Capacity building for market systems

detailed analysis, root causes and ways forward

Report

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The BEAM Exchange is a facility for knowledge exchange and learning about the role of market systems approaches in reducing poverty.

Contents

Executive summary

Increasing use of the market systems approach has led to a growing demand for skilled practitioners and high-performing teams. However, the current system of training and capacity building falls well short of meeting the needs of programmes. This constraint threatens to undermine the effectiveness and credibility of the approach.

BEAM Exchange commissioned this study to analyse the capacity building system for market system development (MSD) practitioners. Its aim is to identify problems, weaknesses and gaps and the reasons behind them, and learn from what is working well. The study also proposes a vision of a better system and how interventions could achieve it.

The study treats capacity building as a system in its own right; with a core market of actors who demand and supply capacity building services, a set of functions that support the actors in the core market and a set of rules, beliefs, and policies that shape the behaviour and investments of the actors.

Methodology

The study is based on secondary sources, a survey completed by more than 120 people as well as in-depth interviews with over 50 practitioners, capacity builders, donors and thought leaders with experience in market systems development. The ToRs, study design, findings and analysis thereof were discussed with an advisory group composed of 15 experts.

Main findings

The study reveals a capacity building system that is more complex and nuanced than initially thought. Our findings show there is a partial but **significant mismatch between the supply and demand of capacity building services.** Practitioners mainly learn by reading, and attending webinars and classroom-based training; but they want more mentoring and coaching.

The **demand for training is driven by donor funding**, either directly, through the procurement of training services, or indirectly, through programme budgets. Furthermore, transactions between trainers and end-users (practitioners) are mediated by donors and/or the organisations that implement programmes. This helps to explain the supply-demand mismatch and may limit end users' ownership of the capacity building process. On the other hand, donor funding and support plays an important role in cementing the market systems approach and the community of practice that is now demanding more relevant and affordable capacity building.

The **supply-side of the market is highly concentrated** around a few providers who focus on in-person, classroom-based training. Yet, new providers are emerging who combine in-person, virtual formats and mentoring with their training. Several implementing organisations are creating internal capacity building units to support their staff. This is motivated by organisational cultures that value learning as a source of competitive advantage and strategic decisions to increase cost-efficiency, relevance, practicality, outreach and performance.

Capacity building has been focused around classroom-based training, but mainstream theories and studies show this is just a small component of a much broader, multi-dimensional and iterative process. This process combines on-the-job training, cycles of trial and error, learning reviews, coaching, mentoring, communities of practice and peer-learning networks. Furthermore, the scope of capacity building includes programme teams and the organisations within which they function.

Another important finding is that **there is no broad agreement on what a well-implemented market systems programme looks like**. The focus of most learning and codification efforts is on the effects of market systems strategies, methods and tools, market stakeholders and poverty reduction. Information about good managerial practices in different subsectors and contexts is scattered and seldom analysed with the purpose of finding patterns and heuristics to help team leaders manage their programmes more effectively.

Online learning methods are perceived to be more challenging and logistically difficult than in-person methods. Practitioners appreciate online formats most when they are mixed with in-person interactions. The value of online discussions (e.g. on LinkedIn) however, is questioned by some interviewees due to posturing by some contributors and insufficient discussion of practical applications.

There is a general **over reliance on individual experts** – such as team leaders and external consultants – who are expected to provide all the answers. Less importance is given to cohesive, capable teams and the supportive organisational environments in which they operate. Some organisations are using competency frameworks for market systems staff to build well-rounded teams.

Donors are under **increasing pressure to show results early on in a project**. This may divert resources away from systemic change strategies and into direct delivery of inputs, investments or services, which in turn, reduces the impetus to build capacity of staff to think and act systemically. However, in some cases, donors and implementers have agreed to longer implementation cycles so there is more time to detect structural changes; in other cases, innovative methods to detect early signals of systemic change are being explored.

Improving the system

Our findings suggest to us a set of feasible and impactful initiatives to improve the system of capacity building in market systems development. We prioritised the findings and determined causal connections between them. After a process of analysis and discussions with the advisory group we identified three important root causes:

1. Lack of documentation and agreement about what well-managed programmes using a market systems approach look like
2. Lack of consensus about what capacity building processes are required to shift individuals and organisations to higher performance levels
3. Lack of safe spaces for regular and constructive dialogue between donors, implementing organisations and capacity builders about capacity building policies and investments.

Working with donors, implementing organisations and capacity builders, BEAM Exchange will take initiatives to address each root cause. These initiatives will be designed and carried out in consultation and collaboration with leading market systems organisations. They include:

• Write case studies about the thinking and best practices used by leading market systems managers and implementing organisations. Comparative analysis will identify patterns and heuristics to help implementing organisations manage their programmes better, and capacity builders to design more relevant services.

• Compile and curate an inventory of resources to help trainers and other capacity builders design, deliver and assess their services. These resources will be made available on the BEAM website.

• Convene spaces for dialogue, strategic planning and collaboration between donors and

implementing organisations specifically on capacity building policies and investments and their effects on the performance of market systems programmes.

The challenges of improving capabilities in the market systems development field are multiple and complex. However the final message of this research is optimistic: we can work together to create a capacity building system that will help realise the huge potential of the approach to reduce poverty.

1. Introduction and aim of the research

The use and importance of the market systems approach (MSA) for poverty reduction is on the rise and so is the demand for highly skilled professionals. This, in turn, motivates the creation of new processes, platforms and tools to build the capacity of individuals and their organisations to improve the design, implementation and evaluation of market systems programmes. However, there are also growing concerns[1] and doubts about the effectiveness, responsiveness and relevance of capacity building processes; duplication of tools and training materials; low investment rates and innovation in capacity building methods aimed at improving access and affordability; and lack of collaboration between donors, users and providers.

BEAM Exchange has commissioned this research to provide a comprehensive analysis of the capacity building system for market systems development practitioners. It intends to contribute to a better understanding of what is working well, not so well and why. It also proposes a vision of a more functional capacity building system and a set of initiatives to move closer to it.

The report has five main sections:

1. Theoretical framework and key definitions
2. Methodology
3. Main findings and insights from the interviews and survey
4. Conclusions and recommendations
5. Appendices with details about interview and survey questions, and names of interviewees and advisors.

Boxes with insights from the authors can be found across the report. Their objective is to separate the analysis of findings from the authors' reflections about the findings and possible implications from them.

With this report BEAM also hopes to promote the debate and collaboration amongst key stakeholders who - with their decisions and investments - are shaping the evolution of capacity building for MSD.

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1 See for example: (i) BEAM's inception survey showing a mismatch between formal training and other forms of learning and the need for a better understanding of capacity building www.beamexchange.org/resources/170/; (ii) pages 4 and 7 of a comparative review of guides for value chain development produced by CTA http://publications.cta.int/media/publications/downloads/1746_ PDF.pdf; and (iii) recommendations made by Dan Norrell on his paper "Building frontline market facilitators' capacity: the case of the 'Integrating Very Poor Producers into Value Chains Field Guide' (http://bit.ly/2cL1yO3). Note: all documents were accessed on June 14 2016.

2. Theoretical framework

Definition of the market systems approach

Different organisations use different terms to describe the market systems approach, depending on their emphasis, scope and strategies. For example: value chain development, making markets work for the poor (M4P), participatory market systems development (PMSD), market facilitation and inclusive market systems development. Whatever the term used, there is a set of principles that bind them[2]:

- Recognising that markets are systems, involving multiple actors and incentives.
- Seeking the overall goal of reducing poverty through improvements in key properties of the system (e.g. business performance, relationships, rules and incentives).
- Focusing on the capacity of the system to continuously respond to changes in technology and practices, consumer trends and market shocks.
- Tackling the underlying causes of market failure rather than focusing on symptoms.
- Creating the conditions for ongoing improvements and transformations in the market system driven by the market actors themselves (rather than by the implementers).

We use the term market systems approach as an umbrella term for all the different variations mentioned above.

Definition of capacity building

There are different definitions of capacity building with different scope and emphasis, depending on the context and sectors where they are used. We propose the following:[3]

Capacity building is a deliberate set of interventions to develop ongoing processes by which individuals, organisations and societies acquire and sustain abilities to perform better, solve problems faster and adapt to change.

This definition highlights that…

- Capacity building is a planned endeavour; it is not something that happens by accident.
- Capacity building should take organisations to a situation where new abilities are not just acquired but also sustained.
- Capacity building is contextual. "The way people think, feel, behave and change is very strongly influenced by the culture and context in which they live" [4]
- Capacity building is not just about training people; it encompasses transformations at organisational, inter-organisational and societal levels. "Individual change is at the heart of all capacity building, even though this level may not be the strategic focus of the intervention[s]"[5]

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2 Campbell, Ruth (2014) A Framework for Inclusive Market System Development, LEO brief. USAID; Ripley, M. and Nippard, D. (2014) Making Sense of Messiness, Kathmandu and Durham: SAMARTH; M4P Operational Guide 2 ed (2014). The Springfield Centre.

3 This definition takes element from James, Rick (2002), People and Change, Exploring Capacity-Building in NGOs, INTRAC NGO Management and Policy Series No. 15; and United Nations Committee of Experts on Public Administration (2006). "Definition of basic concepts and terminologies in governance and public administration" United Nations Economic and Social Council.http://bit. ly/2cclKYD

4 James, ibidem.

5 James, ibidem.

The limits of classroom-based learning

Jacobs and Parks[6] state that learning is a strategic factor for global competitiveness and organisational learning a fundamental driver of innovation and profitability. Profound changes in demographics, demand for skills, technologies and people's relationships and roles within institutions and communities have led to a society where learning is no longer confined to occasional formal activities in classroom environments. On-the-job learning is a key component of successful organisations.

Coaching, mentoring and peer-learning

Phil Bruck proposes that in order to achieve proficiency formal training must be accompanied by phases of reinforcement and informal learning. Figure 1 illustrates the relatively limited role of training in building and sustaining staff proficiency and the importance of other processes that require a deeper, longer-term and committed organisational involvement - not just the individual's.

Figure 1: Continuous cycle of learning
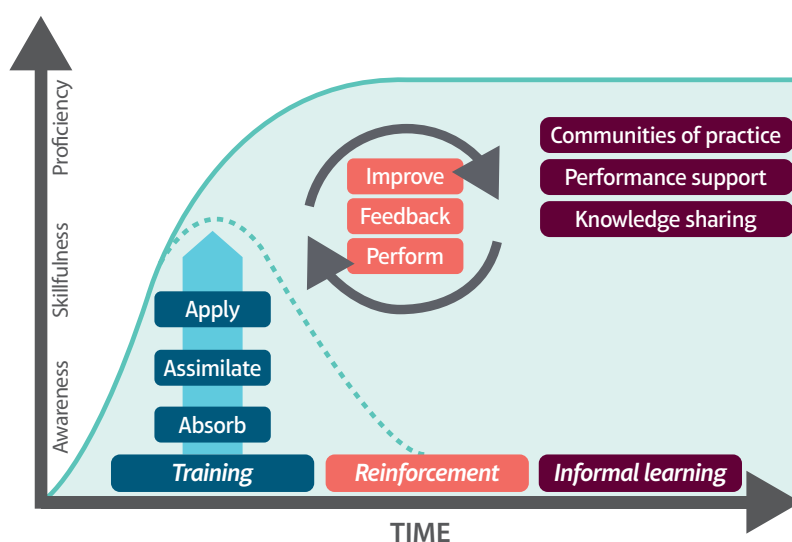
Source: Bruck 2015[7]

In his blog[8], Bruck defines each "phase of learning" and its advantages as:

- Training includes event-based formal instruction, such as face-to-face and online classes, self-paced eLearning, massive open online courses (MOOCs0, and other event-based instruction. Training is great for building awareness and a certain level of skill – the ability to apply defined processes and procedures in standard situations.

- Reinforcement includes planned post-training activities such as graduated assignments, coaching, mentoring, and other forms of on-the-job training. Reinforcement builds on the gains made from training.

- Informal learning includes learner-initiated "over the cubicle" knowledge sharing, communities of practice, experiential learning, and gaining skills and knowledge from performance support systems and other reference materials.

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6 Jacobs, R. and Parks, Y. (2009), 'A proposed conceptual framework of workplace learning: implications for theory development and research in human resource development'.

7 Bruck, Bill (2015). Speed to Proficiency: Creating a Sustainable Competitive Advantage.

8 http://q2learning.com/blog/index.php/2015/09/09/continuous-learning-for-speed-to-proficiency/. Accessed 20 April 2016.

Bruck's model also warns us about the limitations of short training courses where content is covered at a fast pace and trainees have very little or no time at all to assimilate and apply it[9]. It also proposes that the initial spike gained in awareness and skills from formal training will be lost off if they are not reinforced through mentoring, coaching and other forms of feedback, and practiced on the job with regular feedback and contrast of experiences from peers.

Single and double loop learning

Bruck's ideas are in line with the single-loop and double-loop learning model proposed in the 1970s by Argyris and Schön. As explained by Mark Smith[10]:

Single-loop learning seems to be present when goals, values, frameworks and, to a significant extent, strategies are taken for granted. The emphasis is on 'techniques and making techniques more efficient' (Usher and Bryant[11]: 1989: 87) Any reflection is directed toward making the strategy more effective. Double-loop learning, in contrast, 'involves questioning the role of the framing and learning systems which underlie actual goals and strategies (op. cit.).

Working in complex contexts, such as market systems, requires the individual and organisational capacity to move between single-loop and double-loop learning when the situation demands it. Furthermore, market systems practitioners must also be able to help market actors not only to solve problems and improve their performance (single-loop learning) but also to question their own assumptions, 'framings' and theories of change and -crucially- the governing variables of the system they operate in. In other words, both the project management and the facilitation functions require strong skills and organisational processes for single- and double-loop learning to happen effectively.

Links between work and learning

The processes of training, reinforcement and informal learning do not take place in a linear way; effective learning organisations create the right conditions for these processes to happen regularly. They can also take place in a different sequence (e.g. a discussion on a learning network generates new questions in the project team that create the need for formal training and mentoring).

