the project's influence need to be clearly defined.

good practice guidance

- As part of the design and ongoing adjustment of MSD projects, a mapping of relevant other national and other donor projects and programmes that have similar aims needs to be done. This will help to draw the boundaries of influence of the MSD project and also shows how the MSD project will complement the other programmes and projects. The coordination and mapping of other projects and programmes should also enable a well-informed dialogue with government and other development partners to develop and exploit synergies.
- Incorporate a more detailed and regularly updated risks assessment of what happens when projects do not work together well to create synergies and be prepared to withdraw from projects where this is not likely to be forthcoming.
- Increase the degree to which MSD activities are co-financed and part of larger projects where feasible.
- Work more explicitly with partners that are able to influence and affect market-related policy change and reforms.
- Use project-based information and evidence to feed into the policy and reform advocacy agenda of the SCO that can potentially further enhance the MSD projects' impact.
- Identify possible contributions to policy change and support to reforms and add them to the MSD project's result framework.

1.3 What are the requirements to manage MSD projects?

general considerations

The people in SDC who manage portfolios of MSD projects (OPMs) need to know the approach well. They need to understand how MSD works, what it can achieve and how it is different from other approaches. This includes knowing about **facilitation** and **adaptive management**. They need to understand about the importance of adaptive management both for project and SCO -level management. MSD uses a lot of special terminology that SDC staff involved in managing these projects need to be familiar with. For some staff, the collaboration with the private sector is also a new idea and the principles and good practices in this regard need to be understood.
SCO staff beyond the ones directly involved in the project management need to understand the basic principles of the approach and the differences to other approaches in order to be able to contribute to discussions and exchange experiences. Experience shows that also line managers, heads of cooperation and desk officers can profit from field visits and visits to enterprises to experience their realities. There is a danger that the specificity of the approach leads to the creation of silos of people who know the approach and people who do not understand it.

good practice guidance

- OPMs should go through an MSD training of one or two weeks. In addition, they should also be exposed to existing projects and other SCOs that have gathered experiences in managing MSD portfolios (→see Section 3.3 What to consider with regards to capacity building on MSD?).
- Organise field visits and visits to enterprises for all staff, including line management, heads of cooperation and desk officers.
- Actively engage in communities of practice and peer-to-peer learning with SDC staff from various SCO's as there are many positive examples and lessons available.
- Actively reach out to colleagues who are not directly involved in managing MSD projects to explain to them what you are doing and why.

voices from the field

- There have been good experiences with separately budgeting for a backstopping mandate for the SCO alongside the project implementation if the staff at the SCO are new to the approach.
- Sometimes, there are diverging ideas about and definitions of MSD between the SCO and Head Office. This affects the way MSD projects are treated in terms of conceptualisation, documentation, communication, and steering. A similar understanding between the Head Office, the SCO and the implementing partners should be achieved.
- Beyond personal contacts, being part of a good learning network like the IED Network is also important.

further resources

- BEAM curates a page with events and trainings on MSD. The IED Network, including its face-to-face events, and the BEAM Exchange are good places to be actively involved and establish contacts to other MSD professionals inside and outside SDC.

→| Back to table of contents

1.4 How do MSD programmes fit into the SDC Project Cycle Management?

general considerations

The SDC Project Cycle Management (PCM) is generally appropriate to accommodate MSD programmes. There is, however, a need to be aware of some specificities of MSD programmes. The context MSD projects engage in is **complex** and dynamic. It is not possible to analyse this context in a short preparation phase and come up with a project design and credit proposal for a multi-year implementation. Only a general picture can be sketched out at the start of the project implementation, detailed activities need to be adaptively planned during implementation. To get an initial understanding of the system and major constraints, it is good practice to start with an inception phase that focuses on context analysis and design (→ see Section 3 Inception phase). The inception phase is funded through an opening credit. Even after an inception phase, much is still unknown and can change. Hence, adaptive programme management is critical to deliver successful MSD projects.
Good experiences have been collected within SDC in using this approach of funding an inception phase through the opening credit and SDC staff is encouraged to reach out to colleagues who have relevant experiences (for SDC staff, other members of the IED Network can be contacted via the contact database on the IED shareweb).

good practice guidance

- Finance the preparation of the project AND an inception phase with an opening credit.
- During the inception phase, the implementing partner will develop a project document with an initial portfolio of interventions and logframe that you can use as the basis for the credit proposal.

voices from the field

- The inception phase gives the SCO clarity about the project's strategic approach and team composition.

1.5 What kind of preparation is needed? Who should be involved in the preparation? How much time should be calculated for preparation?

general considerations

Once the decision has been made that a market systems approach is the right way to go, the preparation phase needs to develop the basis for the entry proposal. The preparation phase should involve all staff that are going to be involved in managing the project so they improve their own understanding of the context. This is important later when they discuss interventions with the implementing partner.
A feasibility study should be conducted and will provide the key ingredients for an entry proposal and the tender document.
As part of the preparation, particularly in contexts where this is a new approach, SDC needs to create awareness of the approach among key stakeholders, including the partner government and other donors. Expectations of these stakeholders need to be managed. A market systems approach is different from other development work. Results are generated more slowly, which can be a problem if for example the partner government is pushing for quick results.
There is no hard and fast rule on how long preparation takes. If the approach is new for an SCO, enough time needs to be calculated, as SCO staff needs to learn about the approach. Based on existing experiences, the minimum time to start from scratch includes some preparatory work of 1-2 months plus the elaboration of the entry proposal plus tender document and procedure of 6-7 months. Hence, if everything runs smoothly, 9 months is the minimum time that needs to be calculated until the inception phase can start.

good practice guidance

- A feasibility study should be implemented containing the following elements:
- A context analysis to understand the context in which the project will be implemented, including its political economy.
- In fragile and conflict affected contexts, causes and drivers of fragility and conflict as well as conflict dynamics must be identified so that the project can best contribute to the reduction of fragility.
- 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 inclusive growth, and opportunities on which to base first ideas or elements of intervention strategies.
- Based on these preliminary studies, develop an initial strategic framework. This framework will constitute the foundation for the whole project. Also define the preliminary impact goal and outcome(s) of the project. It is important that the initial strategic framework clearly shows a focus on systemic change. However, the exact areas of change should be left open at this stage.

→ | Back to table of contents

voices from the field

- The feasibility study can include an assessment of potential local partner organisations with regards to their understanding of market systems – although this should not bias the selection of offers that include any of these organisations.
- It is often a challenge that market systems approaches are still not well known in some countries. To enable a discussion with potential partners as well as other donors, SDC can use case studies from existing successful projects. These studies are the basis to ignite interest in the approach and move partners to collaborate with MSD projects.
- Sometimes it is not easy to explain MSD projects to the partner governments, especially if therey are used to providing funds for the poor directly. SDC needs to be clear on what systemic approaches are about in order to make them interesting for the partner governments. The aspect of sustainability is thereby very central. The term 'Market Systems Development' seems to resonate more with public and private partners than 'M4P'. The term seems to be catchier, also with regards to being 'systemic'.
- In situations where market-focused approaches might not be appreciated by local counterparts, SDC and implementers can convene discussions around outreach, impact and sustainability of projects rather than around "market-focused" versus "other" approaches. In these cases, a focus on the "what" SDC is planning to achieve rather than on the "how" SDC is planning to achieve it will facilitate discussions. It is also important to overcome common misconceptions, for example that MSD directly supports the business of one person or subsidises businesses in general.

further resources

- To help you develop the initial strategic framework, BEAM provides guidance on strategy.
- BEAM provides curated project snapshots that showcase selected MSD programmes as well as a large number of case studies in its resource library. The IED shareweb lists relevant SDC projects (accessible from within the FDFA Network only).
- The shareweb of SDC's Conflict and Human Rights network provides more information and guidance for conflict sensitive programme management.

