Improving the design of market systems programmes

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Report

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Executive summary

The first ever donor agency market system development (MSD) workshop was held over two days in Dar es Salaam, Tanzania in November 2016, co-hosted by AMDT, the BEAM Exchange and the DCED. The workshop brought together 29 donor staff from eight donor agencies, and an additional 11 implementers to provide their perspective on the second day, to explore challenges and emerging good practice in designing and managing MSD programmes. This report highlights the main findings.

Defining MSD: Although market systems approaches have been implemented for perhaps 15 years, there was a range of opinions about what they are. Most spoke of analysing and addressing market failures, working with market actor incentives and facilitation tactics, having a vision for change, and taking an iterative approach. However differences included the scope of working with non-private sector actors and the breath of definition of markets, some tactics (when to use subsidies, the role of challenge funds…) while one participant considered that as market systems are everywhere, so are MSD approaches too.

Supervising MSD programmes: Supervision of MSD programmes brings specific challenges. ToRs for programmes need to strike the right balance between providing space for creative proposals, and necessary control points for donors. Focusing the latter more on processes, such as staff development, can be useful, as can more collaboration between technical and commercial teams in assessing proposals. Ongoing supervision requires cutting through terminology and really asking why a programme is doing something, but for many, the key element is often building up trust and communication between donors and implementers. Views were more divergent on payment by results (PbR), with some valuing the transfer of risk to implementers and the move away from micro-management, others seeing it as still game-able and sending the wrong messages.

Working with MSD contractors: The market for MSD programming is not working well, with growing demand for skilled implementers outstripping supply leading to poor implementation in places. Early market engagement, looking out for ‘double teaming’ between bid teams and implementation teams, and not rushing post-tender clarification processes can be valuable. However donors may need to be more realistic as well, relaxing some of their standards for staff and allowing more training. Knowing when you have a skills deficit and a problem programme is more an art than a science, but key signs include the formal, such as low annual review scores, and more informal, if the programme can’t explain the reasoning behind strategies.

Challenging contexts: MSD was seen as very relevant for fragile contexts; although government capacity drops, markets remain active. Increasingly the approach is being used in emergency situations. This raises challenges, ranging from when and how to switch from humanitarian to longer term economic development, to if donor processes allow the two approaches to work together, and if there are enough successes to promote the approach in such contexts. Different approaches to working with local governments were shared, but it remains important across these to prioritise understanding of the local political economy and determining the right amount of information to share. Explaining what MSD is less important than explaining its implications.

Broader trends: The case for MSD needs to be better made within agencies, focusing on the particular limiting constituents and issues. Agency cuts also often reduce the time to focus on different programmes, while despite more talk of accepting risks, culturally this remains a constraint. Shifts in donor priorities also have a significant impact on programming, with a particular push towards benefiting young people and reducing extremism. Though presenting new opportunities, different goals can pull programmes in different directions and evidence-based programming can be put at risk, suggesting more support is needed to navigate internal processes. Donor-donor and implementer-implementer coordination remains a significant challenge with few incentives to improve it.

Donor-implementer relationships: Larger contracts and increased outsourcing increasingly mean donor-implementer relations are contractual, with conversations focusing on logframes and obligatory reports. Implementers should take more advantage of donor strengths, while more spaces are needed for open discussion, in particular on programme vision. To address staff churn, more investment is needed in staff retention and transition plans, 'after sales services', and more responsibilities for national officers. Positives signs were noted in moves to longer programmes and higher donor risk thresholds, but progress is uneven. Increasingly implementers are forming consortia to win bids, but if badly matched, this may lead to implementation challenges. Donors need to be more aware of how to filter out problematic combinations.

Results measurement: The right balance needs to be found between programme accountability and learning. This includes choosing appropriate indicators after a suitable time, and allowing flexibility to change them where justified. Other proposals including focusing on processes and asking for a description of the expected systemic change before interventions start. Reporting on a quarterly basis was considered too frequent, with six month reporting periods and a fuller annual report more common. Evaluation remains a challenge, with moves towards theory-based evaluations and embedding evaluations into programmes. Donors do not need to understand all the technicalities of measurement, but rather understand enough to ask appropriate questions, and follow up where answers don't inspire confidence. The DCED Standard for Results Measurement provides a framework for this.

