

Management

02

Financial systems

Market systems programmes need to balance the need for financial accountability with the need to retain flexibility.

For much of development aid, budgets and financial management systems are put in place to ensure accountability and safeguard against the misappropriation of donor funds. This often leads programmes to define detailed budgets from the outset. For market systems approaches, it is more practical to assure accountability through financial monitoring, cash-flow management and audits, as opposed to prescriptive budgeting. There are two ways that financial systems differ in market systems programming:

Value for money (VfM) and overheads

Market systems approaches align well with the VfM framework. The goal is to create systemic change with a limited pot of donor resources, which implies a catalytic impact for every donor dollar spent.

Yet the two concepts can be in tension. For example, the biggest proportion of budgets within market systems work can go towards salaries for highly skilled staff, and learning agendas and market analyses also require significant resources. From a VfM standpoint this would not be seen as delivering 'good value' but rather needless overhead.

One potential solution is to differentiate elements of programme management costs so that not all of it is considered overhead. This involves better unpacking of the cost column, for example, or managing a discretionary fund versus promoting demonstration effects. Another solution is developing Monitoring and Evaluation (M&E) systems that more accurately reflect where a project has reached, such as in cases where project progress has been slow and if a tipping point is imminent.



The way we think about charity is dead wrong

TED talk on why focusing on overheads can be problematic for social change work.

Spend rates

Spend rates need to reflect market dynamism and opportunities that exist for a programme to intervene. Programmes adopting a markets systems approach tend to experience very low spend rates in the first 1-2 years, followed by an increase in spend for pilot interventions and efforts to crowd in. However, the rate of spend will not follow a logarithmic model – projects need to build in as much budgetary flexibility as possible at the proposal phase.



Matching grant schemes and systemic approaches for private sector development

Actions for donors and implementers to achieve synergy between matching grant schemes and systemic approaches.

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