1.6 What decisions need to be taken during the preparation phase?

general considerations

The project should not be over-defined during the preparation phase. Most of the analysis and initial interactions with the potential partners in the market is only happening during the inception phase. There needs to be enough space to make the most important design decisions during the inception phase together with the implementer.
At the same time, the openness and flexibility of the market systems approach should not be taken as an excuse not to be concrete about what SDC wants to achieve. Clear goals and milestones need to be defined while the way to get there should be left open.
An important decision is on the length of the inception phase. This depends on the knowledge about the selected markets already available to SDC. This should not only be analytical knowledge but whether something has been tried already – knowledge on what works and what does not. It also depends on the dynamism of that market, i.e. how quickly this knowledge is outdated. The less you know about a market and the more dynamic it is, the longer the inception phase should be to establish a sound basis for a project.

good practice guidance

- Together with your colleagues, you need to take the following decisions during preparation:
  - Objectives: Based on the understanding of the context and the initial strategic framework, decide what your objectives are and why these are relevant for the SCO. The objectives need to be realistic as to what can be achieved by a project. The objectives need to be clear but broad in the beginning as they will be concretised during the inception. The detailed steps to achieve the objectives should be left open for the implementer.
  - Target groups: Define the target group, including any specification about specific target groups like youth, women, etc. if required.
  - Cross-cutting issues: Decide what cross cutting issues such as inclusiveness, gender equality, environment, climate resilience, conflict sensitivity, good governance, etc. the project should include. The selected cross cutting issues need to be reflected in the objectives, the result frameworks, and the reporting of new MSD projects. Be aware, though, that one project cannot do everything. At the least, interventions must not cause, contribute to, maintain, or promote negative impacts in the areas of human rights, inclusiveness, gender equality, environment, and climate resilience.
  - Project area: Define the geographic areas where the project will be implemented. Decide whether the project implementation has to take place in SDC's focus areas or if it can also work in other areas that are important for the relevant market systems.
  - Budget: At this point only the budget for the inception phase needs to be fixed. The budget for the implementation can be indicative and is further refined during the inception phase and elaboration of the project document and credit proposal. The overall budget has to be realistic to achieve the given goals but should not put pressure on the project to have the money spent. In addition to the project budget, a part of the budget can be set aside for a backstopper for the SCO, particularly if there is no experience in the SCO for managing MSD projects.
  - Project set-up: there are various options to set up a project, for example having one consortium implementing the whole project or splitting the projects into two lots, one for implementation and one for backstopping of the implementer. Pros and

→ | Back to table of contents

cons for each option need to be weighed in the given context (see voices from the field below for a number of pros and cons).
  - Length of the inception phase: the length of the inception phase has to be adapted to the existing knowledge and the dynamism of the context (→ see Section 3 Inception phase). There is no hard and fast rule as to the length of the inception phase but as a rule of thumb, 12 months have shown to be a good length. You need to take into account the seasonality of the products of the chosen sector (if any).
  - Length of the project: how long is the overall project going to last (number of phases and number of years per phase).
  - Evaluation: the kind of evaluation that is planned for the project needs to be defined before the start of the project, especially if a before-after comparison is desired (→ see also Section 6 Evaluation). If a longitudinal evaluation is planned, the evaluation mandate needs to be tendered at the same time or shortly after the main project implementation mandate.
- Inception phases are generally funded through opening credits. Opening credits are limited to 18 months. There is, however, an option to extend this timeframe.

voices from the field

- The selection of cross cutting issues to include in the project can potentially have an influence on how the project is designed and even how intervention sectors are selected. The choice of cross-cutting issue should be well thought through and potential effects on project design and implementation should be assessed.
- There is a broad agreement that MSD cannot be planned in detail, so an overly long inception phase, such as 18 months, does not make sense. At the same time, there is also the opinion that having enough time for comprehensive analyses and initial piloting of intervention in the inception phase will help to develop a better and more robust credit proposal, which is why some projects have inception phases of 18 months.
- If the implementing team is new to MSD, the inception phase needs to take into account the time needed to train the team. A mix of training and coaching on the job is advised to get the team going with analysis and initial experimental interventions early on (→ also see Section 3.3 What to consider with regards to capacity building on MSD?).
- If the implementation and backstopping are tendered in separate lots, local organisations have bigger chances to bid for the implementation part, as they do not necessarily need the same level of experience in MSD. On the other hand, there is a risk that the implementer and backstopper do not get along as they did not 'choose each other', putting the whole project in jeopardy.
- As MSD projects might take longer to generate initial results, it should be considered to plan the first phase for 4 or even 5 years.

further resources

- Separate guidance is available for addressing particular target groups through MSD programmes, for example the SDC guidance on Mainstreaming Women Economic Empowerment in Market Systems Development.

1.7 Is external support needed for the preparation? What to consider when mandating a consultant for the preparation?

general considerations

An external consultant can be very helpful in supporting the SCO through all the phases of the management of an MSD process or just for some specific tasks like to conduct the feasibility study or other assessments. The decision if an external consultant is needed to support the SCO depends on the situation of the SCO. Two considerations are important: is there time available to collect enough information by the staff and is the staff capacity in the SCO appropriate to design an MSD project.
A consultant should, however, not take all the work from the SCO staff members as they also need to develop their understanding of the approach and context. When a consultant is engaged, the responsible staff members at the SCO still need to be closely involved. They need to develop a sound knowledge of the context and learn about MSD themselves. This will enable them to be meaningfully involved in project set up and steering.

good practice guidance

- If you engage an external consultant/backstopper, do this at an early stage of preparation so that the resulting studies and project proposal are coherent with the understanding of both the SCO and the consultant.
- Avoid a conflict of interest, remind the consultant that he/she and her/his organisation are naturally excluded from the tender process for the implementation of the project.

voices from the field

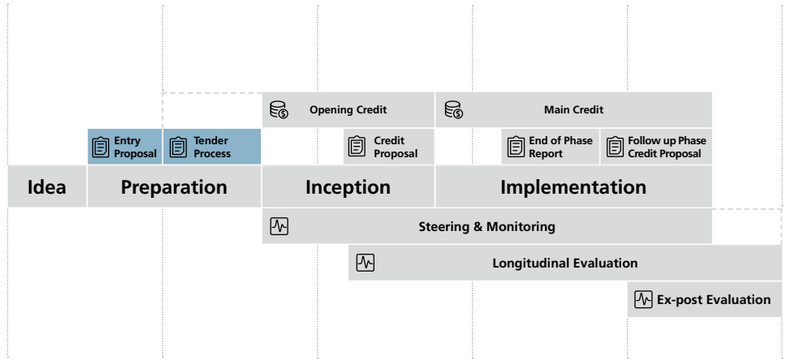
- The risk of using an external consultant to do a feasibility study or context analysis is that often such consultants bring their own believes and experiences, particularly if they are technical experts in a sector. Thus, their recommendations are sometimes based on individual experiences rather than the market analysis. Therefore, the SCO team should be knowledgeable enough to take a step back and look critically at the recommendations.
- If a consultant is engaged during the preparation, he/she can further support the SCO during the project inception and implementation as a backstopper, particularly if there is not much experience within the SCO. Some SCO's find it helpful if the backstopper can also challenge the position of SDC to stimulate the internal discussion.

→ | Back to table of contents

MANAGING MSD PROJECTS

ENTRY PROPOSAL AND TENDER PROCESS

2



The project idea becomes formal with the entry proposal. The approval of the entry proposal provides the SCO with backing (management is supporting the idea), time (to solve open issues, implement an inception phase and elaborate a project document), and resources. Once the entry proposal with the opening credit for the inception phase is approved, the selection of the implementing agency or consortium can start. The tender process contains the elaboration and publication of the tender documents, the selection of the implementer following set criteria and the contracting of the implementer.

2.1 What is the division of roles between Head Office and SCO in the tender and selection process?

general considerations

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.

good practice guidance

- The desk at Head Office provides strategic support and helps with administrative PCM work, SCO concentrates on content and owns the process.
- The Competence Centre Contracts and Procurements at Head Office supports the process where needed.
- Start the dialogue with Head Office already during preparation to develop a common understanding of the context and goals. The responsible desk officer at Head Office must be kept up to date about the preparation and findings.
- During preparation, reach out to colleagues and peers who have experiences in managing MSD project portfolios to be able to build on their lessons and recommendations.

voices from the field

- Desk officers are important allies to defend the project proposal in the operations committees.
- 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.

→ | Back to table of contents

2.2 What needs to be in an entry proposal? How concrete does the content have to be?

general considerations

The approval documents (entry proposal and credit proposal) require some level of specificity about what activities the project is going to implement and what results it is intending to achieve. The uncertainties inherent to MSD, however, make it difficult to exactly define what is going to be done on an activity level during the project implementation. Some things need to be decided once the project team is immersed in the context and has built relationships with stakeholders. The context is dynamic and changes so some things might be changed during implementation.

This is particularly true for the entry proposal as the substantive context and market analysis is conducted only during the inception phase. Many aspects of the design of the project, including selection of the market systems, local partners, and definition of feasible targets depend on the results of these analyses. Therefore, the information available to elaborate an entry proposal is often limited. Nevertheless, enough preparatory work needs to be done to give a clear idea of how the project will likely look like and what it is likely to achieve (→see also Section 1.5 What decisions need to be taken during the preparation phase?).