Urban development and jobs as a target: Urban markets are where most economic activity happens, but few MSD programmes are focusing here. Several examples were explored, including work in light manufacturing and waste disposal and highlighting the distinct characteristics and challenges of urban markets, such as high youth unemployment. Developing urban markets can benefit producers in rural areas, but is likely to encourage rural to urban drift. Most, but not all, participants saw this as positive, though supporting secondary cities was also proposed. The effectiveness of job programmes was challenged, as increased productivity can work against more jobs. Lower expectations may be needed, while defining what type of jobs are desired is also key.

Inclusive programming and vulnerable groups: Supporting vulnerable groups requires particular efforts to know the target group and the multi-dimensional elements and causes of their poverty. More intensive support may be needed to not just connect to market but to build-up community capacities. This raises challenges though of knowing when enough is enough and if programmes are on the right track to be able to exit. It is also likely to need more money, time, programme flexibility and more modest expectations. This highlights the potential trade-off between benefiting such groups and reaching larger programme scale. Focusing on both can pull programmes in different directions, and there is a need for donors to be clear on which objective is the priority.

1. Introduction

On 2-3 November 2016, a peer learning workshop was held in Dar es Salaam for donors working in East Africa to explore how to improve the design and management of market system programmes. The first day was a donor only day and brought together 29 participants from ADA, Danida, DFID, Irish Aid, GAC, SDC, Sida and USAID, coming from Burundi, Ethiopia, Kenya, Mozambique and Rwanda, Tanzania and Uganda. On the second day, 11 implementers working in the region joined to provide their perspective and insights, from the Aga Khan Foundation, Adam Smith International, the Gatsby Foundation, Helvetas, Kenya Markets Trust, NU-TEC, PEPE, PSP4H, Swisscontact and YAPASA. The workshop focused on eight sessions based on the challenges and key issues identified by donor agency staff in a pre-workshop questionnaire and feedback. These were:

Session 1 - Managing MSD programmes
Session 2 - Working with MSD contractors
Session 3 - Challenging contexts
Session 4 - MSD programmes and broader trends
Session 5 - Donor - implementer relationships
Session 6 - Results measurement
Session 7 - Urban development, and jobs as a target
Session 8 - Inclusive programming, vulnerable groups

The workshop was co-organised by AMDT, the BEAM Exchange and the DCED, with particular support from Robbie Barkell (DFID). Facilitation during the event was provided by Jim Tanburn (DCED), with support from Ashley Aarons (BEAM Exchange) and Michael Kairumba (AMDT). As a note to this report, in order to allow a more open and constructive workshop, it was agreed not to attribute names to comments. Sessions one to four were discussed only by donors and five to eight by donors and implementers.

Session 1 - Managing MSD programmes

Initial terms of reference (ToR) need to provide both clear detail on control points while encouraging creative proposals. Having fewer criteria and weighing the most important highly helps provide clarity. There appears to be a move to focus scoring on core team skills and staff retention and development plans rather than the experts to be drawn upon. Suggestions around flexibility involved allowing programmes budget flexibility across activities and also not pre-defining value chains upfront but rather allowing programmes to develop suggestions during the design stage. They would then be able to amend plans during implementation – or even focus on other issues (such as market barriers) if the case can be made. Overall developing ToR is an ongoing challenge and there is a need to **purposefully share with and learn from others**. This requires going beyond reading through and adapting other ToRs – to learn how they actually worked in real life, you need to speak to those involved in the implementation about what worked and what they would change. Also specialists should be brought in as necessary, for instance experts in MSD or commercial agriculture. Rather than separate commercial and technical assessment in proposals, the two sides should be working more closely. For donor staff on the technical side, this may mean further reaching out to the commercial team to learn, and building up the commercial understanding of technical teams.

