

How To! Do MSD procurement #3: practical lessons for the launch phase



Mike Klassen



Grace Becton



Linda Jones



Sergio Rivas



Faith Soya



Zenebe Uraguchi



Lorenz Wild

The early stages of an MSD programme can be chaotic: a flurry of new people, processes and information combines with pressures for updates, progress, and even results. Market systems themselves are constantly changing, which requires effective MSD programmes to update prior assessments to provide an up-to-date analysis of systemic constraints.

MSD programme procurement has challenges at each stage: scoping, tendering, proposal writing, evaluation, award and inception. BEAM Exchange synthesised the accumulated knowledge and experience of a range of accomplished MSD practitioners and donors to produce this guideline (one of a set of four [MSD Procurement papers](#)).

Here we provide practical advice for programme managers about how to negotiate operational challenges encountered during the launch of any new MSD programme. We focus on the perspective of implementers and draw on the experience of MSD practitioners who asked themselves “What would we have done differently if we

could go back to the beginning?” The paper is particularly relevant for programme managers in implementing agencies.

Here we suggest some guiding principles for managers facing some typical challenges of early- stage programmes.

1. Donor needs to see ‘quick wins’
 - Establish what the donor means by ‘quick wins’ in order to reframe them to align with MSD principles. It should be less about immediate outcomes, more about process, relationships and learning.
2. Due diligence requirements are obstacles to partners
 - Develop procurement guides that are suited to the particular context of an MSD programme.
 - In thin markets or conflict regions it may be necessary to relax compliance procedures for early partnerships to allow for ‘sole sourcing’ as long as sufficient justification is made.
3. Delays in establishing systems can hold back partners
 - At HQ level, do the pre-work to have MSD-appropriate systems and processes designed and ready prior to the inception kick-off. Ensure staff at HQ are trained on the MSD approach.
 - At programme level, engage partners in early conversations about their interests and incentives, without committing to funding. Look for initial facilitation activities that don’t require financial support. Adapt small scale funds to support early pilots where necessary.
4. Structuring payment terms so as to reduce partnership risks
 - Clarify the main outcomes and align incentives so partners are self-motivated to achieve them.
 - Structure payment terms to reflect measurable progress and engage both technical and financial staff from programme, donor and firm in agreeing on terms.
5. Head office is reluctant to approve non-traditional contracts and partnership agreements
 - Invest in relationships between programme managers and their HQ points of contact by sharing information, encouraging visits and, ultimately, building trust.
 - Allow time for programme and procurement teams to understand each other’s requirements and develop a workable system.

Making funding arrangements work for MSD

There are a range of mechanisms for working with the private sector. These are listed below with a brief reality check from practitioner experience of using them in an MSD context.

- Procurement - Service contract
These create a transactional relationship with market actors. They require flexible programme managers and procurement managers who understand MSD and consider it appropriate to 'procure' market actors to test business models.
- Grant / Sub-award (either cost-reimbursable or fixed-amount)
When drafting milestones for fixed amount subawards, think carefully about the documentation needed and the targets set. These agreements also require well-defined and negotiated budgets and so represent significant work upfront before an agreement is signed.
- Simplified Tactical Grants Fund
It is important to ensure this doesn't get misused or lead to slipping into old direct delivery modalities of directly subsidising activities market actors should pay for themselves.
- Market Actor Co-creation Umbrella
This requires clear messaging from the MSD programme team putting emphasis on the actor's own strategy and reasons for trying new things out. It cannot be just a step on the way to accessing donor funding.

Developing portfolios that integrate mechanisms and processes

Many MSD programmes have developed a portfolio of funding mechanisms that give programme teams flexibility in adapting the approach to the situation and partner.

For example, the [Transforming Market Systems \(TMS\)](#), Honduras Activity programme developed a co-creation approach through its 'Partnership & Innovation Fund'. It defined a process that prioritises buy-in from market actors and clarifies relationships before introducing any financial support (through fixed amount award) or task orders.

Another example is the [Bangladesh AVC programme's](#) Blanket Activity Announcement (BAA) arrangement. Market actors submit ideas that are reviewed internally, including by the Finance & Grants (F&G) Manager, leading to an Adaptive Market Actor Agreement (AMAA). Then the internal programme team members move the AMAA to a specific funding mechanism after sign-off from the Finance & Grants Manager & Chief of Party.

Read the full paper

[BEAM Exchange's full paper](#) underscores the importance of programme managers understanding the principles of MSD and following them closely, while responding to the unique context of programme start-up.

It (and its three companion papers) is the collaborative product of a group of accomplished MSD practitioners and donors who worked together voluntarily over four months in early 2020 to synthesise their accumulated knowledge and experience of procurement arrangements for programmes.

Paper 1. Decisive structures: procurement format options for MSD programmes and their different implications

Paper 2. Deepening the relationship: a stage-by-stage guide to strengthening partnerships between donors and implementers in MSD programmes

Paper 3. Getting off the ground: practical lessons for the launch phase of MSD programmes

Paper 4. Fit for business: modifying internal procurement processes for adaptive MSD programmes

[Published: September 2021]

This 'How to!' note, is one of a series in which practitioners share technical information about how to tackle a commonly met challenge in market systems development. If you would like to share your own 'How to!' note, please contact editor@beamexchange.org.