Entry proposals describe how the interventions are planned to work in principle, substantiated by examples of how it has worked before in other contexts where similar approaches were used. In addition, cost-benefit ratios based on preliminary calculations can be added. This should suffice for the entry proposal to be approved.

good practice guidance

- In the entry proposal, go beyond the theoretical description of the MSD approach; a concrete strategic framework, intended project outcomes, some indications on potential sectors, constraints, and the intention of interventions need to be included.
- Generally, do not define concrete interventions and activities before the inception phase; for illustration purposes, an entry proposal can contain references to typical MSD interventions of other existing projects.

voices from the field

- Sometimes there is a divergence between what the operation committees want to see in entry proposals and the level of specificity that MSD allows. Senior management at times is reluctant to approve entry proposals having the feeling to sign a blank check. It is therefore important to be very clear about the approach chosen, the process on how more certainty will be created and to communicate early on with members of the operations committee to make sure the answers to their questions are part of the entry proposal. At the same time, entry proposals can refer to other projects where the approach has been applied successfully before.

2.3 What are the different options for tender processes?

general considerations

There are different options for how to tender a project in SDC:

- Open tender process: The tender document is specific, defining interventions and goals; the 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 (EoI) stage precedes the actual technical offer. Only bidders that are pre-selected based on the EoI are invited to submit a technical offer.
- Open/selective tender process with dialogue: Following an open or selective tender, a small number of bidders is invited to enter a dialogue. The final technical offers are 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 coming out of the dialogue is selected (→ Annex 1 (Dialog option for tender process). A middle way between the open/selective tender and the option with dialog is to invite the bidders to develop an alternative offer following their own ideas on how they could reach the intended objectives. Alternatives are submitted in addition to an offer that follows the requirements of the tender document.

good practice guidance

- Though the selective tender process needs more time it is the better option. It allows to pre-select bidders that understand and have experiences with the MSD approach.
- Additional to the documents submitted by the bidders, invite the best bidders to present their proposal in person and interact directly with the selection committee.

voices from the field

- The dialogue option has not been widely used yet but seems to fit well to the MSD 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.
- The dialogue option is, however, the most time and resource consuming process and might also be challenging with regards to treat all bidders in the same way.

→| Back to table of contents

2.4 What needs to be considered when developing the tender document? How specific does the tender document have to be?

general considerations

A balance between specificity and openness is important. The tender document needs to be specific enough to elicit an offer that can 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 preliminary studies need to be used in the tender document to supply information on the context to the potential bidders.
If SDC intends to build the capacity of local organisations to implement MSD projects, this needs to be clearly stated in the tender document.

good practice guidance

- When writing the tender document, be clear in that an MSD approach is asked for.
- Clearly reflect objectives (impact, outcomes) of the project, i.e. what should change in the system, in the tender document. The bidder should, however, largely be able to define how the change will be achieved within the given time frame.
- Be as concrete and accurate as possible regarding the description of constraints and intervention strategies.
- In a tender document, you can define parts that are defined as 'must have' and are expected in every offer and parts that are optional or that can be suggested by the bidders.
- Make it clear what the implementer needs to do during the inception phase so concrete results can be achieved that are needed to elaborate the project document.
- Capacity building of local entities and national stakeholders should explicitly be mentioned in tenders where appropriate. Similarly, make it clear if advancing the MSD approach in the given country context should be a goal of the project. Consequently, resources for that can be planned and performance criteria developed.
- In the tender document, you need to ask for a monitoring system that is either compliant with or comparable to the Donor Commitee for Enterprise Development's (DCED) Standard for Results measurement.
- Avoid MSD slang to the extent possible.

voices from the field

A more ambiguous tender document is positive in a way that it allows bidders to submit innovative ideas but it needs to have some specificity in order to get concrete offers explaining what the bidders are intending to do – and to get offers that are comparable and can be assessed in a systematic way. The more carefully the tender document is developed, 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.

2.5 How to develop selection criteria for implementers? What are characteristics of a good implementer? Should external consultants be used in selection committees?

general considerations

Selection criteria must be designed to select organisations or consortia that have experience with MSD and can show enough local knowledge and experience. This balance of knowledge about the approach and local knowledge should also be reflected in the evaluation criteria.
In MSD, interventions can change in the dynamic contexts of markets. Hence, selection of a potential implementing agency or consortium needs to give special attention to the capacities and experiences of the selected organisation and proposed team to analyse a context and adapt interventions dynamically based on continuous learning.
It is critical to find the right implementer for an MSD project. This concerns both the implementing organisation and the support it can provide to the project and the team composition, including the team leader. The implementing team needs to be able to take ownership of the project and have a good working relationship with private and public partners.
To be successful with MSD, the team needs to have an open mind and be creative. To be able to manage a project adaptively, the initial competencies of each team member are less important than the overall ability of the team to learn continuously and improve their capacities on the job.
External consultants can be a valuable support in the selection committee. It is, however, important to make sure that no conflicts of interest arise between the consultant and the implementing organisation – it is therefore necessary to assess potential interlinks.

good practice guidance

- Develop selection criteria for the bidder already together with the tender document.
- Besides the general assessment criteria of projects, important elements to include in the selection criteria for MSD are
  - experience in MSD,
  - local knowledge,
  - excellent project management skills,
  - participation of local human resources in the project team,
  - a flexible and open minded approach,
  - high analytical capacities (capacity to constantly analyse the context and results, and to re-orient activities if they do not bring the expected results),
  - entrepreneurial mind-set,
  - creativity,
  - existence of in-house expertise and knowledge management systems on MSD.
  - While the team leader is crucially important, pay attention to the wider management team suggested by the implementer. Furthermore, do not only assess the team based on the CVs of the suggested team members but also on the organisational processes of training, mentoring and coaching suggested by the implementer.
- Make sure that key staff proposed by the bidders will still be available for the project's inception and implementation. This can include require key staff to sign a letter of availability and exclusivity.
- Keep the selection process short, if possible not more than 90 days, to ensure that the team members proposed by the bidder are still available.

→| Back to table of contents

- In the selection criteria, replace the "balanced budget" criterion with value for money considerations such as outreach, net present value created, cost-benefit relations, cost-effectiveness or other value for money concepts adapted to the specific project objectives.
- If an external consultant is involved in the selection committee, you can decide whether they participate with vote and voice or only voice.

voices from the field

- One option to keep key staff available and committed between when the offer is submitted and the contract is signed is to oblige bidders to have letters signed by each potential team member. In these letters, they state which position they would occupy, that they are aware of contracting & mobilisation schedules, that they know the terms they are offered 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.
- It is essential to find the right balance between knowledge on MSD and local and/or technical knowledge in the field the project works in. For example, in a project focusing on the labour market, an MSD expert without an experience in the area would be a bit of a tricky selection. At the same time, hiring a technical expert on labour markets without knowledge on MSD runs the risk of this person promoting his/her solutions rather than facilitating change.
- Often in the received offers expenditures for experts is the biggest part (parts 1-3 in SDC's SOR budget template). At the same time, SDC practice is to try to get a balance between the expenditures for experts and fiduciary funds (part 4). Yet MSD projects are human resource intensive by focusing on facilitation activities. The balance between the two sides of the budget needs to be considered in the light of the planned interventions and the value they are supposed to create.
- Finding an implementing consortium that includes a local partner that has already knowledge about and experience in working in a chosen sector can give a consortium a head start and make it likely that they achieve results earlier. On the other hand, there is a risk that they might resist changing the sector in case the strategy in the selected sector does not work. Working with a local implementer often requires additional time and budget to be planned for capacity building.

further resources

- Further information on value for money assessments can be found on the BEAM website. Furthermore, support should be asked for from the IED Focal Point and the SDC Quality Assurance division. The BEAM Exchange developed an MSD Competency Framework that gives a detailed account on the full range of knowledge, skills and aptitudes found in high-performing teams that use the market systems approach.