During implementation, **the flexibility required for MSD programmes means that managing relations and building up trust is vital**. For instance, an agriculture project was working at the farm level to improve inputs, but learnt the underlying market constraints were at the input supplier level. Having built a culture of open communication and trust, the implementer was able to inform the donor that the approach of the first two years was not appropriate and needed to change. For the donor, it may have been tempting to consider the implementer as performing badly and to perhaps rethink the contract. However the mutual trust allowed the two sides to understand why previous decisions had been made and to rethink the project to focus more at the intermediary level. The results have been positive so far. Unfortunately there is no silver bullet as building up relationships is very personality driven. It is important though to allow spaces for critical reflection between the two sides, such as regular one-to-ones with team leaders and donors being able to invest time immersing themselves in programmes. Participants highlighted how much was learnt outside work meetings in more informal settings, though this raised questions over the right level of familiarity. Donors and implementers need to also try to see things through the others' eyes. Team leaders need to understand donor internal requirements.

Reviewing programme strategy and tactics often involves asking difficult questions to ensure implementers can justify what they are doing. One participant noted the importance of cutting through buzzwords. If an implementer says they will facilitate a relationship between two market actors, donors need to know what this means, who pays for what and how the implementer came to that decision. Also it is valuable to discourage a focus on very long documents from implementers - an example was given from one project of a 150 page workplan - and rather push the implementer towards more succinct documents, outlining strategies and what the programme will do and why. Taking a systemic approach also doesn't mean banning traditional activities, such as trainings, but it means that programmes need a better sense of why they are doing them, and should be able to clearly articulate this.

However there was **disagreement over the value of payment by results (PbR)**, in part potentially reflecting different levels of investment and diverse approaches between agencies. It was generally viewed as a difficult journey for donor staff and implementers - both because it is novel and more importantly as it can pull both in different directions. Donors often want a bigger focus on PbR at the output/ outcome level, while implementers often want more at the activity level. Some participants were supportive of PbR as a way to transfer risk to suppliers, while encouraging flexibility and moving away from micromanagement. Others were concerned that it takes too much responsibility for designing and managing programmes away from donor staff, implies that programmes won't work hard unless they are sanctioned, while practically indicators may be inappropriate as they can often be gamed. It is not an either/ or situation though, and participants highlighted the importance of context and also innovations in approach, with hybrid models being developed. In one case, 70% of fees were based on milestones and the rest on process-based KPIs, such as reporting to the donor and adapting to the context.

Session 2- Working with MSD contractors

A key challenge to better programming is that the market for MSD consultancy is not working well, with demand outstripping supply and too few skilled people able to implement projects. MSD requires numerous skills that few people have, such as theoretical rigour, practical experience, management skills, languages and willingness to work in often remote areas. The few that do, already have jobs or are only available to write bids. There is also status inflation in bids, with an MSD specialist often just someone who has gone to a training. At times the skills pool is artificially restricted, as donors focus at times on consultants from their own countries.

Good practice was shared on how to address the symptoms of this skills problem. Significant thought and planning goes into business case development, and there is a need to bring implementers quickly up to an advanced level of understanding. Early market engagement is fairly new for some donors but was viewed very positively. Here implementers interested in bidding on a ToR collectively meet the donor staff responsible and learn about their vision for the programme. The ToR itself needs to have the right information on staffing issues. For instance, there is a need to mitigate against ‘double teaming’ where programme inception staff are different to the implementation team, often leading to a delay in starting the project or requiring a second inception – though a long delay between bidding and implementation may mean this is hard to avoid. There can be pressure to sign things off in post-tender clarification, which can be used by contractors to provide a weaker offer, for instance moving expected results from outcomes to outputs or bringing in less experienced people. It’s important here for donors to not feel rushed into decisions.