Bruck's model has some similarities with the ideas of Stern and Sommerlad[12] (1999) who identify three different approaches to workplace learning:

- The workplace as a site for learning with learning activities taking place off the job and outside the immediate working environment (e.g. in-house training)
- The workplace as a learning environment learning is planned and organised but takes place within the working environment and as part of the regular job.
- Learning and working as inextricably linked. The last approach is characterised by the concept of continuous learning, where the workplace is structured to maximise the process of learning from people's own jobs and those of others.

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9 Bruck's model is compatible with Kolb's model of Experiential Learning (See his book Experiential Learning: experience as the source of learning and development and first published in 1984) where learning is produced by a cycle of Concrete Experience, Reflection, Abstract Conceptualisation and Active Experimentation (leading to the next Concrete Experience).

10 Smith, M. K. (2001, 2013). 'Chris Argyris: theories of action, double-loop learning and organizational learning', the encyclopedia of informal education. [http://infed.org/mobi/chris-argyris-theories-of-action-double-loop-learning-and-organizational-learning/. Retrieved:10 June 2016.

11 Usher, R. and Bryant, I. (1989) Adult Education as Theory, Practice and Research, London: Routledge.

12 Stern and Sommerlad (1999). Workplace Learning, Culture and Performance.

Types of learning (summary)

Capacity building requires in-person and online training, mentoring and coaching, peer exchanges and on-the-job learning, to name just a few. Each one of these activities contribute to three different types of learning: formal, non-formal and informal[13]. The following table describes them briefly and provides examples:

Table 1: Types of learning processes

Type of learning process	Main characteristics	Main examples
Formal (Classroom-based)	Highly organised and structured. Clear expected learning outcomes Intentional from the point of view of the learner. Clear space and time boundaries. May not respond to current work or project needs.	Class-room education. Training organised by the employer. Online training.
Non-formal* (On-the-job, hands-on, guided)	Compared to formal learning, this is: Less organised and structured. Less intentional from both learner and coach/mentor perspectives. Less clarity about learning outcomes. Less clarity about beginning and end. Closely related to current work and project needs.	Mentoring. Coaching. Communities of practice managed or facilitated by the organisation.
Informal (Unplanned, unstructured, unexpected)	Not organised. No set objectives in terms of learning outcomes. Never intentional from learner's standpoint. Can take place inside or outside of the workplace.	Conferences and networking events. Social events. Peer-support networks. Watching TV, reading, listening to radio or even during personal reflection.

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13 These terms are used by the OECD (2010) Recognition of Non-formal and Informal Learning. They are useful to avoid confusing the analysis: that formality of the learning process is determined by the formality of contracts between users and providers or certificates at the end of a training course.

* "The advantage of the intermediate concept [of non-formal learning] lies in the fact that such learning may occur at the initiative of the individual but also happens as a by-product of more organised activities, whether or not the activities themselves have learning objectives. In some countries, the entire sector of adult learning falls under non-formal learning; in others, most adult learning is formal. Non-formal learning therefore gives some flexibility between formal and informal learning, which must be strictly defined to be operational, by being mutually exclusive, and avoid overlap". http://bit.ly/2cz6bJu, accessed on 20 April 2016.

3. Methodology

We used both quantitative and qualitative methods to gather information for this research. A desk review was done to discover key themes on learning and capacity building within the literature. An important challenge we found is that the literature on capacity building and learning specific to market systems is very limited. To compensate to some extent for this gap, we reviewed online discussions from MaFI and BEAM (on LinkedIn) and internal organisational documents (including BEAM's). We also studied examples of training standardisation, professionalisation, e-learning, knowledge management and informal learning.

Semi-structured interviews were carried out with 55 experts from both for-profit and non-for-profit organisations and donors based in Europe, North America, Africa, Latin America and Asia (see Figures 2 and 3) and working at headquarter, regional and country levels (see Figure 4). The interviews - which lasted between 60 and 90 minutes - provided information about key issues within the market system, the root causes of sector malfunction and how capacity building services are demanded and supplied[14].
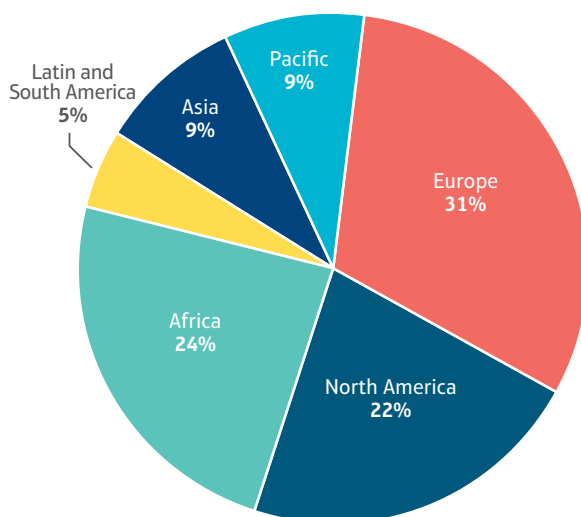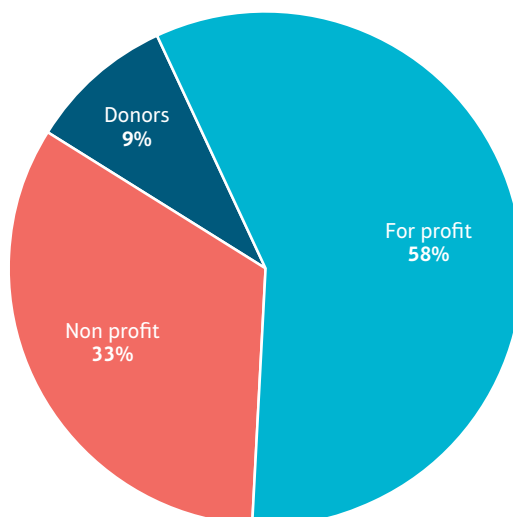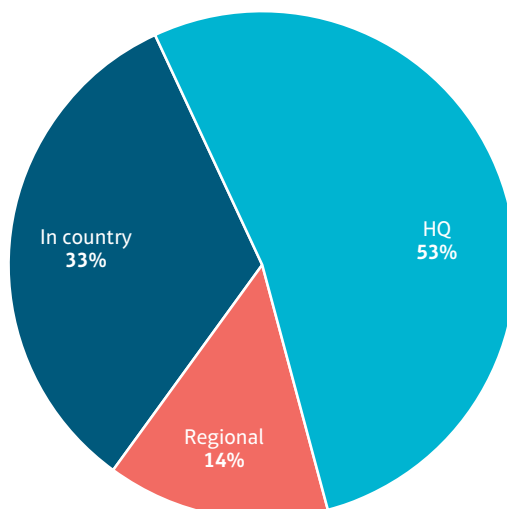
Figure 2: Location of interviewees

Figure 3: Interviewees: types of organisations

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14 See appendix 1 for interview questions

Figure 4: Interviewees: roles within organisations

All interviews were transcribed to better organise and analyse the data. Analysis was done using a grounded analysis approach[15].

This meant that similar concepts that emerged from the interviews were identified and then coded. This coding led to certain patterns emerging with common themes and consensus on issues. However, if other interviewees disagreed with the general consensus, this was also indicated in the research.

Initial coding also identified the need to obtain more data. This resulted in a number of cycles of data gathering and coding up to the point where additional data did not provide any new information. This was an effective way to triangulate the data – by cross checking facts from interviewees with other respondents or through other sources of data. Once the final coding was completed, categories were identified amongst the codes and grouped together, which became the basis for the development of the research conclusions.

An advisory group was created before this study was undertaken. This group is made up of a variety of expert practitioners, thought leaders and donors (see appendix 3). Through a series of online and phone consultations, they provided valuable inputs and guidance from inception to the final stages of this report. They contributed to keep the research focused on relevant issues, increase the validity of the analysis and select feasible and strategic initiatives to improve the capacity building system.

We also carried out an online survey (see appendix 2) to get a broader response from practitioners. It was promoted through MAFI and BEAM LinkedIn groups (approx. 400 and 2,000 members, respectively[16]) and Twitter accounts (approx. 400 and 650 followers, respectively). Many interviewees and members of the advisory group also helped to promote the survey through their personal networks. A total of 123 people responded to the survey (see Figure 5, overleaf).

The survey may have provided a skewed sample -targeting higher-level HQ or senior level staff that are well connected, visit online platforms regularly or have good internet access. However, the survey was useful to contrast and reinforce information from the interviews.

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15 Grounded theory is a research methodology that begins with a question or the collection of qualitative data with theory evolving from data that is gathered. This is in stark contrast to the traditional model of research, where the researcher chooses a theoretical framework, and then collects data to show how the theory does or does not apply. See Bryman, A (2012). Social Research Methods, for more information on grounded theory.

16 Both sets of figures are approximate and taken on the first week of March 2016.

Figure 5: Location of survey respondents

Latin and South America 2%
Pacific 3%
North America 16%
Asia 17%
Africa 37%
Europe 25%
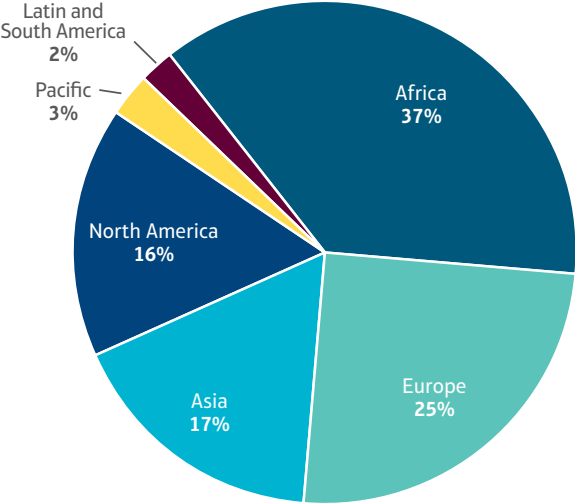
4. Systemic analysis of capacity building

The study is based on the assumption that capacity building can be analysed as a market system driven by supply and demand dynamics and shaped by values, perceptions, incentives, commercial and non-commercial relationships, etc.

Figure 6 illustrates the capacity building market system model highlighting its three levels: the supply and demand of capacity building products and services[17]; the functions that support the production and supply of capacity building services; and the rules and regulations that influence the behaviour of the actors in the system.

The diagram shows the components of the system we assumed to be important at the beginning of the research. They influenced the design of the questionnaires and the survey. Throughout the research, some of these assumptions were confirmed or challenged, leading to new findings.

The issues, challenges, blockages and opportunities in the capacity building system are described using the findings from the interviews and the survey. Reflections and insights from the authors are clearly demarcated by boxes. In some sections, feedback loop diagrams are presented to describe the causal relationship and the reinforcing or dampening dynamics between issues found by the research.

Figure 6: Capacity building market system[18]
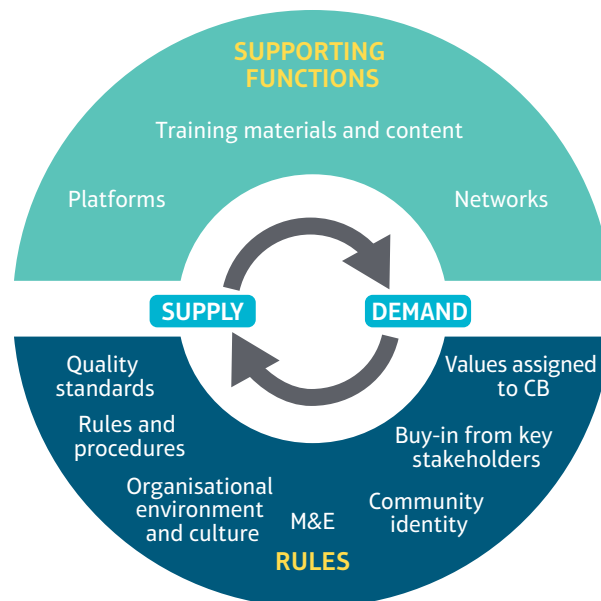
Supply and demand

The landscape of providers offering formal training

There is a growing demand for shorter, more practical, affordable and contextually relevant training. This is driving some service providers to adapt and innovate but this is a relatively recent phenomenon.

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17 Capacity building is in itself a service. The core element of the model (supply and demand) revolves around the design, production and delivery of a service, which in turn requires other supporting services and inputs.

18 Adapted from the M4P model (see The Springfield Centre (2015) The Operational Guide for the Making Markets Work for the Poor (M4P) Approach, 2nd ed, page 3).

The supply of market systems training takes place mostly through service providers outside of formal training institutions (e.g. universities and colleges) that tailor their courses to the needs of their clients or internally by organisations themselves. The Springfield Centre offers a two-week training course twice per year, the ILO's International Training Centre (ITC) offers one online and one in-person course on markets per year; (not specifically on market systems approaches but inclusive of systemic approaches[19].) ASOCAM, Action for Enterprise, Mesopartners and Hans Posthumus[20] offer MSD courses open to the public. Most other service providers, such as the Pollen Group, Helvetas, Ecoventures, Swisscontact, Practical Action Consulting and individual consultants supply training mostly on a demand basis, lasting for 3 to 5 days.

Survey respondents indicated they or their organisation have used a variety of service providers in the previous 3 to 5 years. There are a number of innovations in training, such as Ecoventures International's simulations; ILO's gaming tool and LEO's cartoons.

Very few networks, other than ASOCAM, the Market Development Forum in Nepal and its equivalent in Bangladesh rely quite heavily on the provision of training workshops. However, most networks supplement their income with other services, such as consultancy, networking events, research and project management.

There are two institutions offering some type of market-based training along with a formal recognition of the training within the university system: Coady International Institute and NADEL. However, only NADEL offers a market systems training[21]. Coady offers a two-and-a-half-week course in markets and livelihoods, held in Canada, Addis or Johannesburg but their course is not exclusively about market systems development.

There may be few incentives (or many challenges and risks) for formal institutions such as universities to incorporate market systems approaches into their coursework even though there is a market for graduates. Interviews with the Springfield Centre indicated they had tried to have some discussions with the Institute of Development Studies at Sussex University in the UK on incorporating market systems approaches into their coursework, however this has not come to fruition. World Vision has also had discussions with formal institutions in Australia, however the university requirements for recognition were high. The Swisscontact programme Rural Markets is currently exploring a partnership with the University of Quilmes in Argentina to develop an online learning platform where market systems would be one component amongst other development topics.