2.6 In what cases should the markets already be fixed in the tender document and when should the implementer be allowed to suggest sectors during the inception phase?

general considerations

- Market system/sector selection depends on the extent to which SDC knows the context and situation when tendering a project. If that knowledge is good, SDC can narrow down market systems for a project. These considerations will also be based on SDC sector policies and country strategies as well as national or local development strategies and priorities.
- From an MSD perspective, the preferred solution is for SDC and the implementer to select the market system together during the inception phase, based on results of the market analyses and initial interactions with market actors. Experience shows that it might even be necessary to drop some market systems or add new ones during the implementation. Hence, projects need to remain able to adapt to new insights and learning as well as changes in the markets' dynamics.

good practice guidance

- Base your decision which market systems to include in the tender as far as possible on market research. If such research is not available during preparation, make the selection only during the inception phase after the appropriate market analyses.
- If you leave the selection of market systems to the bidder, you will have to clearly stipulate the selection criteria, including cross-cutting issues, or develop them early on together with the implementer at the beginning of the inception phase.
- You can provide a pre-selection of market systems in the tender document from which the bidder can choose.
- To select market systems for MSD, a balance needs to be found between relevance, opportunity and feasibility (see further resources below for an explanation of these three dimensions).

voices from the field

- Choosing a market system jointly by SDC and the implementer creates ownership and understanding and provides a solid ground for a good collaboration during implementation.
- A possibility to select market systems 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 bring systemic change and sector expertise together.
- If the selection of market systems is left completely to the implementer, it can come to surprising choices. Selected market systems could for example including ones that

→ | Back to table of contents

were not part of any preliminary study and where there is only little knowledge available in the SCO. This can make it difficult for SDC staff to defend the selection during the project approval process. Also, if the selection of market systems is left up to bidders or implementers, they may be prone to select those which are closer to their competencies rather than offering the best opportunities to the target group.
- When selecting a market system, SCO staff should look towards creating synergies between the selected market system and other Swiss projects who may work in the same or complementary sectors.

further resources

- Further information on market selection can be found in the BEAM Guidance on strategy – selecting the market system.

2.7 When can aspects of offers (e.g. budget or project set-up) be negotiated?What to consider for the contracting process?

general considerations

Negotiations with the bidders can only be done before the final selection and if it is explicitly mentioned in the tender documents. These negotiations should include the bidders that have the potential to reach the requirements of SDC also if there is only one. Once the contract is signed, no changes can be made, which is why it is important to finalise the offer according to the results of the negotiations before the final selection.
It is crucial to include or consult with SDC finance staff during negotiations and contracting.

good practice guidance

- Put enough time aside for negotiation and contracting.
- Unfortunately, we do not have guidance how to conduct negotiation and contracting. As this goes beyond MSD projects, SDC needs internally to elaborate good practice on this.

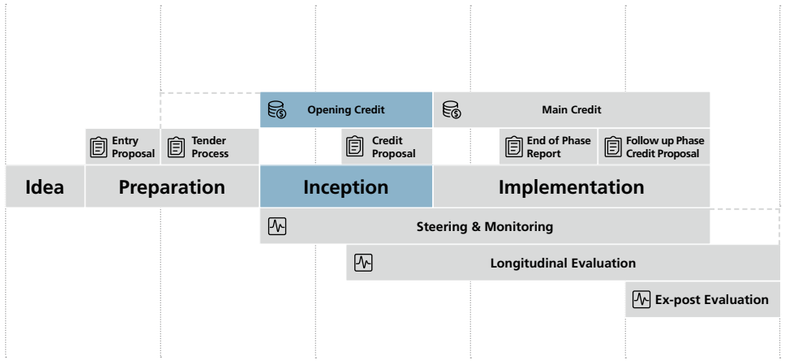
voices from the field

- There is a trade off in the selected duration of the contract with the implementer. Some see it as generally better to have shorter contract durations so the performance can be re-evaluated more often. On the other hand, implementers might not invest in long-term, more systemic interventions if they only have a short contract but focus on delivering short-term results to get their contract extended.
- In the contract, it must be clear that if the partner does not deliver or does not adhere to MSD principles, the contract will be terminated. This has been done before by SDC and although it is not the preferred option, it always should be one of the options to ensure effective programmes.

MANAGING MSD PROJECTS

INCEPTION PHASE

3



It is recommended to set out on a new MSD project with an inception phase, followed by the actual implementation phase. An inception phase is a period in the beginning of a new MSD project during which the project team is recruited and operations are set up. This is also the time when the main context analyses are made, markets are analysed, key constraints are identified, and stakeholder analyses performed.

3.1 What can be expected by the implementer in the inception phase? What are typical activities in the inception phase?

general considerations

The focus of the inception phase should be to first set up operations of the project, train the team (where necessary) and then conduct market and context analyses and prepare an opening portfolio of sectors and intervention strategies that are described in the project document. The inception phase should be a "research and action" phase.
The inception phase needs to be based on a common understanding between the SCO and the implementing organisation on the expected results of the phase, captured in a joint agreement.
The typical activities of the inception phase are various analyses of the market system. These go deeper than the analysis done during the feasibility study and 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.

good practice guidance

- Be clear that you will closely accompany the implementing organisation and project team on the journey through the project (→ see 3.2 How much involvement of the SCO in the inception phase is needed?).
- If needed, you or a consultant hired by the SCO can support the implementing partner in elaborating the project document for the inception phase to keep it in line with the needs and intentions of SDC.

- 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 and for building the local implementers' facilitator role.
- The inception phase typically contains activities such as (list not exhaustive or prescriptive):
  - Setting up of the project (set up of office, recruiting of the team, etc.)
  - Training of the team, combined with on-going coaching and mentoring
  - Developing a work plan for the inception phase with milestones and deliverables
  - Developing and setting-up the project management processes that allow for continuous learning and adaptive management
  - Running various analyses (context, markets, stakeholders) to gain a deeper understanding of the relevant market systems
  - Piloting of initial ideas with partners to test their feasibility and at the same time assess the capacity and reliability of partners
  - Developing and setting-up the monitoring and reporting system

voices from the field

- It is advisable to give the project a low profile during the inception phase. There is a tendency to promote the inception phase as the start of the project which heightens expectations and makes it difficult for the project to do an objective analysis. It will lead to pressure from line ministries, big businesses and chambers of commerce among others.
- In MSD, the design of a project that was chosen during the inception phase needs to remain flexible to respond to the economic environment and 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 further adjustments.
- A combination of research and action reduces the risk of an inception phase leading to "overanalysis" and "overplanning", resulting in being stuck in a detailed plan and having difficulty to pick up opportunities. In order to help gain clarity on which intervention has potential, the project should also use information from other projects to make estimations about cost/benefit ratios to justify planning activities. One needs to think beyond the specific case in the specific country and include what has worked elsewhere.
- At the end of the inception phase, the biggest difficulty is to have concrete intervention lines and clear outputs and outcomes defined. Designing the logframe is the trickiest part because it calls for quantitative targets and indicators that are feasible to be set and delivered in the 3-4 years' timeframe of the programme.
- It is also critical for the projects to find the right partners to work with. The partners should not only come from the private sector but also include different layers of government and administration. In terms of the private sector, it is important to consider working with larger companies in order to ensure that a project reaches a large number of people. Larger companies often initially do not recognise market potential in more rural areas with smaller stakeholders but when they are convinced they can have a much broader impact.

further resources

- BEAM provides guidance on market analysis and development of intervention strategies.

→ | Back to table of contents

3.2 How much involvement of the SCO in the inception phase is needed?

general considerations

The biggest challenge during the inception phase is to get a new team set up in a relatively short period, build their capacity on MSD and at the same time deliver solid analyses and intervention strategies in view of the main implementation phase.
It often takes considerable time for a project implementation unit to become operational. Also, analysing markets and develop a basic understanding of their functioning, structures and dynamics is a time-consuming task.
There needs to be a balance between the OPM's involvement in the inception phase process and leaving enough space for the implementer to develop the necessary ownership and avoid micro-management.

good practice guidance

- Keep track on what is going on in the project. Connect with the project at least on a bi-weekly or monthly basis and intervene if progress is not satisfactory. Separate between management, strategic and operational aspects.
- Seek frequent face-to-face contact with the implementing team and accompany field work to gain an understanding of the market. Do not rely on reports only. Also other SCO staff, not only the directly involved OPM, and even heads of cooperation should occasionally participate in field visits to understand the operational reality of the project.
- Keep an eye on staff capacity and their ability to use MSD principles as this will determine the team's effectiveness in delivering results.
- Be actively involved in discussions and decision-making for example in market system selection or when the project struggles to keep to the time line, for example due to difficulties in recruiting capable staff.

voices from the field

- 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. It is important that the implementer works towards building trust with the OPM – they need to be transparent and openly approach the OPM if there are problems.
- The OPM should build up his/her understanding and knowledge about the markets and the project strategy as this will make it easier for her/him to defend the project during the approval process.
- The ability of the team to use MSD principles is critical. In one concrete case, an implementing organisation was also implementing other projects that did direct delivery. The teams of the different projects were sitting together in one building so the MSD team was always influenced by the teams doing direct delivery. SDC mandated the organisation to separate the M4P team into another building.