Demands on implementer capacity may have to be more realistic. Donor staff may have to relax standards for team leaders and accept people with less skills and experience. They need to recognise that much skills development happens on the job and budgets may be needed for this. This may mean ensuring that there is a staff capacity development plan or providing more progression in staff fees. Creating special purpose vehicles for programmes may also provide space for staff capacity development as they have longer time frames and to some extent ease implementer pressures of having to move people around based on their own supply and demand.

What are the trigger points to know if a project is going badly and has a skills issue and when might trust not be enough? This can be a real challenge as poor performance can be attributed to other changes in the market or because change takes time. Donors are not as close to the markets, so they are often not in a good position to respond. Possible warning signs include formal trigger points, such as financial irregularities, missing reporting requirements and low scores or lack of improvement in annual reviews. More informally, participants noted that implementers need to have a plausible justification of why things aren’t on track, and that explanations need to hold up to questioning and be backed up by evidence. At the same time, they need to be willing to change their strategy to respond to challenges - though changing it too often can be another cause for alarm.

Session 3- Challenging contexts

To set the context, this session started with a presentation comparing the political economy and agency approaches to progamming between Rwanda, Burundi and Kivu in DRC. This introduction led to wider conversations both on working with governments and in fragile states. **MSD approaches were viewed as relevant for fragile contexts.** Though contexts vary considerably, they are particularly characterised by low government control or capacity – however markets remain active and are often even more important. In humanitarian contexts there is also increasingly a move to incorporate market system thinking. Several initiatives were highlighted looking at how to use the approach to support refugees, while a variety of NGOs are bringing an MSD approach to emergencies. There is a challenge however to work out the balance between initial direct emergency response and MSD, with one participant suggesting the simple heuristic, ‘ if you are displacing someone, get out’. There also may be structural challenges within donor agencies, that some donors may have different budgets for example and internal rules for humanitarian work and economic development, and be unable to combine them. Another participant asked whether MSD really had successes in fragile markets – and until then, how can donors and implementers feel comfortable promoting the approach?

Participants shared some of their lessons from how they worked with host governments. There was a real breadth of approaches across participants; some said they had gained traction through focusing at the regional government level, while others cited rapid devolution which left local governments with little knowledge of their responsibilities. There was clear agreement on the importance of analysing and understanding the local political economy and participants stressed the importance of local officers in donors and programmes that better understand the context. Relations with government figures also need to be carefully managed. Even if a programme doesn’t work extensively with the government, there needs to careful consideration of the right information to provide to keep them onside without giving away information that may be used against the programme. It is a struggle to ensure governments understand the MSD approach, though this was seen as more of a moral problem – practical focus needs to be more on what the programme will do, likely impacts and implications for the government.

Participants also briefly discussed the **potential and challenges of regional programmes**. Though these can theoretically make sense, in particular if markets are highly connected or a regional trade strategy is needed, the complexity of MSD programmes and need to deeply understand the local context and political economy may count against them. This was especially true in fragile states, where each local strategy needs to be specifically designed around often very different contexts, while trade links and barriers between countries can become increasingly fraught. In Burundi, for instance, some of its borders with Rwanda have been closed to trade in response to rising regional tensions.

Session 4- MSD programmes and broader donor trends

Several participants noted that at times internal agency negotiations can be their biggest daily challenge, more so than working with implementers or governments. In this session participants explored some of these challenges further – followed by donor coordination.

Making the case remains an important challenge. There were different views between participants on how well-supported MSD was within their agencies, in part reflecting differences between agencies but also individual experiences. Some felt that most of the arguments had been won, and saw considerable evidence of success and potential for more programming in the future as the approach is applied in middle income countries. However others were more concerned, noting trends away from MSD towards working with larger businesses. More support may be needed to make the case, in particular more evidence of success, but nuanced to different specific constituent needs. As one participant noted, the framing should not so much be about MSD per se but how it is a better way to achieve long term results and value for money.

Institutional challenges were also highlighted. A number of agencies were facing budget cuts alongside higher expectations of what aid funding could do, leading to significant staff shortages or staff being overworked. Though there is a move to agencies having more flexible rules, this is often constrained by culture and by more conservative key internal 'gatekeepers'. One participant noted that despite messages from headquarters to take more risks, in reality there is little appetite and the approach to risk management, especially fiduciary risk, remains conservative.

