

> Market facilitation in aid-intensive contexts: tactics for coping with aid-induced behaviour



**A BEAM Exchange webinar
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> The webinar

- **Introduction** - Ashley Aarons, BEAM Exchange
- **Challenges and coping strategies for donors and programme managers** - Rubaiyath Sarwar, Innovision
- **Helvetas' strategies in the Balkans** - Nathalie Gunasekera, HELVETAS Swiss Intercooperation
- **Tensions within donor agencies** - Shahnila Azher, DFID Bangladesh
- **Questions and answers** – participant questions

Facilitating Systemic Change in Aid Intensive Contexts

Challenges and coping strategies for donors and
programme managers

Md. Rubaiyath Sarwar

Managing Director
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An encounter...

In Bangladesh, several of the leading ***private sector agribusiness companies*** ***now have donor coordination units*** and business development units working on chasing donor funds or partnership with market development projects for ‘development intervention’...

Some conversations...

“They seemed quite capable, I was quite impressed by the TL and his core staff. (The country)... has almost a disease of too many years of too many handing-out supply driven projects.... ***Quite an uphill task to do 'pure' M4P in rural areas in such a situation!***”

- *E-mail from an esteemed colleague*

“I was surprised that ***the project has been replicating its interventions rather than investing on consolidating its efforts towards systemic change..***”

- *An evaluator of a major market development project*

And some reflections...

What should be our approach in contexts where donor mandates compete with the M4P approach?

if private actors that we supported keep on chasing donor funds... ***are we achieving our goal of systemic change?***

Why these happen and what can we do about it?

Defining Aid intensive contexts

Facilitation Vs Direct Support Intervention

Same donor or multiple donors adopting different approaches to address the same challenge

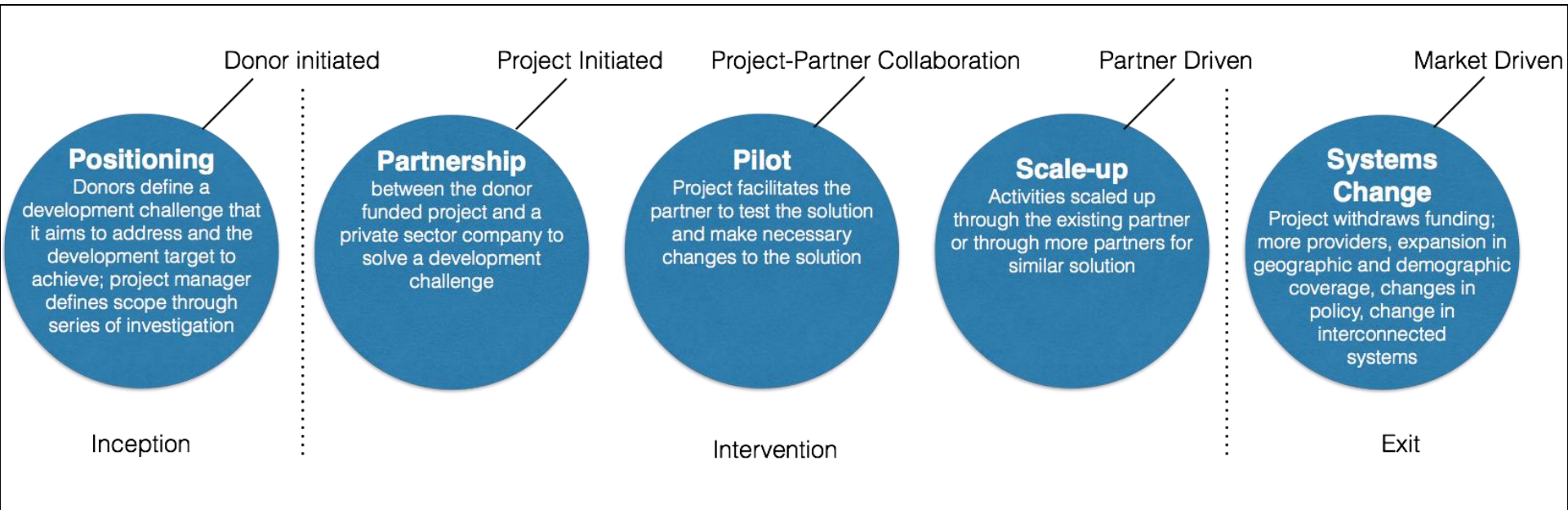
For instance, malaria prevention commodities being supplied through public health channels for free and through private channels at market price at the same time.

Facilitation Vs Facilitation Intervention

Multiple donors adopting similar approaches to facilitate private sector to address a development challenge

For instance, the challenge of poor quality of agricultural inputs in Bangladesh is being addressed by all major donors targeting the farmers in hard to reach areas through M4P and VCD interventions

Market facilitation pathway...



Innovision Consulting

Effects of programme failure to respond to aid intensive contexts...