3.3 What to consider with regards to capacity building on MSD?

general considerations

Capacities to understand and implement MSD need to be built both at the level of the implementing teams but also at the level of the SCO. In many countries, MSD capacities are not available locally. SDC can look for the capacities internationally by seeking for an international implementer or an international backstopper for local implementers. Even internationally, however, capacity to implement MSD projects is limited. Hence, SDC and its implementing partners need to invest in building MSD capacities, which needs to be reflected also in projects' budgets.
Capacity building is a continuous process. It is about building organisational ecosystems that support functions and processes that enable high-performance teams. Capacity building should be about building diverse teams with good understanding of local contexts and a relevant set of technical skills.
Classroom-based training is just a small component of a much broader, multi-dimensional and iterative process that must combine on-the-job training, cycles of trial and error, learning reviews, coaching, mentoring, communities of practice and peer-learning networks. Furthermore, capacity building is not just about individuals; it includes programme teams and the organisations within which they function.

good practice guidance

- You need to make sure that the capacity for MSD is available both at the level of the implementing team but also at the SCO.
- Consider planning for a backstopping mandate for the SCO to build SDC staff's capacity and to coach you and your colleagues in MSD. This backstopping mandate can also include training and coaching for the key staff of the project teams.
- Capacity building should be explicitly mentioned in project documents and a part of the project budget should be reserved for capacity building of both project staff and local stakeholders. This budget can become smaller over time but should be sustained to cover training for new staff and further training for existing staff.
- Make sure that capacity building is a continuous process, not a one-off visit to an international training. Explicitly plan capacity building during the project cycle. Capacity building should consist of classroom trainings combined with coaching and mentoring arrangements and exchanges between projects and organisations. As OPM, you should be involved as much as possible in these activities and also seek peer support and exchange from within SDC.
- Make sure organisations use their in-house capacity as far as possible for on-the-job coaching and backstopping of the team and that this is reflected in the budget.

voices from the field

- SDC can support the implementer to get the team composition right for example by jointly advertising for team leaders or by offering support in capacity building of the staff.
- Consider joint initial training of SDC staff and the implementing teams as this helps to build a common understanding, builds relationships and trust.
- SDC can support the capacity building of the implementation team through a ded-

→| Back to table of contents

icated backstopping mandate. At the same time, implementing partners should be encouraged to also invest resources in their staff. If SDC is committed to the MSD approach and makes this known to implementers, it is more likely that they will invest their own resources in long-term staff capacity.

- Exchange visits and extended internships or secondments of staff (both from an implementing partner and the SCO) into a more mature project could be a way to build team members' capacity. Exchanges are not only useful in the inception or start-up phase but should be a continuous modality of developing a team's capacity.
- Bringing together different SDC projects and partner organisations to share and exchange experiences is a good way to build capacity of the involved teams and of the SCO staff.
- There is one view that for SDC to directly build capacities of the local implementers is preferable because international implementers have limited interest to help local organisations as they might then compete with them for future donor funding.
- Developing the project implementation capacities in developing countries should be an additional objective of SDC. It has a much higher value-for-money effect for those countries and accelerates development. This does, however, take time and needs specific resources to be allocated.
- Consider translating key documentation into local languages and hold events in local languages to allow people who do not speak English – which is the language of most documentation on MSD – to learn about the approach and contribute with their experience.

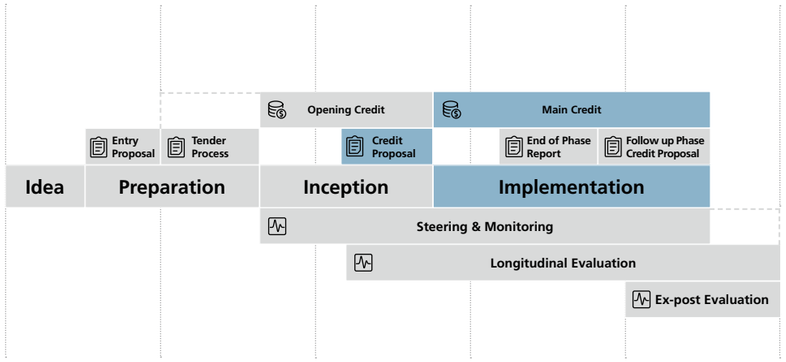
further resources

- BEAM developed an MSD Competency Framework which can be taken into account when planning for capacity building of MSD teams.

MANAGING MSD PROJECTS

CREDIT PROPOSAL AND IMPLEMENTATION PHASE

4



To get approval for the main implementation of the project, a credit proposal needs to be elaborated and submitted to SDC. The credit proposal includes the implementation of the first implementation phase of the project starting after the inception phase.

4.1 When to write the project document and the credit proposal?

general considerations

In most cases, it may be advisable to write the credit proposal towards the end of the inception phase. To avoid a funding-gap between the inception phase and the implementation phase, the SCO needs to start working on the credit proposal in parallel to on-going analysis work in the project, i.e. before the final project document is available. This requires relatively close involvement of the OPM to keep updated on activities and results in the project.

good practice guidance

- Start the development of the credit proposal as early as possible to avoid a funding gap after the inception phase. Three months are needed for the approval, which means the credit proposal needs to be ready at least three months before the end of the inception phase. This is crucial to ensure retention of good staff at implementer level between inception phase and implementation phase.
- You need 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.

4.2 What needs to be in a credit proposal? How concrete does the content have to be?

general considerations

Project document and credit proposal must be much more concrete than the entry proposal. Normally, at this stage the implementer has already worked for several months and done more in-depth assessments. Markets/sectors, constraints and preliminary intervention strategies must be described in much more detail, but remain sufficiently open to allow the project to adapt according to the sector dynamics. MSD projects need to be managed adaptively, so that in changing circumstances or when the project finds an intervention does not work, the project can adapt even during implementation. This might mean changes in how constraints in a market are approached but it might also mean to change the sector entirely.

good practice guidance

- You need to sketch out a preliminary intervention portfolio with a plausible, reasonable quantification of objectives (outreach, net additional income, etc.). This should enable you to get an estimation of cost effectiveness/cost-benefit ratio and answer wider cost-benefit questions, e.g. are beneficiaries benefiting at the scale MSD programmes promise.
- At the same time, you need to make clear that things can change and that the project needs to be managed adaptively. In the credit proposal you can point to successful SDC projects that have been managed in that way before.
- You need to apply the general checklist for project documents by SDC (also accessible for external partners) and the guidelines for credit proposal (SDC internal) to MSD projects, too.

voices from the field

Some flexibility needs to be applied to the internal SDC guidelines in order to accommodate for the need of MSD programmes to be adaptive and continuously integrate their learning into the project plan.

- There is a need to manage expectations about a good project document as in MSD projects, not all details can be fixed in a document. Many things need to be decided along the way.

→| Back to table of contents

4.3 How should a logframe and budget for an MSD project look like?

general considerations

The logframe is an essential part of the contract, but it should be general enough so the project can still adjust its activities and intervention strategies. In MSD, the main role of the logframe is to define the contractual relationship between SDC and the implementer and for overall steering of the project. This means it needs less detail compared to other types of projects.
The typical trajectory of spending of MSD projects is different than in other projects. In the beginning, MSD projects focus on analysing and relationship building so they spend less money. Also later, the focus is on facilitation not on handing out equipment or just providing grants without co-funding commitments. Only once the market is well understood and some pilot interventions are planned, the projects can increase their spending. Activity-level budgets make it very difficult for projects to adapt and take up opportunities that open up or to change strategy if something turns out not to work.

good practice guidance

- You should rely on the logframe to give direction to a project. Results chains are an instrument of project management, not project steering, and should be used by the project as operational tool for monitoring and adaptation.
- Design indicators in logframes of MSD projects so they can cope with complexity and uncertainty (e.g. "number and types of new or improved services provided to the target group" instead of defining which types of services).
- Budgets for MSD projects tend to have a higher share of cost in the project cost parts (parts 1-3) of the SDC Service-Oriented Remuneration (SOR) budget template as opposed to the fiduciary funds (part 4). You need to carefully analyse the parts of the budget with regards to the value created by the project instead of blindly mandating partners to 'balance' the budget between these parts. Cost-benefit and value for money assessments can help you to analyse budgets.
- Make sure that capacity building of the staff is part of the budget and not considered an overhead cost that needs to be carried by the implementer alone.
- Make sure that part 4 of the budget has some provisions to hire specialists should the need arise. As MSD projects are managed adaptively, not all support that is needed can be planned for in the beginning.