Competing agency priorities can constrain programming. Though some emerging priorities are agency specific, there are general trends across agencies, such as an increasing focus on how development can address donor country challenges, and growing interest in other financial modalities than grants and in structural transformation. Supporting young people and combating extremism appeared to be particularly important, leading to a push for programmes that support at risk youths to find jobs. An example was given of a programme that brought together a focus on youth, extremism and job creation. This meant more support for the programme, in particular from headquarters. However it meant more work for the implementer, with frequent ministerial visits that diverted staff from their day jobs.

The different goals created challenges for the programme as they pulled in different ways – to achieve economic development at scale, while also supporting young people, countering terrorism and working with communities. Focus on new trends can also discourage evidence-based programming as hot topics are brought together and set theories of change take hold which programmes are encouraged to buy into. One participant, for instance, noted a common view that lacks evidence, that more jobs reduce extremism. However others said that being able to juggle such priorities often comes down to donor experience, confidence and support, with another highlighting that though there was pressure from specialists in headquarters for particular additions, ('there are many Christmas tree projects out there with all kinds of ornaments'), at the country level donor staff often have a fair amount of control and need to stand up to such requests rather than handing a problem to an implementer.

There was a real recognition of the challenges of donor coordination, (with, for instance, several participants working in the same country asking why they had to come to the workshop to meet each other). A couple of country donor groups were highlighted as good examples that regularly met and support sharing of good practice and coordination. However their successes were limited and there did not appear to be more generalised lessons on good practice. This to some extent mirrors past analysis by the DCED on donor coordination, which highlighted some good examples including advocacy in one context to a new donor not to set up a new programme that would undercut another, but also found fairly weak incentives for donors to work together as they are reporting to parliaments not to each other. As coordination takes significant time, without incentives, it becomes dependent on individuals to drive it, while it needs a clearer value proposition for donors to attend. Multi-donor trust funds have been tried as a mechanism to increase coordination, but in reality these can be difficult to manage as donors can have very different procedures and degrees of localised responsibility.

Others highlighted a **lack of coordination between implementers.** One donor managing multiple implementers and types of programmes in one country tried to bring implementers together regularly. However it was a challenge to institutionalise this coordination as programmes were on different time lines and often were distorting each other's work. Implementers face few incentives to coordinate as they compete for markets and often try to brand their own work as distinctive when it is quite similar to others. Though little agreement was reached on good practice, participants generally felt charged to take such concerns and new networks back with them and see how they could increase coordination, looking across the role of donors, implementers and the government.

Session 5- Donor - implementer relationships

Though this session covered new ground above other sessions on donor-implementer relations, it also repeated some of the themes discussed earlier. These discussions have been kept here though to in part reflect that this session also gave the floor to implementers to share their experiences.

The session started off with a presentation that highlighted how **donor-implementer relations have become more administrative over the years**. For implementers, larger contract values have resulted in larger firms chosen for their process skills and financial standards but less technical specialisation. Technical specialists are often brought in through sub-contractors or junior partners. Implementers have tended to become more risk averse as they see little clear benefit from risk taking. Donors used to have more in house skills, but increasingly supervise a portfolio of contract managers. This risks losing the big development vision to rather focus on what is possible in a couple of years, with relationships between implementers and donors becoming more contractual, and conversations focusing on logframes and quarterly reports. To counteract this, implementers should recognise where donors have influence and use them, for instance to advocate to other donors or the government. As in session one, the importance of communication was stressed. Information should be regularly shared to ensure no surprises; while bad news can lead to a change in strategy and also help create trust as the other party sees that they aren't being shown only the good news. It is particularly important to record information on why decisions were made at key strategic points. More generally more space to discuss programme vision would be useful. Communication is very personality driven though and hard to institutionalise. An example was given where it was written into contracts when