Scale-up

Scale dictated by donor and project rather than the private sector actors who were supported through the first series of intervention activities

Systems Change

Private actors sustaining a solution to reach the poor **subject to availability of donor fund**

Limited crowding in; private actors not supported by programmes are not responding to the solution

Innovation is not trickling down to reach increasing number of poor people

Factors that contribute to programme failure to respond to aid intensive contexts....

Using the market facilitation pathway to define the programmatic dysfunctions

Positioning

Donor's crowding in; chasing the same success

Similar market challenges being addressed by different donors with same framework but different offers to the private sector (challenge fund, grant, cost sharing)

Lack of synergy in donor approach or programme mandate ***in similar market systems***

Partnership

Focus solely resting on private actors but not on not for profit or social actors who might be more relevant in the context or the market systems of concern

Pilot

Limited time frame and focus on large outreach leading to...

- Programmes replicating similar interventions with same private actors
- Programme managers prioritizing quick fix interventions

Coping Strategies

Context 1: Facilitation Vs Direct Support Interventions

Coping Strategy

Adopting a more ***holistic view of market systems*** in which the project could engage with public or not for profit actors rather than only private actors to instigate systemic change



Longer term mandate than the usual 5 years mandate so that the project has the timeline needed to trial innovations rather than replication



Expanding the scope of donor coordination groups; groups are thematic- e.g. MDF Bangladesh - and do not engage programmes that do not apply market systems approach



Expected Outcome

Reduced tension between facilitation and hand out approach and improved synergy between donor mandates

Increased capacity of the programme to mix facilitation approach with exploitation of direct delivery projects in contexts where it is necessary

Harmonization of donor interventions involving competing approaches

Coping Strategies

Context 2: Facilitation Vs Facilitation Interventions

Coping Strategy

Expected Outcome

Emphasizing systems change indicators rather than outreach which leads to quick fix through the same private actors by multiple projects



Programmes incentivized to innovate rather than replicate, leads to reduced overlap in programme interventions and dependency on same private actors

Strengthening the scope and capacity of the donor coordination groups



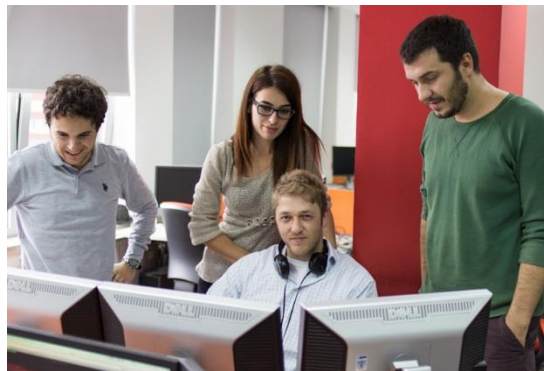
Overlaps, competition and signs of distortions are reported for donors and programme managers to have a proactive role in minimizing distortion

Market Facilitation in aid-intensive contexts



Nathalie Gunasekera
Regional Advisor

- 3 Youth Employment Projects in Albania (RisiAlbania), BiH (MarketMakers) and Kosovo (EYE) apply a MSD approach
- Sustainability
 - The continuation of impact beyond the project's intervention
 - Ownership of the improved system lies with actors in the market system
- Scale
 - Outreach
 - Depth



- Prevailing donor-culture focused on providing direct assistance
- Creates market distortion and impacts the sustainability of project interventions
 - EYE's experience in the traditional sweets production sector
 - RisiAlbania's experience in the agro-processing sector

How can projects ensure that available donor-funding contributes to long-term, sustainable changes in the market system?



Coping Strategies



- A) Influence how project partners make use of available donor money
- B) Influence donor spending behavior
- C) Find a niche area to intervene in

MarketMakers experience in the ICT sector in BiH

- First-mover: shape the partner's financing model to reduce the risk of donor-dependency
- Hands on-approach: advise partner on how to use donor support without compromising its long-term strategic vision or sustainability



EYE's experience in the ICT sector in Kosovo

- Information-exchange: openly share information and insights with other donors
- Seek involvement: foster a strong rapport with the donor to influence important spending decisions



C) Find a niche area to intervene in



RisiAlbania's experience in the Business Process Outsourcing sector

- Uncharted waters: focus on (sub-)sectors that have not yet caught the interest of donors
- Bears risk and uncertainties: requires creativity
 - Are relevance, opportunities and feasibility the key considerations?
- Not a stand-alone strategy: in combination with strategy A and/or B



Are Donors Market Actors?



Key Takeaways

- Market systems are not just composed of private actors
 - Market systems have multiple players and are multi-functional
- Donors have interests, incentives and capacities
- Develop a strategy to engage with donors – build them into the project's work





Market facilitation in aid-intensive contexts: tactics for coping with aid-induced behaviour

- Support at the highest level in DFID as part of the sustained exit out of poverty approach
- Recent trends: (a) mainstreaming MS in each and every programme to the extent possible (b) having a narrative on where MS and more traditional approaches come together in a sector
- Challenges remain around evidence, incentives and balancing inclusion

> Questions and answers



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