voices from the field

- It is difficult to find logframe 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 achieve over a typical three or four-year project period. At the same time, there is a risk that implementers try to keep the target numbers low in order to make it easier for them to achieve the targets. An ex-ante cost-benefit analysis can help to assess whether the proposed targets justify the cost of the project. Tracking of cost-benefit/value for money should be part of the monitoring system to keep track of the efficiency of the project.
- The logframe should be developed by the implementer during the inception phase with the opportunity to review and add more quantitative targets within one season/year of implementation. The logframe, hence, may be changed in the early project phases. In case of changes, they have to be well documented and agreed with headquarters. But if the logframe changes frequently in a "mature" project, this indicates the project's uncertainty on the overall project direction.
- Timelines for the achievement of the targets should be agreed on during the inception phase. For example, it should be agreed that certain outcomes/impact indicators take time and may be realised only towards the later stage of the project (indicators reflecting women economic empowerment (WEF), systemic change, reduced vulnerability). Results expected until the mid-term review should be discussed and agreed as much as possible at the stage of finalising the project document.
- 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.

further resources

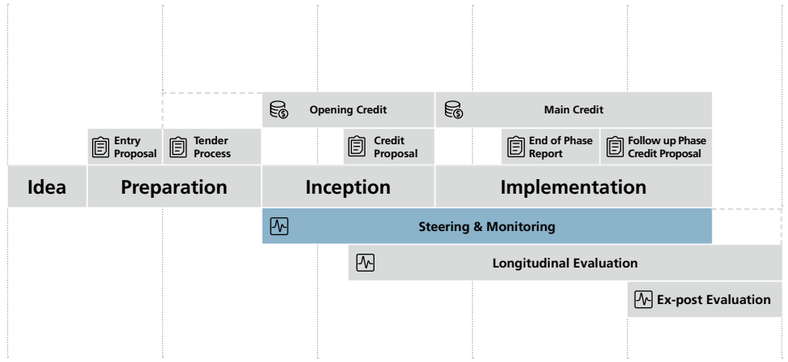
- The BEAM monitoring guidance provides a comparison between logframe and a Theory of Change explains how to define indicators that can cope with complexity and uncertainty (bottom of the page).
- SDC offers guidance to conduct a cost-benefit analysis.

→| Back to table of contents

MANAGING MSD PROJECTS

STEERING AND MONITORING

5



During the implementation, it is the responsibility of SDC to be involved in project steering. There are different ways to set up the steering function, for example steering only from SDC or through a steering committee that includes other local stakeholders. Monitoring is important to collect data that can be used for project steering.

5.1 What are possible steering mechanisms and set-ups for MSD projects? How much involvement of the SCO during implementation is needed?

general considerations

As in the inception phase, clear definition of roles between SDC, the local and/or international implementer, and the international backstopper (if any) are needed. Clear and realistic targets and milestones need to be set, keeping in mind the typical results trajectory of facilitative projects.
The relationship with the implementer should be transparent, based on trust and the SCO's relation to the implementer should rather be like a partner than a supervisor. There should be learning in both directions, i.e. SCO needs to be open to learn from the implementer as they are the ones with the context knowledge. Importantly, the implementing partner needs to have ownership of the process.

→ | Back to table of contents

good practice guidance

- Do not rely on reports only but seek frequent face-to-face contact with the implementing team. It is thereby important to find the right balance of your involvement while not micromanaging the projects.
- The division of roles between international and local implementing partners or other administrative issues internal to the project is not 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 public partners it is important that the SCO is involved. Involvement from the SCO is particularly helpful in policy dialogue. At the same time, the SCO needs to be an enabler and not actually manage the partnerships – which is the role of the project.

voices from the field

- Regular monitoring and field visits from the SCO should take place. This should include monitoring reporting data and visits to partners and beneficiaries.
- Agreeing on the objective of monitoring systems is very important – sometimes monitoring is not seen as that important but as only taking up time and resources. Yet it is important to define what is required to have a functional and right-sized monitoring and results measurement system meeting three objectives: steering, accountability and learning.

5.2 How to handle adaptive management in MSD projects? How big is the flexibility within the various parts of the budget? How flexible is the logframe?

general considerations

Adaptive management has been recognised as important part of MSD. There is stiagreement that flexible and adaptive management, throughout the programme cycle and in the financial and operational management of implementation is essential for project effectiveness.
As well as adjustments to learnings from the project, adaptive management can contribute to continuously adjust a project's position in the wider development context. It also allows for a review of the project's efforts to improve cross cutting issues and minimise unintended harmful effects.
There is still relatively high flexibility from SDC side once a credit proposal has been approved. How much flexibility is given to a project team depends on the implementing team's capacity and the trust an OPM puts in the team. The OPM in the field is best placed to make this call.
At the same time, there is a need for some specificity in planning to get projects approved. This needs to be based on informed anticipation, keeping in mind that it might change.

good practice guidance

- Do not expect detailed annual plans down to the activity level. These plans need to outline the general direction interventions are supposed to take.
- Make sure that the project has effective decision making and review processes in place to review plans and adjust strategies and interventions to new information.
- Agree with the implementer on a review process between the SCO and the project where decisions on adapting the project direction, including if needed adaptations to the logframe and budget, are taken.
- Continuously update the map of the wider context within which the project is active from the point of view of the SCO, other development actors and national change processes and readjust the projects boundaries and enable synergies so it can effectively contribute to wider processes of change.
- When reviewing interventions, ensure that they do not cause, contribute to, maintain, or promote negative impacts in the areas of human rights, inclusiveness, gender equality, environment, and climate resilience.
- You can get approval to change logframes, for example after a mid-term review. These changes are generally approved in the cooperation office and do not need to go through an operations committee again. However, the headquarter needs to be kept informed.
- 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 relative flexibility within the fiduciary funds (part 4). Budget lines can be changed based on the need for adjustment in on-going projects. Parts 1-3 can sometimes be adjusted downwards if the savings are moved into part 4.

voices from the field

- The right balance has to be found between allowing the project enough room to pilot, test, learn and eventually succeed; and monitoring at the right point(s) in time in order to ensure that the project reaches the minimum targets set in the logframe. This fine line is difficult to find and therefore regular exchange with the project/team leader is essential in order to agree on the modus operandi, set reasonable targets and ensure proper follow-up and support.
- How to know a project effectively adopts an adaptive management approach? Adaptive management requires a learning culture, including a safe environment to admit failure, and good feedback loops in the project.
- Trust between the donor and the implementer is important for adaptive management as it gives the implementer freedom to operate. Smooth communication and short regular meetings between donors and implementers in between semester or annual reports on project progress and challenges help to build this trust and to avoid surprises.
- It would be beneficial for the project to have a dedicated fund available in the budget to be able to grab new opportunities when they arise.

further resources

- A separate IED Network paper provides SDC programme managers with good practices for monitoring and measuring results in private sector development. The Network also produced guidance on cost-benefit analysis and the DCED Standard for Results Measurement.

→| Back to table of contents

- Guidance on SDC's ARIs and TRIs as well as Women Economic Empowerment.
- The BEAM Exchange provides comprehensive guidance on monitoring in programmes using market systems approaches.
- BEAM produced a paper on attribution and causality in market systems development.
- DCED guidelines on Measuring Women's Economic Empowerment in Private Sector Development.
- More information on the DCED Standard.
- SDC's Conflict and Human Rights network provides a how to note with a set of thematic reference indicators for projects that adopt conflict sensitive programme management principles.

5.3 What to consider in monitoring of MSD projects?

general considerations

Establishing a good measurement system is critical. This includes defining reliable indicators and metrics to measure if the outcomes materialised. It is thereby important to keep the project's scope realistic, not to try to achieve too many things. Over-focusing on measurement, however, runs the danger of confining a project's options to only do things that it is sure can be measured, limiting its appetite to explore and innovate.

MSD is targeting impacts on the beneficiaries without directly intervening but by 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. A balance between cost and reasonable "precision" of the monitoring framework needs to be found.