there would be opportunity for shifts in strategy e.g. at annual reviews, so people would come to meetings prepared.
Relations are harmed by rapid staff churn. The presentation humorously caricatured the 'curse of the three year posting' as donor staff in their first year get up to speed and realise that they have inherited an ambitious but potentially high-risk programme; in year two, things might start to go wrong and there is an attempt to disengage; in year three, donors design their own ambitious high- risk programme; and year four, move to a new posting and the process starts again. The situation is mirrored at implementers, with frequent changes in staff and sub-contractors. In response, organisations need to invest more in transition plans for when people move. As staff move to new programmes, they should continue to support the programme they left, providing 'after-sales services'. An example was given of someone leaving a programme in Tanzania but staying on its steering group. As is increasingly currently happening, a bigger focus is needed on national programme officers who have more local knowledge and higher retention rates.

Implementers also highlighted **concerns but slow improvements in programme time scales and donor risk thresholds.** There is a pressure to deliver results quickly with the average programme length three to four years, potentially with a follow-on phase. This accentuates a focus on what is possible in the shorter-term and limits investment in staff development and transition plans. MSD projects need longer time scales and participants highlighted a positive move to six to seven years. Donor risk appetitive also varies considerably from donor to donor, by donor experience level and trust in the relationship and by context. This makes managing risk harder, but it was felt that overall the risk threshold is improving. Donors also need to be realistic about the risks they are willing to take in a particular sector or project, and ensure that they inform partners where they can take risks.

Donors also need to understand implementer-implementer relations. Bigger programmes increasingly require consortia to win bids, but these are not necessarily the best suited to implement. Implementers will aim to show that they are good friends, but often have little experience working together and at times don't work well together as each organisation pulls in a different way. This is a serious risk to both donors and implementers – both of which are increasingly aware of it. Donors should check if implementers have a successful history working together and get a sense of whether the team is more than the sum of its parts – and prioritise this in ToRs. Implementers need to take some responsibility as well and consider which partnerships they want to nurture.

Session 6- Results measurement

The right balance needs to be found between programme accountability and learning. Having agreed indicators is necessary to hold a programme to account, but may lock programmes into ineffective delivery or perverse incentives. Generally there was support for agreeing indicators late and being prepared to change them – in this regards, inception phases were seen by many as valuable periods to develop indicators. However, as discussed in Session 2, the challenge for donors is to know when indicator change is due to under-performance. There needs to be a clear rationale for the change and the change needs to be informed by rigorous analysis or reasoning. Very frequent changes would also be a cause for concern, while reducing the value of the indicators. Challenges with indicators also vary by level. An example was given of an overall programme outcome goal of reducing transport time across borders. This was good for effectiveness as it created a clear vision for the programme, but it was hard to measure and had many confounding variables. Indicators at the activity level are more verifiable and provide clearer accountability, though they can be game-able. How then do you create accountability around higher level results? Ideas suggested including holding programmes accountable for their processes (good analysis, proper facilitation) and application of a common measurement framework such as the DCED Standard for Results Measurement. Another was to ask programmes to define the expected systemic change before interventions start.

What is the appropriate level of programme reporting? Participants had different approaches, but generally thought quarterly reporting was too frequent. Most supported mid-year and annual reporting, with the former less likely to include reporting on outcome and impact indicators. However there was also a feeling that reporting quality could be increased, with participants noting a need for both quantitative and more qualitative data on how markets change. One programme was mentioned where an online dashboard had been developed which showed activities and was regularly updated with the latest available data, allowing donor staff to check-up on current results whenever needed.

There are moves to theory-based and embedded programme evaluations. One donor highlighted that his programme will not have a project baseline as they don't know where the final project will be and who it will focus on, making a counter factual for evaluation challenging. External independent evaluators, joining a programme for just a few weeks, can struggle to understand it, let alone evaluate it. More practically, there is a limited pool of available experts. There was support from a number of participants to move to theory-based evaluations, while at some donors, evaluation units are increasingly being involved in the start-up of projects and evaluations embedded into programmes. Though seen as a positive overall, this does raise issues around independence and incentives to report big numbers. It's also important to find a way to ensure complementarity between evaluation and programme results measurement.