A highly concentrated market

The survey asked respondents to identify the capacity building providers that they or their organisation have used in the last 3-5 years[22]. The most popular provider was by far the Springfield Centre with 41%, followed by the DCED with 12%. It is important to clarify that the DCED does not provide training directly. This means that respondents associated the DCED with trainings on the DCED Standard for Results Measurement provided by independent trainers. In third place, consultants are the most popular providers with 11%, followed by the Pollen Group.

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19 ILO has had a regular 5 day or so training on value chain development for many years at their campus in Turin that now incorporates market systems approaches

20 Hans Posthumus Consulting provides a five-day market development training to practitioners as a stand-alone, although this is held only once every couple of years. Mostly, this consulting firm provides DCED training with some MSD bespoke training for organisations.

21 This is open to all practitioners as well as students in their institution.

22 The question was open ended and did not provide a list of options to choose from.

Figure 7: Most popular service providers offering training
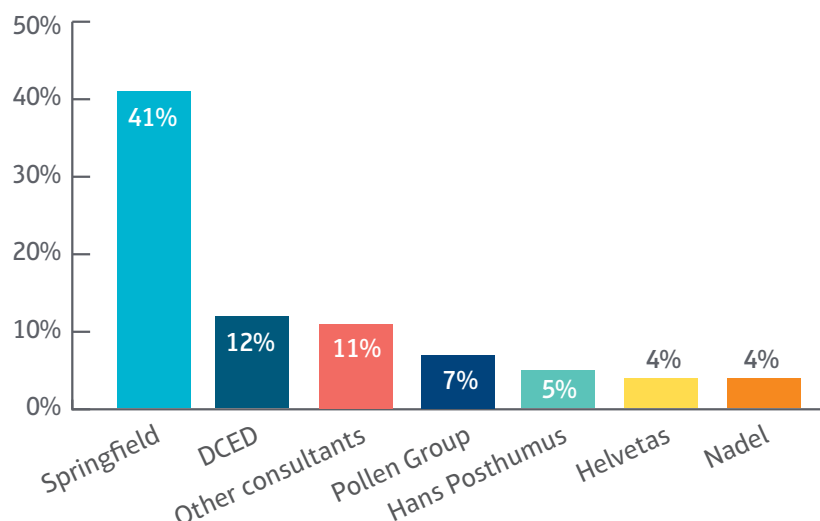
Market share and market concentration were calculated looking at the top training providers identified within the survey[23] (see Table 2). Total annual revenue for training of these firms is USD 1.3 million per year, with an average of 837 practitioners trained in the same period at an average cost of USD1,444[24]. These calculations show that market share is concentrated by Springfield at 50% with Hans Posthumus as the next dominant provider at 15% with his DCED training[25]. Using the Herfindahl-Hirschman Index, we find that overall market concentration is high at 2,953.

Table 2: Revenue and market share of service providers

Capacity Building Service Providers	Market share	HHI calculation
The Springfield Centre	50%	2,500
Hans Posthumus (on DCED Standard)	15%	225
AFE	9%	81
ASOCAM	8%	64
Helvetas	8%	64
DevLearn (on DCED Standard)	3%	9
Hans Posthumus (on market systems)	2%	4
Nadel	2%	4
Ecoventures International	1%	1
Pollen Group	1%	1
Total	100%*	2,953

23 Training revenue is calculated for the top firms identified within the survey, based on fees for training and numbers trained annually (an average of the previous 5 years). Market share is calculated as firm revenue divided by total revenue of these firms. Market concentration was calculated using the Herfindahl-Hirschman Index (HHI), which measures the size of firms in relation to the industry and indicates the amount of competition amongst them. The HHI index is calculated by squaring and totalling market share of key firms. An HHI above 2,500 indicates high concentration

24 Note this is only external training as estimating internal training costs was not possible.

25 Since there is no amount available for total industry revenue for market systems training, each service provider's (that was identified from the survey) average annual revenue for training in the past 5 years was calculated and added up to provide an estimate of total industry revenue. Market share was calculated from this.

* Due to the rounding up of decimal points, this adds up to 99 rather than 100 percent

> **Box 2: Investors in People**
> For the past 25 years, Investors in People have promoted a standard about what organisations need to do to lead, support and manage people effectively. The standard is based on research showing that the differentiating factor of high performing organisations was their approach to people. More than 14,000 accredited organisations in 75 countries display the Investors in People Standard to show that they are exceptional employers with a clear commitment to sustained success.

Who does, who pays?

A key characteristic in the capacity building system is that the core market is not exclusively made up of straightforward buyer-seller transactions. End-users of capacity building services (i.e. trainees) are not necessarily the ones who pay for them. In fact, 61% of survey respondents indicated their training was funded by their organisation, with only 8% paying for it themselves. About a third of respondents paid for training through a mix of their own and their organisation's funds.

Interviews with trainers and staff from implementing organisations showed that the majority of training costs are paid for with donor funds through project budgets, with some organisations funding them through overheads or profits.

Most donors allow training costs in projects, although they indicated they want more value for money in training, with less tolerance of sending staff to external training courses. For example, the DFID PEPE project earmarked part of its budget to pay for in-country training, coaching and other learning processes. Interviewees stated that if a contractor proposes a qualified team, donors see no reason to pay for further training. However, they do recognise the importance of on-going training.

There are examples of consultants and staff who pay for training, but they are a minority. Most people do not see a clear return on their investment. We found that, when individuals decide to invest their own money to purchase training services, their main motivations are organisational recognition - and the expectation that it might lead to a promotion and, eventually, to an increase in salary - and certified professional development (e.g. a masters or specialisation course) accredited by a university or other formal institution. Interviews with field practitioners and trainers indicated that payments of USD 200 - 500 for a 5-day course were affordable. This is significantly lower than most in-person training currently on offer.

Investments in non-formal and informal learning were not as accepted by donors as investments in formal learning. When implementing organisations decide to invest in non-formal and informal learning processes, it is not unusual for them to use overhead funds. One team leader spoke about how he used funds budgeted for technical assistance to pay for mentoring and coaching services for his team. Other team leaders and project managers indicated that investments for informal and non-formal capacity building depended on the implementing organisation, their understanding of learning processes and their commitment to staff.

The following diagram describes in a simplified way[26] the intricacies found in the core market. It shows that the capacity building market system is not characterised by straightforward supply-demand relationships between trainer and trainee. On the contrary, it is driven by a complex interaction of different actors, funding mechanisms and needs.

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26 Since there is no amount available for total industry revenue for MSD training, each service provider's (that was identified from the survey) average annual revenue for training in the past 5 years was calculated and added up to provide an estimate of total industry revenue. Market share was calculated from this.

There are examples of donors contracting trainers to provide capacity building services at lower-than-commercial rates (route 2). On the whole, however, the role of donors has been to indirectly fund capacity building via project budgets (route 1). Direct support from donors to pay for staff training (route 3) or organisational learning are not common.

Figure 8: Donor routes to fund capacity building for market systems approaches

Zoom-in of the core market (supply and demand)

Donor funding routes

1. Direct support to implementing organisations and indirectly through project budgets.

2. Direct payment to trainers (less common)

3. Direct support to individual trainees (less common)

Organisational Learning: Processes required to convert trainees' knowledge into organisational knowledge and sustain effective organisational learning. Funding for organisational learning is assumed to be the responsibility of the implementing organisation.

How capacity building is valued in practice

Seventy two percent of respondents of the online survey indicated their organisation considered capacity building as important or very important, while 96% of respondents indicated they personally considered capacity building as important or very important.

In theory, the higher the value placed on staff capacity development, the higher the demand for capacity building services should be. However, this is highly dependent on incentives and signals from donors and implementing organisations. Figure 9 shows that mentoring and coaching, learning reviews, communities of practice, secondments and field visits (i.e. non-formal and informal forms of learning) are not well institutionalised into most projects. Interviewees indicated that buy-in and investments into non-formal and informal modes of learning depend on the organisations' commitment to and understanding of systemic approaches[27], as well as their ability to integrate learning into their work. This will be explored in more detail in the next section.

Interviews with a variety of organisations indicated that along with incentives and pressures to deliver higher quality programmess and more competition for a smaller number of bids with larger budgets, there is more awareness that staff capacity is critical to programme effectiveness. In fact, there is evidence of a few early adopters within the market systems field demanding new and better models of capacity building.

Misalignment between supply and demand

There are a variety of methods to build the capacity of staff and organisations. Respondents from the survey identified reading, online webinars and formal training as the most popular methods they have used.

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27   Learning becomes critical for programme success in systemic approaches as the feedback that comes from learning is important for a project adapting to market realities.

Figure 9: Previous capacity building methods used by respondents

Method	% of respondents
Reading, self-learning	25%
Online webinars	19%
Classroom based learning	15%
Communities of practice	10%
Mentoring or coaching	10%
Online discussions	10%
Networking	8%
Other	2%
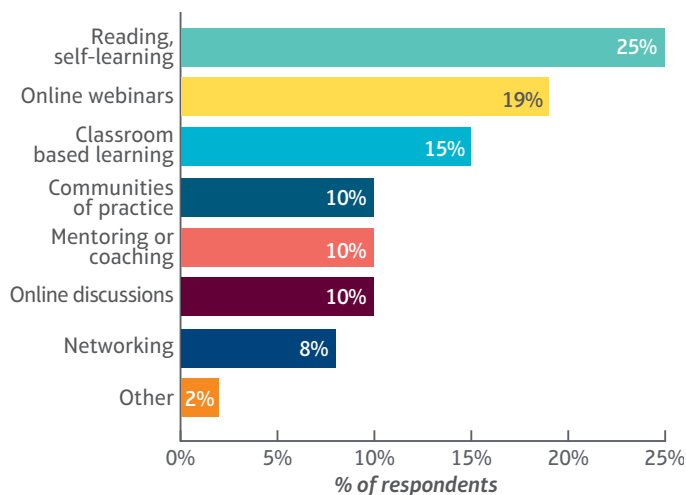
However, survey respondents prioritised capacity building methods slightly differently in terms of their preferences (not in terms of what they have effectively used in the past), highlighting coaching and mentoring, classroom based learning and communities of practice as the three top priorities for their own learning.

Figure 10: Preferred capacity building methods of respondents

Method	% of respondents
Mentoring or coaching	23%
Classroom based learning	20%
Communities of practice	14%
Online webinars	13%
Reading, self-learning	10%
Networking	8%
Online discussions	7%
Other	4%
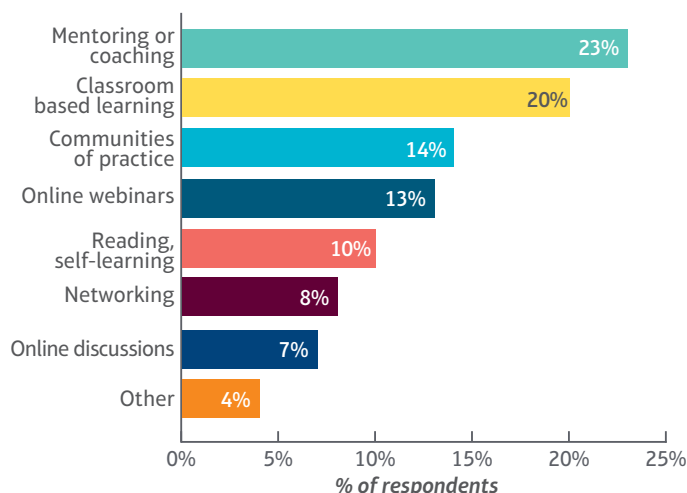
There is a partial but important misalignment between supply and demand. People are not getting what they consider the best modes of learning, including key learning processes outside of the formal (classroom-based) environment.

Beyond formal training

Current consumption of capacity building services is still dominated by classroom-style, in-person training. This type of training can build awareness of the market systems approach and help practitioners achieve a basic level of skills (see Figure 1) but interviewees indicated this isn't enough to bring teams to a level of skills sufficient to implement high quality market systems programmes[28]. Many indicated that applying systemic concepts in practice is not well understood after formal training, affecting the quality of design and implementation.

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28 There is an increasing emphasis on knowledge building within organisations. It is estimated that 70% of workplace learning is informal. This means that workplaces are becoming more dynamic, contributing to the way people and organisations learn.   See, for example, Jacobs and Parks (2009) and CARA (2010), How Informal Learning is Transforming the Workplace, http://www.caracorp.com/documents/CARA_SocialMediaImpact_PulseSurveyReport.pdf

Interviewees stated that the "first generation" of M4P programmes that came to life around the year 2000 thanks to funding from DFID and SDC received significant investment in intensive, externally provided, formal training for key staff. This cascaded down to new hires or other field staff through mentoring and coaching and on-the-job learning. In the case of USAID, market development training was funded through projects like AMAP, which allowed market practitioners to attend courses from service providers such as International Labour Organisation (ILO), the Springfield Centre and Action for Enterprise (AFE). However, there has been a shift to bigger projects with more ambitious targets and smaller teams with less investments in operational costs. This has meant less money for coaching and on-the-job learning.

> "A 3-day training is enough to raise awareness, and create the interest to want to know more. But practitioners have to have the organisational leadership behind them to allow them to think differently."

The survey shows that organisations are using a range of formal, non-formal and informal strategies and activities to promote and reinforce learning, such as classroom-based training, webinars and peer-support networks, to name a few. However, it is impossible to tell from the data the extent to which any given organisation is adequately combining the different types of capacity building modes. In general, there is not a great deal of clarity and experience about how to strike the right balance between formal, non-formal and informal learning for specific organisations and programme contexts and how to build capacity effectively.

In addition to a better mix of formal, non-formal and informal methods, more innovation is needed to increase outreach to field practitioners, affordability and relevance. Some organisations are already responding to this demand. For example, ICCO India[29] developed in 2015 a face-to-face training model on market systems targeting local NGOs, government and banks. Market research showed them that this is an effective delivery model at a price point that works for their target market and is profitable for them as an organisation. In 2016 the organisation has 16 trainings booked for the year with more expected.