The DCED Standard for Results Measurement is a specific approach that has been recognised by many practitioners as very helpful in establishing credible monitoring and results measurement frameworks. Large SDC projects should use the DCED Standard and a monitoring and results measurement system that lives up to that standard. A DCED review of the MRM as well as DCED audits should be budgeted and conducted. Applying a DECD standard equivalent result measurement should be the exception and needs to be justified. For example, particularly for smaller projects, it can be argued the standard should be right-sized to fit the needs of the project.

good practice guidance

- The monitoring and results measurement system should serve a three-fold purpose: learning, accountability and project steering.
- Results chains as suggested by the DCED standard are a working instrument for project teams and are continuously adapted; do not require them as formal documents such as project documents and reports; rather the logframe should be used as reporting instrument between projects and SDC.
- As soon as the more detailed intervention level result chains are designed, use them to include measures of system change in a project's results frameworks.
- Require the projects to design their monitoring and results measurement systems following the DCED Standard and encourage them to pass at least through a MRM system review if not a full audit.
- If it is the intention to fully implement the DCED Standard including the audit process, you need to plan for the necessary resources from the beginning.
- Consider integrating wherever possible and feasible indicators that feed into SDC's Aggregate Reference Indicators (ARI) and Thematic Reference Indicators (TRI).

voices from the field

- Due to the facilitative nature of MSD projects it can take more time to see results. At the same time, there is a demand for quick results. This leads to projects adopting a more direct way of working. One role of steering is to avoid that, i.e. manage expectations correctly inside and outside SDC.
- 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 projects are progressing can be helpful. When it comes to scrutinising, analysing and interpreting the resulting information, staff with high analytical capacities and a critical frame of mind are required.
- The SCO does not always have the capacity to scrutinise reported impact figures thoroughly. 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.
- Attributing observed changes to a project's 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.
- The DCED Standard has significantly helped to increase the credibility of impact reporting and is a useful 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 projects 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.

further resources

- A separate IED Network paper provides SDC programme managers with good practices for monitoring and measuring results in private sector development. The Network also produced guidance on cost-benefit analysis and the DCED Standard for Results Measurement.
- Working Aids on SDCs ARIs and TRIS for Private Sector Development, Financial Sector Development, and Vocational Skills Development.
- The BEAM Exchange provides comprehensive guidance on monitoring in programmes using market systems approaches.
- BEAM produced a paper on attribution and causality in market systems development.
- DCED guidelines on Measuring Women's Economic Empowerment in Private Sector Development.
- More information on the DCED Standard.

→| Back to table of contents

5.4 What kind of knowledge management is expected from an MSD project? What is the role of SDC in knowledge management?

general considerations

It is important to have a knowledge management strategy after the inception phase that explains 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 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: fostering exchange on specific topics, offering trainings on research tools and monitoring, encouraging exchange between project implemented by different organisations, etc.
Knowledge management is closely related to the issue of capacity building as a lot of knowledge is captured in individual team members rather than in formal documents. This tacit knowledge is shared for example by allowing more experienced team members to mentor newer ones or by peer exchanges between projects (→ see 3.3 What to consider with regards to capacity building on MSD?).

good practice guidance

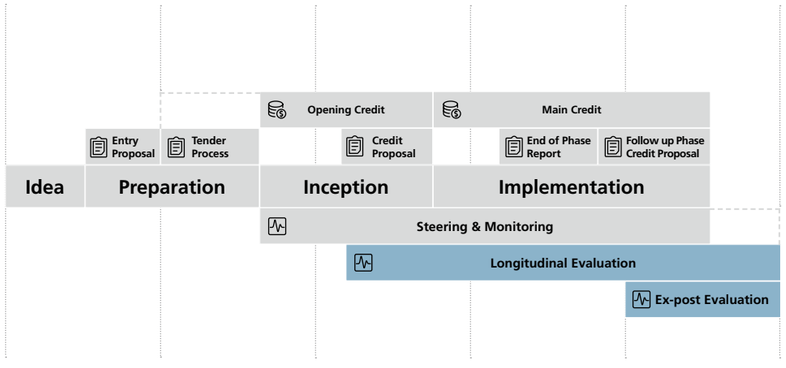
- Budget for knowledge management, which can include case studies and other capitalisation of experience documents.

voices from the field

- 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 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.
- 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.

further resources

- Knowledge Management for Development (KM4Dev) is a global community of practice that provides many resources on the topic of knowledge management.



An evaluation is separate from monitoring and is usually done by a third party. There are different types of evaluation. Longitudinal evaluations start together with the project and run in parallel, establishing a baseline first and then collecting data at defined intervals throughout and after the project. Mid-term evaluations are often qualitative in nature and try to assess whether a project is on track. Impact evaluations after the project finishes try to confirm success or failure of a project. These are particularly important as systemic changes can also happen after the project finishes.

6.1 What to consider regarding the evaluation of MSD projects?

general considerations

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 only with the identification study or market systems analysis – it might be too late for any type of evaluation that requires a before-after comparison.

good practice guidance

- Answer the following questions in order to be able to plan for a good evaluation:
  - What do we want to learn from the evaluation? (Evaluation purpose)
  - What are the specific questions we would like the evaluation to answer? (Evaluation questions)
  - How are we answering the evaluation questions? (Evaluation method)
  - When should we plan an evaluation? (Evaluation timing)
- Include the DAC Criteria for Evaluating Development Assistance also for evaluation of MSD projects.
- 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, put aside the necessary financial and human resources and plan the survey early on. But be aware that implementing baseline surveys too early in MSD projects can be problematic as projects may shift their focus and make baseline data obsolete.
- 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 project evaluations/reviews; choose someone who understands the approach.

voices from the field

- Mid-term evaluations are very important for both the implementer and SDC. They should review implementation but also propose avenues for the future. It is important that evaluations contain clear recommendations and where possible a clear cost-benefit and/or cost-efficiency analysis of the implemented interventions.
- It is important that the mid-term review looks at the project progress in terms of achieving results, and if due to its MSD nature the project has not a lot to show by midterm the review should be able to prove that at least the trend is positive and that the project is moving towards the right direction in achieving its foreseen targets.
- One option to capture results generated through systemic changes after the project ended is to have a "stand-by phase" after the project closure to observe how benefits continue to accrue and if service providers continued to operate. Alternatively, this can also be done by an ex-post evaluation after 2-3 years of the project closure.

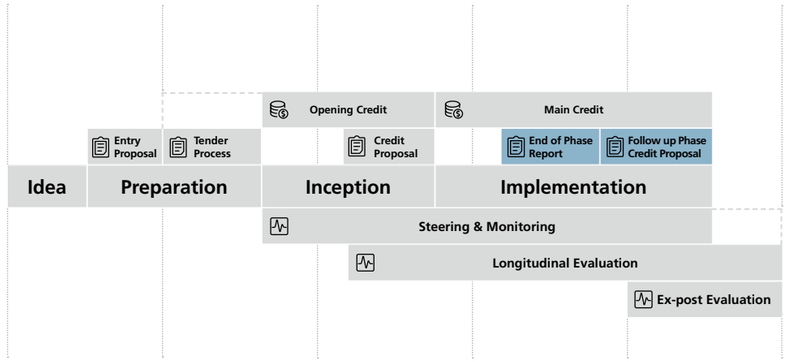
further resources

- BEAM developed a guide on evaluating MSD projects. The World Bank Group and the Inter-American Development Bank provide a book Impact Evaluation in Practice. Better Evaluation, an online portal on evaluation, provides a large amount of valuable information on various approaches to evaluation including detailed guidance and links to further resources.
- Details on the DAC Criteria for Evaluating Development Assistance.

→ | Back to table of contents

MANAGING MSD PROJECTS

7 END OF PHASE REPORT AND FOLLOW UP PHASES



For the end of an implementation phase, an end of phase report needs to be prepared. This will include considerations on whether a follow up phase is planned.

7.1 What is necessary for the planning of the next phase?

general considerations

Most importantly: good results. And continued high potential.
If a follow up phase is planned, a new credit proposal needs to be prepared early on to avoid a funding gap between the two phases.

good practice guidance

- According to the SDC project cycle management, you need to elaborate 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.
- Together with the implementer, you therefore need to start the planning process early, at least nine months beforehand.
- Include in the credit proposal the option to continue working with the same implementing partner instead of retendering in cases you have a reliable partner for project implementation who has already delivered good results in the first phase implementation.
- If a tender is necessary again, the procedure will have similarities with the process described above (→ see Entry proposal and tender process).

→ | Back to table of contents

Glossary

Adaptive management
An approach to implementing the programme cycle that seeks to better achieve desired results and impacts through the systematic, iterative, and planned use of emergent knowledge and learning throughout the implementation of strategies, programs, and projects. See the BEAM page on adaptive management.

Complexity
Complexity is generally used to characterise something with many parts where those parts interact with each other in multiple ways, culminating in a higher order of emergence that is greater than the sum of its parts. See the BEAM page on complexity.

Facilitation
The attempt by development actors to catalyse change in the market system while not assuming any long-term market function themselves. Their intervention role is temporary and catalytic. See the BEAM page on the facilitation role.