Though it is often seen that evaluations look at higher level impacts, in MSD programmes results measurements systems these are likely to be more direct - and sector wide impacts may be an area where evaluations can provide valuable data. An example was given where to assess change in working practices in factories, a programme interviews those it works with, while the evaluators collected data from other businesses. However collecting data was a challenge for the evaluator, and the programme and evaluators appeared to have different theories of change.

Discussions touched upon more specifically what **the donor role should be in results measurement**. One implementer noted that the basics of a good results measurement should be broadly understandable to anyone, while there are limitations on what can be known even with the best resourced M&E team. Donors should not be focusing on technical measurement issues, and rather bring in experts. Instead they should focus on asking difficult questions e.g. what indicators are measured and based on what assumptions, and what are the underlying calculations. Programmes should be able to provide a spreadsheet of underlying calculations. If programmes cannot say how they got their results, donors should continue investigating.
Session 7 – Urban development, and jobs as a target

The session starting with a presentation that highlighted **the importance of MSD practitioners thinking about urban markets**. Eighty per cent of global economic activity is concentrated in cities and cities represent over half of new private sector jobs, despite being home to only 25 per cent of private sector employment. There is higher potential to transform economies from agriculture to more productive activities, while agglomeration economics in urban areas allows increased cost sharing by businesses, innovation to spread quicker and supply and demand to more easily match. However despite this, few programmes are working in cities. More at least partially operate in urban environments without seeing this as core to their work, but the large majority are focused in rural areas.

Programming in urban areas need to understand their unique characteristics, such as being particularly complex, closer to governments and often more closely governed, while more spatial concentration allows more synergies between sectors. Beneficiaries are also distinct with, for instance, more opportunities for women to find work, more mobility between income earning opportunities and the higher likelihood for people to have several of these opportunities. They also have distinct challenges, such as high population growth placing pressure on poorly performing infrastructure and public services, high levels of unemployment – in particular youth unemployment (e.g. 28.8 per cent in Dar es Salaam vs 11.7 per cent in Tanzania), many living in unplanned settlements, and most employment taking place in less productive sectors. A couple of examples were explored, including a new programme planning to focus on light manufacturing due to high potential, low capital intensity, synergies between sectors, and the potential to create many jobs. A more advanced programme highlighted the potential of working in waste management, in particular as there are less-skilled opportunities. Programme activities have involved working with recycling companies to attract them into the urban area, supporting young people to develop aggregation business models, connecting new aggregators to recyclers, and working with the government to provide more appropriate protective equipment.

Focusing on urban markets can also have significant impacts on rural-urban links. Examples were given of developing processing or markets in urban areas leading to increased demand from rural areas. For instance, a programme that helped an urban slaughterhouse to improve standards, lead to not just more jobs on-site, but new roles in transport, trading and higher incomes for rural producers. A more significant talking point was how urban development projects may encourage urban-rural migration and whether this was a positive. For instance, part of the rational of focusing on less formal and high skilled sectors is to absorb people moving in from rural areas. However such programming can also encourage more urban drift. Participants tended to support this, some noting such drift as historically key to poverty reduction. However there did not appear to be consensus, with other programmes aiming to reduce urban drift. Another approach prioritised secondary cities, leading to more shared national economic growth.

Targets for jobs programmes may need to be more modest. For these programmes, income gains based on productivity increases are secondary to job creation. An implementer noted that this meant he had a donor steer to move resources to other sectors if he sees efficiency gains in one sector are leading to fewer jobs. Overall it was noted that employment creation is not as easy as it is often presented, in part because increased competitiveness can reduce jobs. As such, donors should expect more modest targets, especially early on in projects. For instance, a programme aims to create 5,000 jobs. However in its final year it is likely to achieve 2,500 new jobs and it may only reach/exceed the target two years later. The suitability of targets might depend to some extent on definitions used and the approach to measurement. An example was given of a programme counting jobs where farmers had started to grow fish or soya commercially due to project activities. However another participant was critical of this looser definition, noting that they might already have jobs (and that this was more an incomes programme).