Changing demand for online training

The majority of practitioners indicated that online learning is not their preferred way of learning, although this appears to be changing with new online offers catering to specific training needs at a price that works for practitioners. For example, DevLearn and the Inclusive Markets Institute are starting to provide online and modular market systems courses with different emphases, such as M&E and systemic facilitation. These courses are relatively new but the trends in demand seem positive. For example, the demand for DevLearn's course on the DCED Standard has been strong, with many practitioners paying for the course themselves, which is unusual[30]. The Inclusive Markets Institute has recently been launched and many applicants are indicating they will pay for the course themselves.

Demand is negatively affected by the steep learning curve of online learning platforms but there are organisations that have been able to help their staff use them more. For example, World Vision Australia has launched a six-month value chain facilitation course that

> "Getting people to be comfortable with and understand the use of online platforms is key for successful online courses. People see face-to-face training as the gold standard for how they want to learn and they see online learning as a distant second or third place."

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29 ICCO is a Dutch cooperative with an international organisational structure, working in 44 countries in Africa, Asia and Latin America. In India, part of the organisation's mandate is to create tailor-made modules to strengthen the in-house capacities of organisations and implementing partners

30 Thirty percent of those enrolled in DevLearn's DCED courses have paid for it by themselves at a cost of £300 per participant. Research found the majority of other courses were paid for by organisations with a significantly less percentage paid for by individuals

has been successful, mostly attributed to the course being implemented with strong participation from practitioners. At the beginning, the organisation had to encourage staff to take the course[31] but subsequent training spots were easier to fill as staff became more used to the online format and began to value it. Fintrac, Inc. created an online platform called Fintrac University to offer courses to their staff. They are working to boost internal demand linking the courses to performance reviews and rewarding success through badges and other forms of public recognition.

Connectivity, organisational culture, learning preferences and language are issues that affect people's ability and comfort with online learning and, therefore, must be resolved to boost its reach and impact. Instructors interviewed also indicated that the lack of face-to-face interaction or formal assessments for completion of the course make it difficult to know whether participants understand the material.

Coaching, mentoring, secondments and practitioner networks

Most of the capacity building providers mentioned above, as well as other consultants, offer coaching and mentoring depending on the demand and normally after the training or as a stand-alone service. Some training providers add days after training to coach staff but this is by no means the norm and depends on the organisation's willingness to invest. Both service providers and staff mentioned that coaching and mentoring are time consuming and expensive, and that their results are difficult to assess. This makes it harder for senior staff and team leaders to make the case for increased investment in these activities.

> **Insight:** Perceptions of high return on investment, controllability, predictability of outcomes and reputation through certification contribute to the popularity of formal training. This is not the case with non-formal and informal modes of learning.

Another issue is that mentoring and coaching require a specialised set of skills and must be tailored to the specific needs and context of organisations and projects. Interviewees suggested there is a lack of service providers with the right experience and systemic thinking to satisfy the needs of organisations working in market systems development. One practitioner said she has been developing a model to pair experienced consultants with less experienced ones in order to build their capacity. This example was about results measurement but it may be a model that can address the lack of experienced technical people for mentoring and coaching in the market systems field.

Mentoring and coaching are also difficult to scale up within organisations. In order for this to happen, both types of processes need to be institutionalised within organisational culture and projects as part of a learning approach within teams. Recognising that investment in staff is critical for strong project implementation, some organisations are trying to institutionalise mentoring and coaching within their human resource processes, creating internal mentors for staff and matching staff across regional countries and projects. Some experienced team leaders were confident in their approach to staff development through mentoring, however most team leaders or project managers acknowledged there was confusion about how to do this well at a project level.

> "Most organisations don't have a mentoring mechanism. The human resources department is not involved with this. It is the project managers who identify the need."

Demand for secondments[32] is low, mainly because they are expensive, which has in turn affected the offer in the market. Engineers Without Borders have done secondments for years

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31 World Vision has institutionalised the training within performance reviews for staff, therefore managers of staff were instrumental in encouraging staff to take the course to build capacity.

32 A secondment differs from mentoring or coaching as it is longer-term technical assistance, with an expert embedded in an organisation to provide support to a project which could be capacity building to staff or other technical assistance.

but their model worked because staff were not paid market rates. If market rates for staff are paid, then it becomes difficult for projects to justify the high cost involved.

The shift towards internal training

The desire for more contextual, iterative and practical learning is influencing the design of formal training. Interviewees specified that practitioners are looking for training that helps them to better apply systemic concepts to projects; they want training on the "how" of market systems development but applied to the contexts and challenges of their projects.

Some organisations are developing their own internal training in order to respond to this demand from their staff. For instance, Helvetas, Swisscontact and Mercy Corps have developed their own training to adapt it to their contexts and help staff make sense of their programmatic challenges and learn more effectively with colleagues who are also applying the MSD approach in similar contexts or sectors. Another example is Financial Sector Deepening (FSD) Africa, which is developing the FSD Academy to provide MSD training to other FSD programmes with emphasis on the financial sector.

Interviewees believe that this shift is due partly to the recognition of the importance of being an effective learning organisation, which can lead to better programme performance and competitive advantages in the marketplace. However, there appears to be limited demand for external experts who can help to develop the internal systems and structures required for effective organisational learning. The research indicated that this is being largely done in house with varying levels of understanding and experience.

> **Box 3: Internal capacity building process.** The PRISMA project in Indonesia, funded by DFAT and implemented by Palladium in conjunction with Swisscontact has developed a six-month market system training process for their teams. Capacity building starts with a four-week training course followed by a coaching process where each trainee is matched with a mentor. Nearly once a month, they focus on a specific topic with a reflection workshop at the end of each month. PRISMA staff applied the training and mentoring to the project, initially by performing all market assessments and intervention planning which helped to reinforce the formal training and convert it into practical experience. Swisscontact designed this model during the DFAT-funded Indonesia Market Development Initiative (IMDI) and refined it in the PRISMA program. They are now using it to build the capacity of their staff and will use this methodology to train other project teams it is working with.

Insight: Large implementing organisations have the resources and economies of scale to build staff capacity on their own. Competition between them may end up improving capacity building methods and tools and contributing to more capable staff. However, this can also hamper knowledge sharing and create barriers for smaller but highly creative or experienced organisations to win contracts and use some of the profits to invest in capacity building.

Figure 11: Feedback loops of competition between incumbents (upper loop) and promotion of newcomers (lower loop).
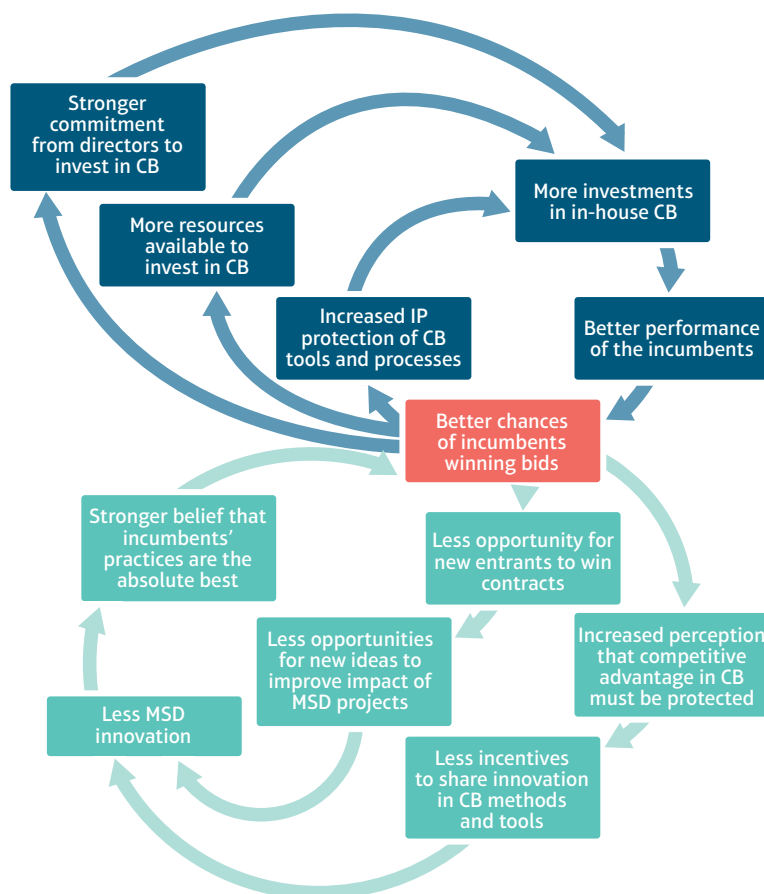
Services that support capacity building

This section looks at the role of supporting services in the capacity building market system. Many of the same actors in the core market (e.g. implementing organisations, donors and capacity builders) provide supporting services, especially the development of tools, the establishment of learning platforms and networking events and the production of content for learning and training events.

Development of appropriate learning models

With the changing approach to workplace learning, donors and implementers should gain a better understanding of how practitioners can learn and connect with each other more effectively and the incentives that drive them to take more ownership and leadership of their own learning. This would enable organisations to create processes and environments that empower their staff to determine what they want to learn and in what formats.

"There is a different way of looking at how we learn and connect with each other. Critical to this is teaching people how to be involved in their own learning by structuring their learning and how to access and use information."

Organisations indicated there was a lack of skilled consultants that could help them develop appropriate learning models, but also that there are knowledge management experts within the broader development sector that could be resourced to work for the market systems field.

Content production

Interviews with MSD trainers indicated that the majority of the content on offer responds to the demand for general market systems principles and approaches with practical tools for field staff. There are also some trainers that incorporate complexity thinking or other key concepts at the end of a course. There was some interest by practitioners to see content that was modular, addressing issues such as working with the private sector, incorporating political economy into market analysis, and how to manage market systems projects from a donor perspective.

Content development is affected by donor and organisational commitment to build staff capacity. DFID has invested in the development of key documents for the market systems sector, with three M4P documents in 2008, including the M4P Operational Guide, helping to establish a body of knowledge in the sector. Some projects such as PRISMA in Indonesia have been resourced to develop training materials for capacity building (see box 3); however, this is not the norm. Interviews with PRISMA staff indicated this was a reflection of the commitment to resource the project budget to include capacity building. Another important challenge in developing course content is to keep tools and cases relevant and up to date. The market systems field is changing and requires up to date knowledge and cases to adequately train people.

> "If you want to develop a strong base for learning, you need to invest in developing training materials."

> **Insight:** An organisation's incentive to develop new content depends on the type of knowledge, the competitive advantages it creates and the nature of the organisation. New content that (i) does not demonstrate unique organisational strengths; (ii) does not build competitive advantages; and (iii) shares lessons from mistakes in design or implementation is more likely to require subsidies to be produced.

Survey data showed that the majority of respondents (72%) use their own and other organisations' content. This suggests that there is some sharing of content across organisations and projects.

Figure 12: Content use and production

% of respondents
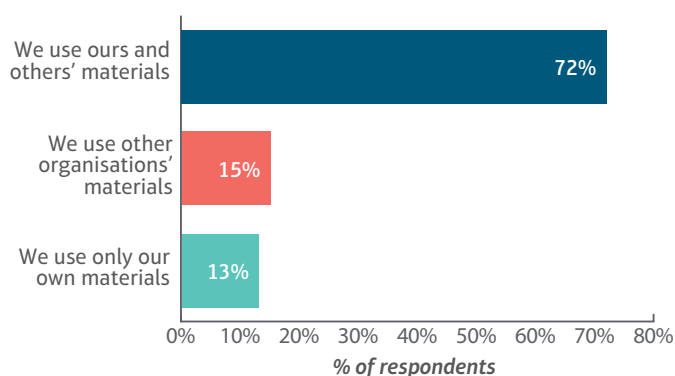
However, like in any other industry, organisations and individuals that produce capacity building content, such as tools, case studies and methods, can protect it through intellectual property law in order to create competitive advantage. According to the interviews, whether content was publicly available or protected depended on whether it was produced with donor

> "No one wants to give their training materials to each other, because there is a still competition out there. In the end training and consulting work is how providers make their money."

funds or private resources. Some service providers said they would be hesitant to share their cases, methodologies and tools with other providers since this would benefit their competitors. However, they considered capacity building content produced with donor funds a public good. Consequently, donor investment in capacity building content has an important effect on the volume of public resources available.

Online learning spaces and communities of practice

Online learning spaces are virtual environments where networking, discussion and knowledge sharing take place[33]. There are several external and internal online spaces offering learning and networking opportunities for market systems practitioners. For example, the SEEP Network's MaFI, the BEAM Exchange, USAID's Microlinks, SDC's e+I Network and the DCED. They also develop, curate and disseminate content through webinars and syntheses of online discussions. Survey data showed that people used the BEAM Exchange the most to build their own or others' capacity in market development, with MaFI and Microlinks also considered valuable (see Figure 11)[34]

Figure 13: Preferred online learning spaces
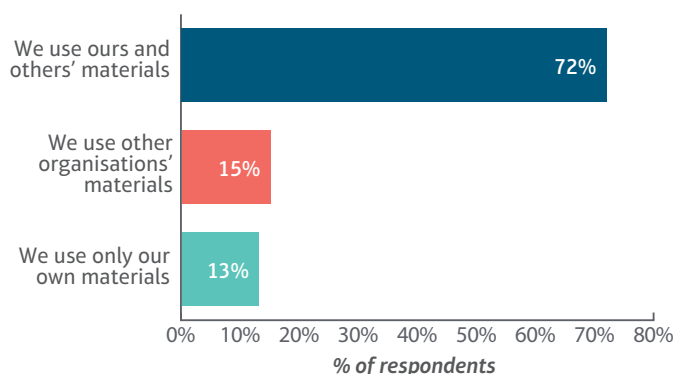
There are also a number of organisations such as Helvetas, CARE and Mercy Corps that have developed internal online spaces that enable learning across teams in different countries. Staff believe these are moderately successful and highly dependent on good facilitation.

Communities of Practice (CoP) are more than just learning spaces or events; they are "groups of people that share a concern or a passion for something they do and who interact regularly to learn how to do it". A CoP has an identity defined by a shared domain of interest, members are committed to the topic and learn from each other, and develop shared resources[35].