Longitudinal evaluation
Longitudinal evaluations are implemented alongside the actual programme they evaluate, covering longer time frames compared with traditional mid-term or ex-post evaluations. An example of a longitudinal evaluation is the evaluation of the SDC-funded project INOVAGRO II.

Market systems
A multi-function and multi-player arrangement comprising the core function of exchange of goods and services and the supporting functions and rules which are performed and shaped by a variety of market players. See the BEAM page on market systems.

Sector
Sectors can be defined in a very broad or a very narrow way. Besides the classic economic separation in first, second and tertiary sectors, sector often means agriculture, forestry, heavy industry or banking. In practice, however, sector is even used to describe lower-level separations such as the 'vegetable sector' or the 'garment sector'. See the Wikipedia page on sector.

The M4P Operational Guide contains a more extensive glossary with terms relevant for MSD.

Image source

Frontpage

Credit Flurina Rothenberger for Helvetas
Country Nepal
Date 24 March 2018

Project idea and preparation

Credit Christian Bobst for Helvetas
Country Tanzania
Date 29 April 2013

Entry proposal and tender process

Credit Narendra Shrestha for Helvetas
Country Nepal
Date 19 November 2016

Inception phase

Credit Simon B. Opladen for Helvetas
Country Bolivia
Date 27 April 2013

Credit proposal and implementation phase

Credit Simon B. Opladen for Helvetas
Country Tanzania
Date 13 June 2019

Steering and monitoring

Credit Patrick Rohr for Helvetas
Country Bosnia and Herzegovina
Date 03 June 2016

Evaluation

Credit Simon B. Opladen for Helvetas
Country Kosovo
Date 11 October 2019

End of phase report and follow up phase

Credit Simon B. Opladen for Helvetas
Country Guatemala
Date 2015

→| Back to table of contents

Annex

Annex 1: 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[5]. The annex is not intended as guidance 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 and/or procurement of an intellectual service. While 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 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 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 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 which 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.

5 The original document is available in German: https://www.kbob.admin.ch/dam/kbob/de/dokumente/Publikationen/Planer/Leitfaden_Beschaffungen_Dialog.pdf

→| Back to table of contents

Annex 2: Market Systems Development (MSD) Approach – a brief introduction

Never heard about **MSD**[6]? Take 4 minutes to see this excellent, easy to understand video, and read this document.

Let's start with an example. **The Katalyst project in Bangladesh**[7] was a very successful project measured in terms of impact at scale. The project was able to reach out to 4.75 million small farmers and entrepreneurs who were able to generate an increase in their income of USD 724 million. The project achieved this by increasing the competitiveness of micro, small and medium-sized enterprises in urban and rural sectors through better access to quality services, technology, inputs and more. Katalyst pioneered and experimented with the MSD approach from 2002 to March 2018 which proved to be a key factor for its implementation success. One of the project's interventions even won the **OECD DAC Prize 2014**[8] for Taking Development Innovation to Scale. In this particular intervention, Katalyst created a market for improved vegetable seeds for poor farmers in Bangladesh. It facilitated the provision of high-quality seeds in mini-packets affordable for the poor, which helped increase the income of poor farmers. The breakthrough came, when Katalyst partnered with two leading seed companies to introduce mini-packets. Seed distributor companies could develop new markets. One of the companies sold almost 3 million mini-packets in 2013. This success has encouraged more seed companies to adopt this strategy, enhancing the sustainability of results. Finally, with this intervention, Katalyst managed to reach 2.4 million farmers in 55 out of 64 districts of Bangladesh!

What were the **key elements of the approach** that helped Katalyst to be so successful?
The starting point was the **understanding** that poor people act in market systems – as laborers, producers, entrepreneurs and consumers. Their livelihoods depend on markets. All too often, however, the poor are excluded from benefitting from markets. Katalyst identified the barriers that prevented poor people to benefit. These barriers may include for instance no access to quality inputs such as seed. Katalyst developed **innovative solutions** to overcome the barrier by **partnering** with seed companies who had always ignored poor farmers as potential customers in the past. Together with the private companies Katalyst demonstrated that mini-packets of high-quality vegetable seeds can be sold profitably but at an affordable price to farmers. The farmers increased their productivity and income, while the sale of such small units of seeds became a new line of business for seed companies. In the end **both sides benefitted** – private companies and the poor.
Programmes such as Katalyst using a MSD approach have been designed and implemented in a wide range of countries and contexts during the past 15 years. SDC's MSD portfolio currently includes around 40 ongoing projects, mainly addressing agricultural value chains and youth employment. Social inclusion and women's economic empowerment are central themes across the portfolio. SDC published an Internal Guidance Paper for head office and cooperation office staff on how to manage MSD projects.

Key features of projects using a MSD approach are the following:

- The project must develop a very good insight into how the market systems operate: who are the market actors and how do they relate with each other? Which of the market systems hold the greatest potentials for poor women and men? What are the barriers and root causes why poor people do not benefit from participating in these markets? What may be the incentives of companies to cater for the needs of poor people? This is an ongoing **research and analysis effort** that projects must undertake.
- Novel solutions to overcome the exclusion of poor women and men must be **viable and sustainable** beyond the lifetime of the project. Do they hold potential only for a small number of market actors or can they be expanded to benefit large numbers of people in future? Do new business models have sufficient incentives for all actors involved?
- The project takes on a **facilitative role**. That includes dialogue with stakeholders and actors, pointing out and discussing new opportunities; it includes supporting new linkages between actors from private, public and civil society sectors, who may not have collaborated before. The project will also facilitate learning processes among all actors to evaluate the experience, adapt innovations and develop strategies for expanding the use of new practices in support of a wider system change.
- Market systems are dynamic in nature. Actors change, relationships shift, and new opportunities emerge. This requires project management to be **adaptive** to respond to changes in targeted market systems, respond to new opportunities and adjust strategies to learnings that emerge throughout the implementation of interventions.

The MSD approach is a response to the experience of many development agencies on the ground. Development projects too often lack sustainability and large-scale, system-wide impacts, particularly with regard to the inclusion of marginalized people in market systems.
The MSD approach is not a precise science or rigid methodology. It is an approach that provides a set of principles, frameworks, and good practices.

What is the evidence that MSD works?

BEAM Exchange, the knowledge sharing platform for the wider MSD community, regularly collates and analyses different types of published evidence, i.e. results achieved by programmes. Currently there are around 100 evidence documents in the **BEAM Evidence Map**[9]. The current evidence base indicates that programmes using a MSD approach can achieve significant scale through positive systemic change and thus help poor people access services, generate jobs and income and reduce poverty. Initiatives contribute to making market systems work in a more pro-poor manner including crowding-in by other market actors (e.g. copying inclusive business models), improving regulations and government policies and influencing the way buyers and sellers behave in a variety of ways. Empirical observations have shown that impacts in MSD projects take longer to emerge compared with projects that provide more direct support to target groups. A MSD approach requires system actors to adopt and implement new practices based on incentives from within the system. This tends to take more time than a direct approach. However, over time the impact is more likely to be sustainable (Fig. 1) and at a greater scale.

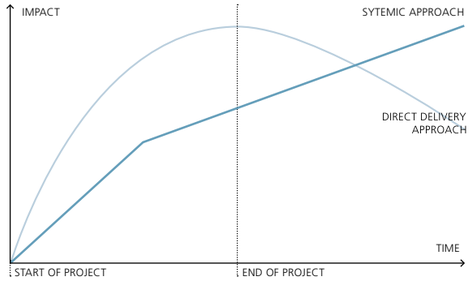


Fig. 1: Impact of MSD approach over time. DCED (2011), Why have a Standard for measuring results

You still want to know more? Go to beamexchange.org or participate in a 5 days course, ask your IED focal point for advice.

6 The Market Systems Development (MSD) approach is also known as Making Market Work for the Poor (M4P) or Inclusive Systems Approach.
7 http://katalyst.com.bd/archive/
8 http://www.oecd.org/dac/dacprize.htm
9 https://beamexchange.org/resources/evidence-map/

Imprint

Editor: ©2022 Federal Department of Foreign Affairs FDFA,
Swiss Agency for Development and Cooperation SDC, 3003 Berne
First guidance developed in 2014, thereafter revised in 2017 and 2019.

Cover photograph: ©Flurina Rothenberger for HELVETAS, picture from Nepal

Authors: Marcus Jenal, Mesopartner, and Annick Vollmar, HELVETAS,
both backstoppers to SDC's Employment and Income Network

Design: sags gmbH

This publication can be downloaded from the shareweb of the SDC's
Employment and Income Network https://www.shareweb.ch/site/EI