Session 8 – Inclusive programming, vulnerable groups

This session explored lessons learnt from several programmes on how they work to benefit particularly vulnerable groups. Even more than regular MSD programming, they noted a **need to invest in knowing these groups rather than making assumptions.** The most vulnerable groups face multi-dimensional causes of poverty, including poor education systems, long lean periods, high malnutrition rates and a lack of access to finance, that all interact with each other and need to be understood to design interventions. For instance, a programme looking at the potential to support disabled people has commissioned research to understand the current economic activity of disabled people – and not assume they are not economically active - and then explore how this can be improved via market dynamics. A participant from Uganda noted more generally a heuristic they use to manage programmes: imagine how their work will impact a 14 year old Ugandan girl.

The additional challenges faced suggest the potential need for more intensive support to such groups. All programmes worked with larger businesses, such as agri-input suppliers, to connect them to vulnerable groups in rural markets. However some specifically worked with communities to build up their capacity to the level where they were a market or source of interest to businesses and a sustainable business relationship could progress. More discussion on knowing when such intensive support is needed, if support can be too intensive and signs you are on the right track, would be valuable. Notably in the examples discussed they were working towards a long-term sustainable vision of markets working without their support. However more intensive support has significant implications for programming. It may cost more and so reduce value for money. More flexibility is likely to be needed in testing which approaches are most appropriate for vulnerable groups, understanding often distinct language or cultural barriers. For instance a programme started using a tried and tested participatory training approach to improve agricultural practices but found vulnerable groups needed more extensive training. It also found that exposure visits were powerful tools for change, in part due to lower literacy. It also may take longer to reach benefits. In one example, it took four years to see sustainable changes in the market, and then an additional two years to start seeing women participating at higher levels in the value chain. Overall expectations need to be more modest. Though systemic change is possible, it is hard to reach high numbers with such vulnerable groups. For the programme exploring support to the disabled, there was an awareness that ultimately a commercially sustainable approach here might not be feasible.

This suggests that programmes have to be clear on their priorities. An example showed where a programme has a target to create a large number of jobs, but at the same time a goal to benefit vulnerable young groups. This caused a dilemma; focusing on the most vulnerable groups would mean more intensive support. Benefiting larger numbers of women would involve extra considerations, such as supporting childcare and coaching for managers, and numbers would likely be smaller overall. In this case, the trade-off wasn't clear from the beginning and rather has been a learning process as the programme discovered that the people gaining jobs were not the most marginalised. This and other examples highlight the importance of a focused theory of change, while stressing to donors the importance of providing clearer messages on what is wanted and why.

2. Next steps

Feedback forms were filled in by 30 participants. The large majority believed their own or employer's investment in time and money to attend the workshop was a worthwhile investment. Most noted that they had have improved their skills or knowledge for designing or implementing MSD programme - in particular in managing relations and building trust with their implementer or donor counterpart, but also on adaptive management (in particular on building flexibility into ToRs and contracts), the need for larger time scales for MSD projects, and better appreciating the skills of the core implementing team. However, as perhaps no surprise from a peer-to-peer workshop, overall the larger gain appeared to be about being better connected to peers who can be reached out to for advice in the future.

When asked about next steps, there was greatest support for internships/exposure visits between programmes and agencies. It was noted that these were expensive and a next step may be to explore how effective these have been when carried out and the value for money. There was high demand for specific guidance for donors, which could potentially build on the ongoing work here by the SDC E&I Network. There was support as well for another such event.

There is interest, but at a lower level, for bringing in other stakeholders, such as procurement and commercial officers, and the private sector. As some of the key challenges across donor agencies were brought to light by the event, there may be value in diving deeper into some of these in a more structured way in future events. Future workshops could also start with a discussion of how MSD is defined, to focus the proceedings.