> "Learning comes from constant debate; we are debating around the edges of a shared worldview. No one is coming in and shaking that up."

The survey (see figure 10) and some interviews confirmed that online learning spaces are not as valued as other learning methods. To the question of "which of these do you value the most", 7 percent of survey respondents chose online discussions, 13 percent online webinars and 14 percent CoPs.

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33 An online learning space is different to an online learning platform. The latter is much more than a virtual space for networking and conversation. According to Modise et.al., an online learning platform is fundamentally "a framework of tools that work seamlessly together to deliver a student centric learning experience by unifying educational theory and practice, as well as technology and content. A learning platform should promote interaction among all class participants supporting communication, collaboration, and problem-solving (Othman & Othman, 2012)". Modise et.al.'s paper can be accessed here:http://bit.ly/2czy04r and Othman and Othman's paper here: http://bit.ly/2d2H1DV. Both retrieved on 10 June 2016.

34 This data is likely to be skewed, showing more preference for the BEAM Exchange as the survey was strongly promoted through the BEAM Exchange's networks.

35 The definition and characteristics of CoPs (domain, community and practice) are taken from Etienne Wenger http://bit.ly/2cpQotn Accessed on 28 July 2016. Interviewees and survey respondents were not given this definition; this could have affected the value they place on CoPs; for example, they could have confused them with lose discussion groups or online forums.

Interviewees indicated that online discussions facilitated on sites like LinkedIn are working mostly for consultants and higher-level practitioners, but are not reaching practitioners on the ground due to time constraints, lack of Internet connectivity, language issues and cultural preferences for oral transfer of knowledge. Some interviewees stated that there was too much posturing during these online discussions and they were not practical enough for staff. One interviewee believed these platforms are no longer bringing in new ideas about systemic approaches, with limited real dialogue around issues that matter for practitioners.

Regarding CoPs, the survey didn't differentiate between online and face-to-face CoPs but it can be inferred from the interviews that in-person interactions are preferred by most. Practitioners indicated that CoPs would work better regionally or at a national level with more face-to-face time. This would resolve the issue of language, making learning more appropriate to the context and also address the desire of practitioners for face-to-face learning.

Technology infrastructure was a key constraint in the south affecting the uptake of online learning. Interviews found that internet and mobile connectivity was a challenge in remote areas, electricity was sporadic and online conferencing technologies such as Webex, GoToTraining and Adobe were designed for high speed internet, leaving out many field practitioners.

On the positive side, technologies for online interaction are now accessible for free or a small fee, enabling learning opportunities for large numbers of people. For instance, MaFI and the BEAM Exchange use the LinkedIn platform which is free and has the added advantage of allowing people to add professionals to their network.

Face to face events

Practitioners interviewed indicated that in-person, non-formal events (peer-exchanges, conferences, networking) were valuable for learning. However, it was a challenge for projects to produce these themselves due to limited time and resources. Staff and project managers said their production depended on the value that organisations and donors give to these events.

Communities of practice and national or regional learning events are sometimes offered to field staff to cement practical learning and sharing with other programmes. These are being provided for by projects themselves or networks using different funding strategies and with different degrees of success and sustainability. For example, the SEEP Network and the Market Development Forum in Bangladesh use a mix of fees and donor funding and the BEAM Exchange use donor funding (DFID and SDC) and match funding through collaboration with organisations and networks.

Regarding strategies and mechanisms, the landscape is also diverse:

- ASOCAM in Latin America has developed a model for in-person workshops and learning reviews, offering one or two every year to an average of 40 participants per workshop, with projects paying USD 500-750 for their staff to attend.

- A number of market systems projects in Asia are looking to develop a regular regional exchange that will be resourced through project budgets.
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  The BEAM Exchange coordinated two peer-learning events in 2015; one in Tanzania and another one in Nigeria[36] using donor funding. However, BEAM is now more interested in helping organisations and networks produce the learning events they need on a sustainable basis.

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36 The BEAM Exchange also held learning exchanges in Nigeria and Tanzania in 2015

- MaFI's new Market Facilitation Clinics are designed to combine virtual and in-person meetings to promote learning between practitioners sharing common challenges. This pilot is supported by BEAM and the SEEP Network. The end goal is to learn how to facilitate these groups successfully and then share this peer-learning model with other networks and organisations that have incentives to replicate it.

- SEEP has some successful working groups, such as the Savings-Led Financial Services (SLWG) Working Group, that combines face-to-face learning with the production of content for the broader industry. Their latest product is the Program Quality Guidelines for Savings Groups.

- MaFI provides a face-to-face event at the SEEP Conference once a year, but this is limited to those attending the conference and, generally, to topics related to MaFI's progress and future strategies.

Rules and values that shape the system

This section identifies rules, regulations, values and beliefs that affect the adoption and implementation of the market systems approach and ultimately the supply of and demand for capacity building.

We tried our best to organise this section around more or less structural issues but at some point - very early in the process - the exercise becomes highly subjective. The other main problems are that some issues are equally important and they reinforce each other; forcing them into a linear list will never reflect the complex reality of this level of the system. In any case, this seems to us like a reasonable hierarchy.

Benchmarking of market system programmes

Interviewees indicated that a broader issue affecting capacity building is not knowing with a reasonable degree of certainty whether organisations are implementing programmes effectively. They stated that project teams receive a number of mixed, confusing or contradictory signals from donors and their organisations on how to implement systemic approaches but there are no few clear reference points or examples of what well-implemented market systems programmes look like[37].

> "[Capacity building] is about effective delivery. When you know what to do it saves time during the delivery because you are already hitting the bulls eye. But if the analysis isn't properly being done… then we waste 6 months. It is important that we get it right, and we need the capacity to do this. "

A lack of clear implementation benchmarks for different contexts and subsectors can create the impression that anything goes, affecting the credibility of the approach. One donor representative stated this is an issue because they don't know what good implementation looks like and recalled one of her colleagues saying "if [the market systems approach] isn't implementable, then it isn't useful for [them]". There were some comments about what one interviewee called the "dark art of M4P", referring to the lack of detailed understanding of how to go about the implementation process. One interviewee spoke about the way market systems is applied on the ground as "tooling about the business landscape and waiting for a

> "Some donors have no real mechanism for taking past performance into consideration in other countries in their assessment of bids. That is a rather big constraint."

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37 There are a number of case studies and reports available; however, most of them focus on what they did and achieved (outputs and outcomes) rather than on why they were well-implemented (assumptions and experiences behind the design and strategies) or how they managed to achieve their impacts (the 'back-end' operations of the team that led to certain outputs and outcomes, and the logistical details of the execution).

light bulb moment in your head." Interviewees overwhelmingly felt this lack of clarity creates confusion and results in a lack of confidence for practitioners in the field.

> **Box 4: Programme quality guidelines for savings groups.** In response to growth and innovation in the savings group sector and concerns about quality implementation, the SEEP Savings-Led Working Group brought together practitioners to define minimum standards for quality programming. The guidelines were drafted with input from over 100 practitioner and industry stakeholders and developed and vetted by an advisory committee. The guidelines represent a consensus on good practice based on experience to date and recommend actions to ensure quality in programming, regardless of a particular agency's approach. It is hoped the guidelines will inform the work of a number of national and international stakeholders. These guidelines are voluntary, with no enforcement or certification.

The updated M4P Operational Guide was produced in response to a need for practical advice. It puts more emphasis on guidance for facilitation, insights from practitioners and real life examples from different contexts. However, people indicated they wanted more practical guidance to help them apply systemic approaches on the ground. Interviewees said they wanted to know - for example, how to deal with the private sector; what had worked in certain contexts or sectors; and how to proceed in specific situations.

> "If we don't make market system development easier no one will adopt it. People need practical job aids."

Figure 14: Causal loop showing connection between lack of 'good' implementation standards and low investments in CB
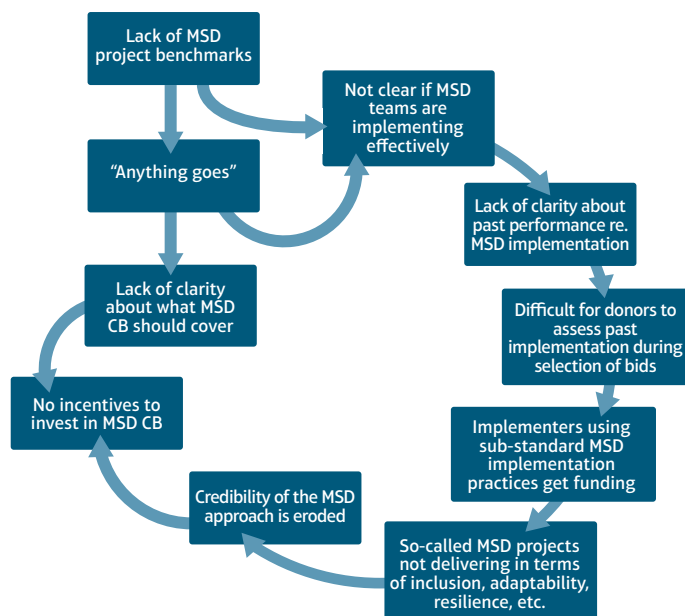
> **Insight:** Not knowing what well-implemented MSD projects look like contributes to a lack of clarity about the skills that MSD practitioners require to implement them. This contributes to low performance of MSD teams and eventually to a generalised belief that the approach does not work as expected. This in turn weakens the case for more investments in capacity building.

The lack of benchmarks affects procurement because during the bidding process donors do not have access to information about how projects were implemented. Metrics of past performance focus mainly on track record (number and types of past projects), size of budgets managed, and static indicators of change towards the end of the project (e.g. changes in income and jobs). Donor staff interviewed corroborated this issue, though some recognise that this is changing with country offices now informally checking how contractors have implemented their programmes through colleagues and connections. For instance, one donor suggested that there have been "spectacular failures" with some implementers, meaning projects were well off targets, which impacts on the implementers' ability to get additional work.

> "We take market systems development in its narrowest sense, it isn't about bringing about real systemic issues – it is patchy bits of interventions. As a concept and framework, it is probably the best we have today, but in an implementation perspective we are far from delivering the kind of things we have promised."

Insight: Signals from donors that good implementation is an important criterion for winning further work would create incentives to invest in the development of systemic facilitation skills.

Linking staff capabilities with programme effectiveness

Interviewees specified that a key reason why investment in capacity building is often not prioritised is due to the difficulty of proving the link between staff capacity and effective programme delivery leading to poverty alleviation. A few team leaders were vocal about how critical capacity building is to ensure effective delivery. Strong staff capacity saves time during delivery, they added, because the analysis is correct and design and implementation of interventions are effective leading to quality results.

Many practitioners stated that since the sector struggles to capture and attribute systemic results in general, it also becomes difficult to show the return on investment for capacity building. As the return on investment isn't clear, this creates limited incentives to invest.

> "Do staff with better capacity lead to better programming? We believe it works, but we aren't sure. And so organisations disinvest in it, because they can't touch the immediate impact."

Whether non-formal and informal learning were budgeted for in a proposal was dependent on those writing the bid. For instance, the PRISMA project had an experienced team leader who had managed other market systems projects. He was clear about the investment needed at the design phase and ensured training and learning processes were budgeted for.

Some interviewees stated that there also needs to be more written into project results to develop staff proficiency. For instance, FSD Africa has results in its logframe that pertain to developing staff capacity in other FSD programmes, which helps to ensure that training and capacity building are prioritised and resourced. Kenya Markets Trust also has developing staff capacity within its key objectives. As a result, investments are continually made and evaluated for staff capacity.

Insight: A better understanding of the effects of capacity building on programme effectiveness would help donors and implementers to make a stronger case for more and better investments in capacity building.

Donor rules and procedures

While implementing organisations may be interested in applying systemic approaches, they will tend to follow the lead set by donors in how they are delivered. There are two relevant and important issues that affect the content, delivery models and levels of investment needed to build the capacity of market systems practitioners: (i) the design and implementation specifications of the programme and (ii) the bidding, contracting and procurement processes set by donors.

> "There has been a drift towards a commercial approach, where donors don't want to deal with anything except contracting out to large suppliers"

Quick turnaround during the bidding process affects the ability to get the right team in place. Contractors mentioned that they select team leaders or other staff often only based on CVs. A lack of time to scrutinise potential staff leads to reworking project teams during the beginning of the project, which may create capacity gaps.

> "There is a lack of motivation to implement systemically. Once this is fixed then capacity building would be resolved. The incentive to deliver the project differently would be there."

Team leaders and project managers felt that without a concerted effort to build the capacity of the team at the start of a programme, their ability to implement systemically is limited. The PRISMA project in Indonesia was able to negotiate an 18-month inception and training phase for its team. The team leader considered that this has been critical to get the right team ready and will contribute considerably to the success of their project. However, such timescale for the inception phase is not the norm.

Furthermore, interviewees from both donors and implementing organisations said competition leads to contractors under-budgeting in order to win bids, meaning that capacity building and learning are often not properly resourced.

Regarding implementation, despite the theoretical importance of market systems strategies like indirect interventions, mobilisation of market actors and leveraging the system's own resources, there are still strong incentives for donors to prioritise funding for direct delivery. Team leaders and other experts indicated that donors and implementing organisations that favour direct provision of products and services find systemic approaches and investments in staff capacity building more difficult to justify.

> **Insight:** A preference for direct delivery contributes to low investments in staff capacity building because development is approached as a goal-driven, controllable and predictable process; not as a process shaped by the actors in the system.

Organisational beliefs and values

Investing in staff depends on the culture, incentives and objectives of organisations. In some cases, they strongly believe that developing staff capacity is part of their mandate. Interviews with NGO and contractor staff showed that this belief is stronger in NGOs, who often institutionalise capacity building as part of their culture. Interviewees indicated this is part of NGOs' humanitarian values, which is then reflected in their investments, structures, routines, methods, etc. (e.g. training budgets, performance reviews, internal training teams and platforms). However, interviews also indicated that for-profit implementers are starting to show more interest in capacity building because it is perceived as a potential source of competitive advantage and commercial value. For example, through the build-up of highly specialised and adaptable teams, evidence of effective implementation and impacts on poverty, higher staff retention rates, and production of useful technical knowledge.

