

Nov. 26, 2020

# Are MSD programmes too cool for rules?



Ines Bentchikou



Simon White

All blogs

## Are MSD programmes avoiding the crucial role of policy reform in triggering systemic change?

Development cooperation programmes that use the [MSD approach for jobs](#) understand the need for sound policies to regulate a system. However, they often seem constrained when it comes to driving change in laws and regulations. Many practitioners feel that reforming legal and regulatory systems is too difficult, and so MSD programmes sometimes tend not to address these challenges.

This forces us to ask: are results likely to be perpetuated without support from the public sector?

## How MSD programmes can integrate more business environment reform into their work

[Bending the Rules](#) - published this summer by the ILO Lab - offers some insights on how MSD programmes could better integrate business environment reform into their intervention strategies.

First, it's important to keep in mind that **business environment reform does not always equal policy design**. Rules and regulations can be hindered by a wide range of constraints and thus a range of interventions may be relevant, besides advocacy and law development. Some of these are not so different from typical MSD interventions and can influence the application of laws. Getting information to people, such that they can decide whether to apply a law or not, is sometimes half the battle.

Second, **working effectively on rules and regulations in market systems requires focusing on these issues at the analysis stage**. The MSD approach is well known for its analytical focus; on tackling the root causes instead of their symptoms. Despite this defining feature, we found various ways in which MSD programmes tend not to analyse policy issues adequately and could do it better.

Consider an MSD project in Afghanistan. If it works with a commercial dairy serving farmers in a province taken by the Taliban, it will have to consider various consequences e.g. informal taxes, higher transport costs due to security issues etc. But the risk that the Taliban may decide to shut down the intervention at any time for political reasons is surely critical. An analysis of the rules and regulations, inclusive of the political economy, comes in handy to avoid nasty surprises.

Third, it is **not always necessary for MSD programmes to change the nature of their work** to incorporate business environment reform. Working on legislative processes or on political behaviours can - in some cases - also be facilitated slowly, through an incremental process with light touch interventions and well-selected existing actors present in the system. Working with public institutional actors does not require a programme to be infallible. It is okay to stop, take a step back, understand why things are not moving as planned, adjust the strategic plan, and start over.

In short, **MSD and Business Environment Reform (BER) complement each other**. Identifying and improving the legal, regulatory and administrative framework in which market systems operate allows for both sides of the famous **MSD 'donut' diagram** to complement and support systemic change. The challenges in BER work - including a broader cast of private and public actors to work with - are significant. But when interventions that improve the supporting functions of commercial transactions are introduced alongside measures to reduce government-induced risks and transaction costs that improve competition, the benefits of these actions can be long-lasting and impactful.

If you enjoyed this quick read and want to know more on this topic, check out **Bending the Rules: how to use a systemic approach to improve the rules of the games**. It is full of tips and tricks, ideas and practical guidance on how to concretely integrate more work on the rules and regulations in your programme.