Figure 15: The negative feedback loop created by a weak causal link between CB and MSD impacts
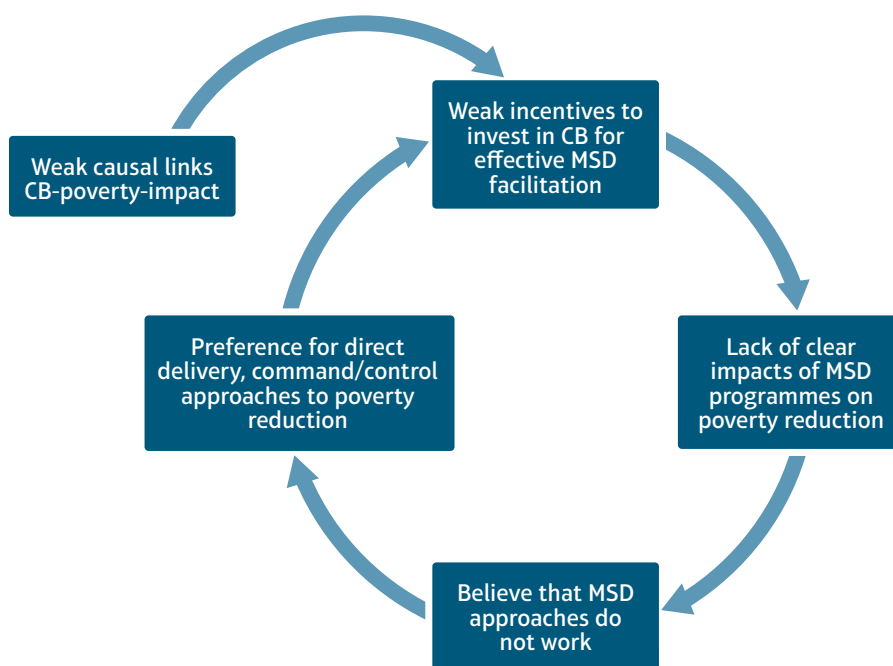
Organisational buy-in to systemic approaches

Interviews indicated that donors and organisations have different levels of commitment to systemic approaches depending on their values. Their level of buy-in sends signals to organisations, projects and staff and affects investments for capacity building.

Interviewees felt that many implementing organisations do as much as possible to keep donors happy. They would, for example, give lip service to the market systems approach, implement it by ticking boxes and default to direct delivery of services and inputs or discourage systemic implementation based on facilitation to show quick results.

> "When the leadership goes through the motions, it creates a challenge back to the team. Systemic approaches are tough, you aren't going out giving out nets and villagers are not dancing for you. You have to understand how business works, you have to make hard sells, you have to make firms understand how to do their business better. It's tough. When you have a leader who doesn't believe it should be done, you are in trouble."

Some interviewees indicated that, while some donors have tried to adopt systemic approaches, the underlying thinking of how to 'do development' hasn't changed much, which affects implementation. Projects such as USAID's Leveraging Economic Opportunities (LEO) have been working to influence the way USAID understands and values systemic approaches, promoting market systems development[38] based on its sustainability and potential to have wider impact. LEO has done awareness raising work across USAID missions and assisted some with specific elements of the market systems approach, such as value chain analyses. However, it was not clear how well the missions had bought into it or would be able to implement systemic programming. Interviewees with experience in USAID projects at the field level were more specific, stating how structures, processes and beliefs at the mission level could work against the adoption and effective implementation of market systems locally.

It was clear through interviews with staff that if a systemic approach is not integral to the culture of their organisation, implementation and adoption of systemic projects would be piecemeal and driven by individuals or personalities. This was especially relevant as organisations and donors

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38 LEO uses the term inclusive market systems development

are increasingly decentralising. Interviewees spoke about how HQ can be sold on the approach but local missions or country offices can have a different organisational culture and incentives to adopt systemic approaches. These local offices, in turn, send their own signals to local partners on whether to implement systemically or not.

> "Some people are doing capacity building for compliance, some people are doing it to know just enough, some people want to do the right thing. There is a spectrum of motivations and incentives."

Incentives from donors affect the adoption of systemic approaches. Some organisations adopt systemic approaches so they can win bids, while others believe in the market systems approach and its ability to create sustainable change on a larger scale. Interviewees indicated that some organisations have committed to systemic approaches whether donor incentives are there or not. This can be risky for organisations, especially when they are dependent on donor funding but they have foundational values that motivate them to use the MSD approach. For instance, the belief in the intrinsic value of critical thinking, working through the private sector, or developing local staff capacity. Some of these organisations have other funding streams, so donor incentives have less influence on them compared to organisations that rely only on donor funding and which would adopt systemic approaches to maximise their chances of winning bids.

> "We are not incentivised to invest in CB. We are incentivised to get more money. We aren't asked to show that our staff have better skills and understanding and this is translating into better results"

The issues described above affect demand for capacity building. Varying levels of commitment to systemic thinking and facilitation and leadership styles send strong signals that permeate down to front line staff and affect how cost-benefit of learning is assessed. One example illustrates this clearly: a capacity building service provider spoke about a donor in Bangladesh who approached a group of implementers and told them, "If you don't follow this market development approach you aren't going to get any funding." The service provider remembers that, as a result, there was a sudden surge in interest from the practitioners to get trained.

If incentives are appropriate and donors insist on staff being proficient with the market systems approach, there will be an increase in organisational and individual commitment to staff development. However, the challenge which many interviewees raised is that the practicalities of donor processes, rules and metrics affect how well market systems projects are managed, which in turn has impacts on capacity building investments. This includes investments not only in learning through formal but also through non-formal and informal processes (which, as we have seen earlier, are critical for staff proficiency).

Emphasis on value for money

Most interviewees said that donors do allow implementing organisations to invest in capacity building for staff but more for junior and local staff than for senior staff. One donor indicated they expect project leaders to not need capacity building since they were sold on the proficiency of the team to deliver the project. This appeared to be the same with most donors.

> "Resources for training are there, technology is there, language barriers are there. We can overcome all these. But we need to be convinced that those people at the frontline are the key people [to capacitate]."

Interviewees also mentioned that donors want better value for money for training of project staff and are less willing to pay for expensive external training. DFAT, SDC and DFID would invest in capacity building but with emphasis on in-house training or bringing in an external service provider to train teams rather than sending them on external courses. Many project staff and team leaders said there were challenges getting

funding for non-formal and informal learning after formal training courses and during project implementation. This, however, depends on the donor, with some more open to investments in capacity building and learning than others.

When a donor is pioneering a systemic project in a country, there may also be greater investments in capacity building. For example, PEPE in Ethiopia is the first DFID market systems project in the country, so there has been a lot of investment built into the project for staff capacity building.

Donors reported that, over the past few years, due to an increasing push for value for money, budget cuts for their own staff training have forced them to look for alternatives to expensive external courses. Interviews and correspondence with DFID confirm the interest

> "I don't see the donors not funding/ funding, but they want more value for money, and want [the training] to be effective."

that they have in taking online market systems development courses. Also, FSD Africa has had interest from DFID staff working close to their offices to attend its training.

Donor staff capacity

Many interviewees believed that relatively short rotation cycles of donor staff through country offices affect their incentives to learn about and apply the market systems approach. The 3-4 years that donor staff spend in each country are often not long enough for systemic results to surface. Some interviewees believe this creates a challenge as donor staff want to show results during their term, which creates pressure on projects to deliver within this time period. Furthermore, short stays in country affect the incentives and capacity of donors to invest in the MSD skills of their staff, as successors need to be trained again and again. One donor mentioned their organisation is smaller and with staff shifting regularly it means they become "generalists" without the ability to really understand systemic approaches.

Interviewees felt that key people in donors' country offices that value systemic approaches and have project management skills are critical for proper implementation of market systems development initiatives. These individuals can be strategic at championing the approach within

> "[Donor] management listens to advisors. So the advisors need the experience and confidence to make the case to allow the project to work systemically."

their organisation so that projects can be implemented more effectively and smoothly. This is especially important as projects using the market systems approach require different implementation lifecycles and strategies (compared to direct delivery interventions and humanitarian assistance) due to their flexible and adaptable nature.

One team leader interviewed struggled with her donor contact person who didn't understand why results weren't appearing in the first two years of the project. While in this case the project continued along its planned trajectory, it created conflict between the organisation and the donor until evident impacts eventually resulted in the third year. Interviewees, including donor staff at HQ and country offices, felt that if there was more understanding of how long market systems projects take to have impact, this would improve the ability of donor staff to champion the approach and give projects the leeway to work systemically. This has significant and negative impacts on implementation because projects divert resources from systemic interventions into direct implementation to obtain faster results.

Emphasis on quick results

Donors are under increasing pressure to show results early in a project. This leads to a diversion of resources away from market systems development strategies and into direct delivery of inputs and services. Project managers, team leaders and donors indicated this is a direct result of donor staff needing 'output numbers' to feed to their supervisors to prove that these projects have impact. This creates perverse incentives, leading to projects 'buying' impact and not being able to implement systemically. Furthermore, as the underlying foundations to do effective systemic work aren't there, programmes do not need to invest in getting people to think and act systemically.

> "Donors were making the right noises about wanting to look at systemic change, but when you have to report back to the taxpayer, some of that early vigour and interest is waning."

A key challenge is that systemic change is difficult to measure within the annual review and evaluation system, and qualitative measurements of systemic change are not well accepted by donors who want results that are verifiable and quantifiable.

> "Because the donor language is how in one year we need to see results, so everyone is busy quickly 'doing' in order to show some basic results...so people stop the [systemic] process and focus on getting these results."

There was consensus by project managers and team leaders that the approach can be monitored and assessed, however they felt more work was needed to operationalise the measurement of MSD programmes within donor M&E frameworks and procedures.

Interviewees recognise that market systems projects can be put into logframes and monitored using traditional processes such as annual reviews, however these need to be adapted to better reflect the needs and realities of systemic approaches. For instance, one team leader spoke about her project's annual review process. The reviewers - she said - took a tick-box approach to analyse results and did not acknowledge activities that had been adapted by the project team to generate and enable outcomes, essentially evaluating the project on criteria that were not valid anymore. However, donors indicated that annual reviews can be useful if they are done well but they expressed similar frustrations with reviewers, indicating that it was difficult to get good consultants who understood the annual review process and could adapt it to these types of projects.

The market systems approach is expected to provide indirect impact beyond the life of the project. Interviewees stated this is a challenge for donor monitoring and evaluation methods that look primarily at direct impact within the project lifecycle. They suggested that larger systemic change and wider impact often do not get measured and attributed to the programme. Furthermore, people brought up the challenge of working with shorter project timelines that make it difficult to achieve systemic impact. Kenya Markets Trust, funded by the Gatsby Foundation and DFID, are looking at 15-year investment cycles, with the assumption that it takes that long to achieve structural changes. This is not the norm with most market systems development projects which deliver under shorter timelines.

Insight: Growing awareness about the limitations of some indicators currently used in market systems projects are promoting more explorations into early signals of systemic change. The detection and analysis of early signals linked to expected impact (e.g. changes in network structures, discourse and perceptions of risk) requires new skills for field staff to detect them and M&E experts to process them.

Use of competency frameworks

A competency framework is a structure that sets out and defines each individual competency (such as negotiation or entrepreneurship skills) required by individuals working in an organisation or a sector. These frameworks encourage organisations to use competencies to improve professionalism. The term 'competence' is concerned with demonstrable outputs (results of a training) rather than effort and inputs (attending a training). A focus on competencies provides a signal from the organisation to the individual about the expected areas and levels of performance.

> **Box 5: The Consortium of British Humanitarian Agencies' Competency Framework**
> The CBHA has developed the Core Humanitarian Competency Framework to develop a standard and track changes in competence levels for humanitarian staff. This is part of a larger programme which aims to strengthen the capacity and ability of the NGO sector. The guide has been created through a collaborative process with all CBHA agencies.

There is a growing recognition that teams need a wide variety of skills and organisations are using a mix of strategies to build them. This is in line with a desire for clarity on competencies. For example, Kenya Markets Trust is currently working with Strathmore Business School to develop an executive training programme for their staff who are not business oriented, to improve their understanding of business culture and language when negotiating with private sector actors in market systems. On the other hand, many project managers and team leaders interviewed are changing their hiring practices towards finding business graduates or entrepreneurs in recognition that teams need stronger analytical and business skills and that market systems development skills are easier to build when you hire people who already use compatible paradigms.

This research found that few projects are using competency frameworks (specifically focused on the market development approach) to identify and develop the technical and soft skills needed for staff to perform effectively. Engineers Without Borders has done some work in this area, and the Groove Network also looked at staff competencies for systemic approaches although interviews with staff on these initiatives indicated they didn't get institutionalised into organisational structures, such as human resources processes for staff proficiency and development. Examples of projects using competency frameworks routinely are PRISMA, which is using a competency matrix adapted from Katalyst's work in this area and World Vision Australia, which is using a modified version of the Groove Network's mentoring guides to assess market development staff competencies as part of their internal training programme.

Insight: For competency assessments to be successfully incorporated into HR and staff performance reviews, the right incentives must be in place and staff must be aware of the rationale that underpins the assessments so they are motivated to obtain these competencies.

Emphasis on formal training

Many interviewees said the predominant view in the market systems field is that formal training is the gold standard for learning. They suggested the development industry in general is slow to focus on quality learning, adopt less hierarchical structures and build a variety of skills on a team. Interviews indicated that whether an organisation believes in the importance of non-formal and informal learning will determine whether they

> "We need to develop a culture that allows us to adjust so we can learn from failures and successes, so we don't get stuck in one intervention. This is as important as any formal training."

will develop and prioritise the systems, structures and incentives to facilitate these modes of learning.

Learning across teams and organisations is not being prioritised in the sector and a culture of learning from mistakes is not embraced. Interviewees argued that this bias affects learning because it stops projects from taking risks, failing and learning from interventions. They also believe that donors that look for immediate results send signals that projects can't spend money on things that don't provide tangible, fast and unambiguous returns. This, consequently, creates incentives for project teams to avoid adaptation to local conditions and interventions that address the root causes of market problems.

Some interviewees commented on the political pressures within donors, where the success of a project is linked to a person's career and next posting. They suggested it isn't in donor staff's interest to write that the project hasn't been entirely successful, as this

> "There is a strong bias that unless you are 100% successful you are not successful."

would reflect badly on them. This stops people from talking openly and formally about important lessons that could help other teams and organisations avoid similar mistakes in the future. This institutional culture is biased against learning as this requires projects to explore new ground and embrace failure.

Furthermore, many commented on the broader cultural belief system of certain countries where they operate, which affects learning at the field level. Team leaders felt that in order to build staff capacity they needed to experience the opportunity to voice their opinion and build confidence to do so regularly, overcome hierarchical structures, be creative, take risks and discuss lessons from failure openly. Addressing these cultural issues would create enabling conditions for donors and implementers to increase investments in non-formal and informal learning.

Emphasis on experts

Interviewees felt the dominant assumption driving development in general is that external experts are the ones to provide the answers. This affects investments in field staff as projects look to the team leader's and external experts' competencies and skill sets as key factors in project success rather than those of the wider team. Team leaders and project managers indicated that while a team leader is important, a project needs the right processes and systems, flatter hierarchies, multi-disciplinary teams, learning by doing and a mix of proficient team members with different skill sets. They felt this bias towards the team leader and external experts will continue to devalue learning and capacity building of project staff.

> "There is an overemphasis on the expert rather than Google-style organisational culture around learning and developing better performance. These are pretty well defined with backed up evidence now, but this isn't getting absorbed into the [MSD] field."

This excessive focus on the team leader was seen to affect the structure of bids, where the team leader position plays a significant role in swinging the process towards certain contractors. Many felt priority should be on the project team as well as on the capacity within the organisation. People stated that a team leader's strong CV in market systems doesn't necessary mean that he or she is good at building up the sort of teams that are required for successful market systems projects. Donors said the emphasis on the team leader was justified and that bids may win or lose based on the leader's capacity to manage the project successfully even though they recognised the importance of the whole team. They felt that a team leader was needed to develop a learning, innovative culture, which contributes to staff capacity.

> **Insight:** Capable project leaders and capable teams are not mutually exclusive; a good team leader goes hand-in-hand with a strong team. Problems stem from the simplistic and linear assumption that a good team leader will build a good team, disregarding the inevitable interactions and peer-learning that shapes the learning and performance dynamics of any team.

Training certification issues

There is no international certification body for capacity building in the market systems development field. The value of certificates depends on the reputation and recognition of the organisations issuing them. In some cases, the value of a certificate stems from demonstrated experience and the partners and sponsors associated with the trainer, the environment where they operate (e.g. training institutions operating within highly reputable universities), word-of-mouth or a mix of these.

A special case where some of these factors have come together to produce what could be considered a de-facto market systems development standard that has dominated the field for almost a decade is the work done by the Springfield Centre, which led to what is known as the M4P approach[39]. According to some interviewees, this has led to a perception that in order to work in a market systems project, practitioners need to be trained by the Springfield Centre. There was no other service provider mentioned by interviewees that approached this same standing[40].

Some interviewees mentioned that donors had reinforced this de-facto standard, stating they have had explicit push from some donors to get team leaders and other key staff trained by the Springfield Centre, with no other service providers proposed as alternatives. However, this seems to be changing. Many interviewees and donors mentioned that they are starting to value and take into account certificates issued by different trainers when they are selecting team leaders, other project staff and evaluating bids.

> **Insight:** A shift from a de-facto training standard (based on the work done by the Springfield Centre) towards a more diverse landscape of capacity building providers and learning methods may promote competition and innovation; however, it may also hamper the capacity of donors and implementers alike to control and assess the quality and relevance of content and methods used to build the capacity of practitioners who will be managing and implementing markets systems development programmes.

Some interviewees believed that standardising training would prove difficult because market systems development is an approach – a way of looking at development – and codifying it would be too restrictive. Most interviewees hesitated when asked about the possibility of a formal, obligatory standard for training. However, people felt that developing a softer, voluntary standard or a set of widely agreed recommendations for training could help to improve capacity building.

Nevertheless, practitioners argued that even if a standard for training could provide guidelines for formal training, it would not resolve the problem of how to institutionalise other forms of non-formal and informal learning that are key to professionalising market systems practitioners.

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39 So influential this work has been that many people use the label M4P to refer to any market systems approach.

40 In the survey, Springfield Centre was the most mentioned training provider (4 percent of respondents).

5. Conclusions: root causes and recommendations

This research approached capacity building from a systems perspective (using the M4P market model) to explore critical issues related to supply and demand, supporting services and rules and incentives. The richness of information and the enthusiasm with which the interviewees responded is an indication that this approach was productive. However, this was not without significant methodological challenges. For example, diverse and sometimes conflicting ideas about what market systems development and capacity building are; vested interests linked to programme performance; and a tendency to hide or protect information that is seen as commercially sensitive.

As the research progressed, it became clear that the market systems development field has evolved significantly through the long-term support of donors like DFID, SDC and USAID and the patient work of many innovative, committed and experienced individuals and organisations. However, much more is needed to realise the full potential of this approach to poverty reduction and capacity building is essential to this endeavour.

The effectiveness of the market systems approach depends on a set of personal skills and organisational processes that are very different to that required for programming based on centralised planning, command and control management, and direct delivery of products and services. The approach is underpinned by principles of facilitation, adaptive management and responsiveness to local conditions that must manifest in practice at the individual, team and organisational levels. The development of such skills and their application on the ground depend on well-structured and well-resourced capacity building processes.

Getting capacity building right cuts across many issues, disciplines and stakeholders. Demand continues to grow, not just for classroom-based training but also for mentoring, coaching, communities of practice, peer-learning networks and other capacity building processes. There is also an increase in supply of in-person and online training services. Some providers are starting to question dominant methodologies and formats and trying to innovate and make their offer more affordable, relevant and user-friendly. More and more implementing organisations are investing in their own, internal capacity building units.

Whether internalisation and privatisation of capacity building become the norm remains to be seen. If this happens however, there is a risk that implementing organisations innovate in isolation, potentially fragmenting the market systems approach. This risk could be mitigated if capacity building is valued as a public good that enables faster learning and better coordination of development programmes. For this to happen, more investment and better incentives for leading innovators to learn from each other and share their knowledge are required.

Donors have a crucial role to play, as do the other stakeholders. Practically all current demand for capacity building services in market systems programmes is driven, directly or indirectly, by donor funding. Donor rules, regulations and procedures, from procurement to final evaluation, shape the behaviour of field practitioners and team leaders and the investment (or disinvestment) in capacity building made by implementing organisations. But the current state of capacity building in the field is the result of complex interactions between many stakeholders. Implementing organisations and capacity builders, amongst others, are also responsible for the state of the market systems approach and the capacity building system that serves it.

Neither the training needs of the market systems approach, nor effective capacity building processes, are well understood in practice. Regarding the approach, most of the emphasis has been put on learning about the effects of strategies, methods and tools on poverty reduction. Very little effort has been put into understanding the managerial needs of these type

of programmes. If the "back-end of the business" is little understood, then so are the skills and capabilities that individuals, teams and organisations require to implement successful programmes. Furthermore, appropriate graduation processes and proficiency assessments will be hard to pin down.

Regarding capacity building, most of the emphasis has been put on short-term, formal, classroom-based training. The general neglect of the full range of possibilities offered by non-formal and informal learning and of the need to build capacity of teams and organisations is jeopardising the credibility of capacity building. If capacity building is just seen as training of staff it will never be able to build teams with high levels of cohesion and performance. And if this is the case - some may ask - why invest in it?

These issues are exacerbated by a perverse range of beliefs, procedures and incentives. For instance, commercial pressures to reduce the costs of bids at the expense of capacity building; over reliance on individual experts and team leaders at the expense of investment into building cohesive and high-performing teams; and the absence of credible tools to detect early signals of systemic change, which reinforces the belief that structural change takes a long time to manifest. All of these forces are hampering adequate investments in capacity building.

Moving towards a more functional capacity building system that contributes to the effectiveness and credibility of the approach and increases the success rate of teams and implementing organisations requires a collective effort. The findings from this study can be used to establish the main features of such a system.

The following diagram proposes a causal hierarchy of most of the issues found by this study. With the help of members of the advisory group, we tried to identify and validate a minimum set of **root causes** and their connection to "secondary" causes, plus a set of issues that amplify or reinforce the problems (exacerbating factors). We are aware that this is not a scientific exercise and that there could be other ways of connecting the issues; however, this is a plausible cause-effect structure that offers feasible entry points for concrete interventions (which we present at the end).

Figure 16. Root causes, effects and exacerbating factors.
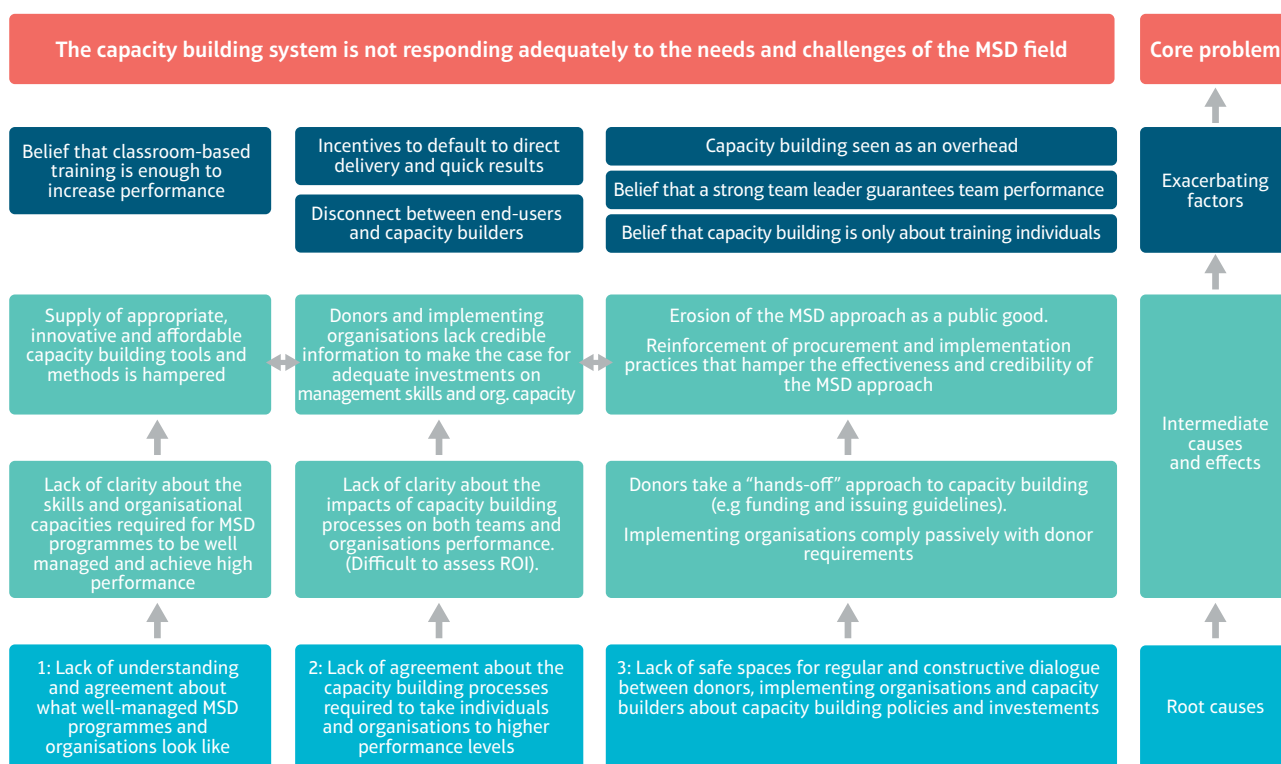
Based on the three root causes analysed above, we set out to envision what a better capacity building system would look like, and propose concrete initiatives that BEAM will undertake in collaboration with other stakeholders to move towards that vision. These initiatives will be designed in detail, in consultation with the advisory group and other experts. The following table brings all these elements together.

Table 3. Root causes, vision for a better capacity building system and concrete interventions

Root causes	How would an improved system look?	Initiatives to improve the system
#1. Lack of understanding and agreement about what well-managed programs and organisations look like. Examples of relevant market systems programmes are scattered and focus too much on their effects on market systems (the 'what') rather than on the skills and organisational processes that drive and enable them to operate effectively (the 'how').	There is broad agreement amongst the most influential donors and implementing organisations about the characteristics of well-managed programmes and the organisational context they operate in. For example: Team composition and rationale for staff selection. Organisational culture values and incentives. M&E routines as learning opportunities. Use of online learning platforms and external peer networks. This knowledge is used to inform the decisions of stakeholders as follows: Donors: Procurement and selection of best bids. Communication and collaboration with contractors regarding management issues. Implementers: Management strategies, staff selection and capacity building investments. Capacity builders: Design of new content and methods.	1.1 Produce detailed case studies about how successful programmes have been or are being managed. In practice, this entails identifying the programmes and interviewing their managers, key staff and donor contacts. A cross-analysis of the cases will be done to detect patterns and produce theory, which will inform the design and implementation of future programmes. The case studies as well as the cross-analysis will provide insights into the link between capacity building and management/implementation. 1.2. Convene online and in-person events to discuss and learn from the case studies and the cross-analysis. These events will target mainly team leaders, and in some cases also donors and capacity builders.
#2. Lack of agreement about the capacity building processes required to take individuals and organisations to higher performance levels. For example: approaches, curricula, methods, graduation processes, assessments, etc.	There is broad agreement amongst experienced capacity builders about approaches, methods and tools to increase the performance of practitioners and implementing organisations. There is more clarity about the effects of capacity building on project team performance and, therefore, on return on investment. Both donors and implementing organisations have strong incentives to invest in capacity building.	2.1. Create online repository of the best resources for capacity building experts (trainers, coaches and mentors). Desk research, interviews with capacity building experts and consultations with managers, donors and practitioners will serve to identify and curate the resources. 2.2. Convene e-discussions and in-person meetings between capacity builders to discuss good practices, methods and tools. In some cases, donors and programme managers will also be invited.
#3. Lack of spaces for regular and constructive dialogue between donors, implementing organisations and capacity builders about capacity building policies and investments. The capacity building system is polarised between donors that lead and implementers which follow. Implementing organisations develop their own capacity building systems contributing to an erosion of the market systems approach as a public good.	Both donors and implementing organisations understand each other as partners which need to guarantee the effectiveness of the capacity building system that serves the market systems development field. They meet regularly to discuss about the state of capacity building, the effects of current policies, the possible effects of new technologies and methods, etc. These conversations lead to new and improved policies, strategies and investments. Capacity-building innovations and resources developed by implementing organisations with private funds can be turned into public goods through win-win collaboration models with donors. Donors and implementing organisations engage with capacity builders and academia to professionalise the market systems field.	3.1. Create an advocacy forum for conversations between donors and implementing organisations about capacity building policies, innovations and investments. This group will produce a strategy document to drive internal advocacy within forum members' organisations. 3.2. Identify groups of donors and implementing organisations in other parts of the world that are meeting with similar objectives and help to connect them so that they can learn from each other and increase the alignment of their agendas. 3.3. Increase the visibility of these groups and amplify their intentions and initiatives amongst specialised media, policy-makers, capacity builders, and other strategic stakeholders.

Both the market systems approach and the capacity building system that serves it are going through challenging but exciting times. The former is under pressure to demonstrate its real potential to reduce poverty sustainably and at scale. Success depends in part on paradigmatic changes in mind sets that have dominated development practices for decades. The latter must realise its potential to be not just training but a multi-disciplinary field with the goal of transforming the behaviour and attitudes of individuals and teams. What else could be more important for an approach like this?

6. Appendices

Appendix 1: Interview questions and data collection methods

4.1 Demand analysis

Who: Employers, employees, individuals from different types of organisations (for-profit consulting firms, INGOs, HQ, donors, local organisations) **Where:** From different regions (Asia, Europe, Africa, Latin America)	

Who needs and who is getting capacity building services (i.e. field staff, mid and senior level staff)? Where are they located?	Interviews with practitioners and service providers
Which capacity building services and combination of formats and delivery methods do users seek, use and value the most?	Online survey of practitioners Interviews with practitioners
Which networks, online platforms and capacity building tools do trainers seek, use and value the most?	Interviews with trainers
What are the different incentives for users (individuals and employers) to pay for capacity building services?	Interviews with practitioners
What are the capacity building strategies of successful organisations in the market development field? Are there any interesting trends? (E.g. externally sourced classroom- based training mixed with internally sourced mentors; increasing recruitment of system thinkers and practitioners with experience in market systems facilitation	Interviews with NGOs, organisations
Where are the funds for capacity building services coming from? Are there any interesting patterns and trends regarding the use and sources of funds? What strategies are donors adopting to encourage investment in capacity building? What are their incentives to invest in this? If donors are not funding capacity building, how are implementing agencies supporting this? To what extent are development implementers other than donors (such as NGOs and managing contractors) making investments in capacity building which are not repaid by donors? What are their incentives to do so?	Interviews with organisations and donors

4.2 Supply analysis

Who: Individual trainers, organisations that train in house, organisations that provide external training, service providers that train	
Who are the most sought-after providers of capacity building services (individuals, institutes, organisations, etc.)?	Interviews with practitioners Survey?
What are considered the most valuable types of CB? (training, coaching, mentoring). Why do suppliers provide them in the way they do? Why aren't others providing them?	Interviews with providers Survey practitioners Interviews practitioners
What are the content, structure and methods of the most widely used or popular courses? What are the components buyers/users look for in CB services? Is there anything that that is lacking, that needs more emphasis? If there is why isn't this being provided for by the suppliers? Are there any interesting patterns in terms of thematic mixes (i.e. economics, sociology, negotiation techniques and complex systems)?	Interviews with providers and practitioners Survey
Are there critical quality issues that successful providers pay attention to during the delivery of training, coaching or mentoring processes (i.e. that sets them apart?)	Interviews with providers Interviews with practitioners
Are there any business or subsidy models (where the actor who pays is not the same as the one benefiting from the capacity building process) that are working particularly well for all the actors involved?	Interviews with donors, organisations, practitioners
Can some suppliers know that their capacity building activities are changing the behaviour of their clients/users? If so, how do they do it?	Interviews with providers

4.3 Supporting functions

The analysis will seek to understand what supporting functions exist and how these affect the core market for training services.

How are training materials produced? Are there experts or organisations that specialise in the production of training materials or are most of these materials produced in-house? What are the main difficulties that capacity builders face in the production of training materials? Perception of quality? Improvements Are these widely distributed or held by organisations?	Interviews with suppliers Interviews with practitioners (perception of quality, improvements distribution,) Survey (perception of quality, distribution)
Which are the most popular platforms for storage and sharing of training materials and why? How does this help in the spread of information/knowledge, CB etc? How could this be improved upon?	Interviews with suppliers Interviews with practitioners
Which are the most popular/useful learning and peer-support networks at country and regional levels and why? (e.g. MAFI/ BEAM) How does this supplement, help, or hinder CB of practitioners How could these be improved upon? What stops these from being more effective?	Survey Interviews of practitioners Interviews with suppliers
Are these platforms and networks able to evaluate whether they are changing behaviour and practice in market development facilitation? If so, how?	Interviews of practitioners Interviews with suppliers

4.4 Enabling environment

The analysis will explore the rules and norms that influence how stakeholders in the capacity-building system behave. These factors help shape the incentives they face and the attitudes they hold.

Value assigned to capacity building How do organizations view, understand and value capacity building? Are there any preconceptions, experiences or assumptions about the effects of capacity building on the performance of market development programmes? Are these preconceptions, experiences or assumptions influencing the decisions of donors and senior managers in implementing organisations? If so, how? What factors are shaping these preconceptions, experiences or assumptions?	Interviews with key staff from organisations
Buy-in from middle- and senior-level management in implementing organisations (e.g. NGOs and managing contractors) How are middle- and senior-level managers promoting capacity building within their organisations? What strategies do they use to secure funds (internally or from donors) to pay for capacity building services?	Interviews with key staff from organisations
Organisational environment What are the values, policies and objectives used by the most successful organisations working in market development? What are the incentives, spaces and routines that they use to enable learning and motivate staff to build their capacity? How do they deal with the pervasive lack of time affecting staff working in development programmes? What pedagogy and tools do they use to create an organisational environment that enables capacity building?	Interviews with key staff from organisations
Identity Is there a sense of identity in the market development field that is influencing the behaviour of practitioners and donors? Do people feel a sense of belonging to a distinctive community, approach or paradigm and how does this affect behaviour and investment into CB?	Interviews with practitioners, suppliers
Quality standards Is there a perceived need for quality standards regarding training and graduation processes, trainees' certification, etc.? If so, how do key stakeholders think that these standards should be produced, agreed, revised and enforced?	Interviews with practitioners, suppliers
Rules and procedures Are there any formal or informal rules and procedures of donors/funders (regarding, for example, design, budgeting and procurement) that are driving or hampering investments in capacity building and shaping behaviours of target groups and key stakeholders?	Interviews with donors Interviews with suppliers
M&E Are there any indicators, targets or goals that are driving or hampering investments in capacity building, and shaping behaviours of target groups and key stakeholders? For example, goals used by donors regarding the procurement of training courses, or targets used by managers regarding the expected impacts of training courses on trainees or market actors.	Interviews with donors Interviews with suppliers

Appendix 2: Survey questions

1. Where are you located?
Asia
Europe
North America
Africa
Pacific
Latin and South America

2. Within your organisation, which level of staff have had or are receiving capacity building services (training, mentoring, coaching) in market development in the past 3 – 5 years? For each, indicate whether this is provided internally or externally.
Senior staff (HQ, COP, CD, CEO) External internal
Mid level staff (Directors, Project Managers, M&E Managers) External internal
Field staff (Agronomists, Intervention workers) External internal

3. How much does your organisation value capacity building?

4. How much do you (as a person) value capacity building (training, mentoring, coaching) in market development?

5. Identify the service providers that you or your organisation have used in the last 3-5 years for capacity building services in market development

6. Which of the following have you used in the last 3 – 5 years to build your own capacity in market development?
Online webinars
Online discussions
Classroom based training
Mentoring or coaching
Communities of Practice
Reading, self learning
Networking
Other: Specify: _____

7. Which of these do you value the most?
Online webinars
Online discussions
Classroom based training
Mentoring or coaching
Communities of Practice
Reading, self learning
Networking
Other: Specify: _____

8. Do you (or your organisation) produce and use your own training materials on market development?
We use only our own materials
We use other organisations' materials
We use ours and others' materials

9. How have you paid for capacity building in the past 3 – 5 years?
Personal resources

Organisation or donor funded
A mix between personal and other funded
Other: Specify: _____

10. Which online learning and peer support networks do you rely on regularly to build your or others' capacity in market development?
MaFI
BEAM Exchange
Microlinks
Shareweb E+I of SDC
Internal learning platforms
None
Other

11. Does your organisation use any mechanism to evaluate or certify capacity building?
We evaluate quality of the training or mentoring/coaching itself (i.e. satisfaction of trainees/ mentees)
We evaluate the effects of capacity building through trainees' behaviour or performance in market development
We have tried to evaluate but have not been able to do it properly
Other: Specify: _____

No, we have never tried to evaluate

Appendix 3: Names of interviewees and advisors

Interviewees

Adam Brain	Manager, Economic Growth, Coffey International
Adam Keatts	Agriculture Knowledge Manager, FINTRAC
Adam Kessler	Results Measurement Consultant
Ailsa Buckley	Business and Market Development, Swisscontact
Alan Gibson	Associate Director, The Springfield Centre
Alexis Morcrette	Senior Manager and Technical Advisor, Adam Smith International
Alwyn Chilver	Director, Economic Growth, Palladium
Aly Miehlbradt	Consultant
Ashley Aarons	Lead, Policy and Practitioner Learning, BEAM Exchange
Bill Maddox	Director, Sustainable Microfinance and Development Program (SMDP), University of New Hampshire
Christian Pennotti	Senior Technical Advisor, Access Africa, Care International
Dan Nippard	Market Development Consultant
Diane Johnson	Consultant
Edlira Muedini	Country Director, Helvetas Albania
Frank Lusby	Executive Director, Action for Enterprise
Gianluca Nardi	Senior Private Sector Engagement Advisor, Care International
Gillian Rogers	Team Leader, Sustainable Growth Team, DFID Tanzania
Goetz Ebbecke	Team Leader PRISMA
Hans Posthumus	Consultant and Founder of HPC
Heini Conrad	Country Director, Helvetas Kosovo
Hopewell Zheke	Head of Sustainable Agriculture and Livelihoods, Practical Action Southern Africa
Joe Huxley	Regional Co-ordinator, FSD Africa
John Primrose	PSD, DFID Ethiopia
Justin Highstead	Executive Director of Africa Programmes, Gatsby Foundation
Karri Byrne	Country Director | TechnoServe Ghana
Katanu Mwosa	COO, Kenya Markets Trust
Linda Jones	Senior Director, Global Programs, MEDA
Maja Ruegg	Co-Team lLader Rural Economy and Advisor Value Chains / Market Development, HELVETAS Swiss Intercooperation
Margaret Masbayi	Market Consultant
Margie Brand	Market Development Consultant, EcoVentures International
Mark Harwood	Project Model Learning and Support Manager, World Vision Australia
Mary Morgan	Inclusive Market Development Specialist
Mike Albu	Programme Director, BEAM Exchange
Mike Field	Chief of Party AVC, DAI
Mike Klassen	Leadership Programming Consultant
Olatunde Oderinde	Deputy Team Leader, GEMS4, Coffey International
Patience Samhutsa	Market Systems Specialist, Practical Action Zimbabwe
Patricia Camacho	Asesora Técnica Regional ASOCAM / ic-AL, ASOCAM
Patrician Seex	Head of Profession, Private Sector Development, DFID
Peter Beez	Focal Point e+i, SDC
Peter Wilson	Assistant Director | Agricultural Productivity and Food Security Section, DFAT
Prashant Rana	Director South East Asia, Swisscontact
Prateek Uniyal	Assistant Program Manager, Fair and Sustainable Economic Development ICCO COOPERATION, India Office
Raji Rajan	Manager, Economic Growth, Coffey International
Rob Abdur	Head of Food, Agriculture and Markets, Practical Action Bangladesh
Roger Oakley	Managing Consultant, The Springfield Centre

Ruth Campbell   Senior VP, ACDI/VOCA
Ryan Bourque   Director, Pollen Group
Sachin Gupta   Director - Economic Growth, Palladium
Sarah Hussain   Online Learning Community Support Coordinator, the SEEP Network
Sue Drummond Haley Strategy and Corporate Governance Advisor, Kenya Markets Trust
Susan Kambo   Head of HR and Admin, Kenya Markets Trust
Ted Volchok   Deputy Director, Markets, Economic Recovery and Growth, Mercy Corps
Yogesh Gore   Senior Program Staff, The Coady Institute
Yordana Valenzuela   Oficial de proyecto Centroamérica, ASOCAM

Advisors

Ashley Aarons   BEAM Exchange, United Kingdom
Agata Slota   Coffey International, United Kingdom
Alwyn Chilver   Palladium, Australia
Peter Beez   Swiss Agency for Development and Cooperation, Switzerland
Margie Brand   EcoVentures International, United States
Matthias Herr   HELVETAS Swiss Intercooperation, Switzerland
Adam Keatts   Fintrac , United States
Markus Kupper   Swisscontact, Switzerland
Mary Morgan   Economics Unplugged Consulting, Canada
Roger Oakeley   The Springfield Centre, United Kingdom
Prashant Rana   Swisscontact, Indonesia
Ryan Bourque   The Pollen Group, Uganda
Thomas Tichar   Oxfam GB, United Kingdom
Zenebe Uraguchi   Helvetas Swiss Intercooperation, Switzerland
Ted Volchok   Mercy Corps, United States