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Building capacity for market systems development

Policy paper

Luis E. Osorio-Cortes
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The BEAM Exchange
c/o PricewaterhouseCoopers LLP
7 More London Riverside
London SE1 2RT
United Kingdom
contact@beamexchange.org
www.beamexchange.org

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Executive summary

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

This paper is structured into three main parts: (i) the problem and the context; (ii) an analysis of possible solutions and (iii) recommendations.

The first section, explains the rationale behind this paper. The second section, discusses a set of options, which fall under four themes: (i) dialogue donors-implementers, (ii) procurement, (iii) core knowledge curriculum and (iv) organisational learning culture.

The final section proposes a strategy and a set of activities to improve the policy environment and stimulate investment in building capacity of market systems development (MSD) staff and organisational development of MSD implementers.

The proposed strategy focuses on the production of guidelines to improve procurement rules and procedures that incentivise better investments in capacity building, enable adaptive management, and boost the performance of MSD teams.

Production of the procurement guidelines will determine the sequencing and scope of the activities under the other themes mentioned above.

A group of advisors and procurement experts from the donors should come together to lead the production of such guidelines.

In time the benefits of better guidelines should be evaluated through comparisons of programme capabilities and performance. The guidelines will need to be continuously adapted to reflect lessons that emerge.

Consensus around the scope and content of the guidelines and their application could best emerge from policy dialogue groups, specifically convened and coordinated to produce and fine-tune the guidelines in different parts of the world.

1. Training and capacity building for MSD: a weak system

Increasing use of the market systems approach has led to a growing demand for skilled practitioners and high-performing teams.¹ However, **the current system of training and capacity building falls short of meeting the needs of programmes**. This constraint threatens to undermine the effectiveness and credibility of the approach.

In 2016, BEAM Exchange published a [study](#) to analyse the capacity building system for market system development (MSD) practitioners. It identified problems, weaknesses and gaps and the reasons behind them. It also identified innovations and good practices. The study also proposed a vision of a better system and how to move closer to it.

The study identified **root causes of dysfunction and three strategies to address them**.

Root causes:

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

Strategies to address them:

- Study and codify the practices that prominent market systems managers, contractors and donors use to build capacity of staff and create organisational environments that nurture high-performing teams.
- Provide resources that help trainers and other capacity builders to design, deliver and assess their services better.²
- Convene spaces for dialogue, strategic planning and collaboration between donors and implementing organisations,³ specifically on capacity building policies and investments and their effects on the performance of market systems programmes.

As a result of the findings of the study mentioned above, on 8th November 2016, BEAM convened a group of donors and implementers in London to:

- (i) discuss the effects of policies, investments and procedures on capacity building, and
- (ii) identify critical issues that require collaboration between donors and implementers.

This paper is based on both the results of the capacity building study and the conversations that took place during the London workshop.

1 BEAM's study estimated the out-sourced training market to be worth at least US \$ 1.0 - 1.5 million, serving around 1,000 trainees per year. This estimate excludes in-house training.

2 The focus of this strategy is not on MSD (i.e. concepts, methods, tools, case studies, etc.) *per se* but on capacity building issues (e.g. pedagogy, in-person and on-line training design and delivery, experiential learning, etc.) in the context of MSD practitioners and organisations.

3 These spaces have been provisionally called "Capacity building policy dialogue groups".

1.1 Main findings of the BEAM capacity building study

Summary: There is still a long way to go before all practitioners of market systems approaches get access to an appropriate and affordable mix of capacity building services in organisational environments that create and nurture high-performing teams. Creating this access depends on better understanding of what building capacity involves, and should be. The good news is that there are innovative and entrepreneurial trainers and educators working to respond to this unmet demand; exploring new methods, platforms and processes. There are also senior leaders who are creating the organisational conditions for skilled individuals to become high-performing teams.

- Donors are still the main drivers of the demand for training, either directly, through the procurement of training services, or indirectly, through programme budgets.
- Practitioners mainly learn by reading, and attending webinars and classroom-based training; but they want more mentoring and coaching
- A relatively small number of incumbent capacity building service providers have traditionally focused on in-person, classroom-based training. However, new providers are starting to offer a combination of in-person and virtual formats and coaching prices.
- There has been over-reliance on individual experts – such as team leaders and external consultants – who are expected to provide all the answers. Less importance has been given to cohesive, capable teams and the supportive organisational environments in which they operate.
- Several implementing organisations are creating internal capacity building units to support their staff. This is motivated by a (i) recognition that staff capacity and organisational learning are important sources of competitive advantages and (ii) strategic decisions to increase cost-efficiency, relevance and outreach.

1.2 Conclusions of the London workshop

Summary: There is a general deficit of communication and collaboration between donors and implementers during most phases of the programme cycle. The assumption that bureaucratic, arms-length procedures can resolve this deficit is quite problematic in practice. Donors and implementers would benefit from working more closely - as real partners - not just to address capacity needs for specific programmes but also to create an organisational ecosystem (culture, incentives, support mechanisms, etc.) that “produces” the necessary professionals. Both the immediate needs of MSD programmes and the longer-term needs of the private sector and government agencies requires professionals with experience in MSD.

- Much of the communication between donors and implementers during bidding and procurement is done at arms’ length, mediated by bureaucratic or highly formalised/rigid tools and procedures, such as templates and checklists. This hampers open, fluid and honest conversations aimed towards mutual understanding, learning and collaboration. It is also a lost opportunity to design, from the very beginning, better programmes that are well aligned with the needs of donors and the possibilities of implementers.
- Implementers feel that there is fragmentation between them and donors during implementation. Consequently, an ongoing and deeper engagement of donors’ technical staff with the programme teams would significantly contribute to the performance and adaptability of the latter. This also contributes to a better use of programme funds and impacts on the ground.
- Different donor staff require different types of knowledge and expertise. From basic levels for those who do not require a deep understanding of the technicalities of the approach (e.g. staff who must champion the approach and are required to make a convincing case to politicians and the media) to expert levels for donor staff who are deeply involved in the daily operations and decisions of MSD programmes.

- The term “capacity building” is loaded or misunderstood. For example, as an unnecessary investment to build skills that staff are expected to have before they are hired. Capacity building should be re-framed so that it is understood not just as training of individuals to do something they are expected to do but as a range of processes to improve what they already know, assemble and manage high-performing teams, and align skills and attitudes to specific contexts and sectors.
- Implementers should be assessed not on the basis of the CVs of the personnel they “secure” before they win the bids but on how their organisational ecosystem enables and boosts the performance of their teams, in particular the organisational processes they have in place to train, mentor and coach their staff.
- Donors are under pressure to show that their funds are well used. Capacity building is relatively distant to poverty impacts on the ground. More efforts should be made to make the case for more and better capacity building to the public, politicians, the media and other key stakeholders.
- Capacity building should be included in project’s budgets rather than considered an overhead that implementers should cover fully.

2. Options for strengthening capacity building systems

Building capacity for market systems development is a complex issue with multiple stakeholders, interests, perspectives, incentives and narratives. It is both technical and political. Furthermore, there is quite a lot at stake; from organisational and personal reputations, to the competitiveness and financial survival of large agencies and organisations. Consequently, there could be more than one strategy (interventions, sequencing of activities, “entry points”, etc.) that lead to a sustainable supply of competent professionals and high-performance MSD teams. It is likely that when the strategy proposed here is set in motion, the (capacity building) system will adapt and change; creating new entry points and opportunities for other strategies.

The complexity and dynamism of the capacity building system for MSD requires an ongoing and flexible collaboration between donor agencies, implementing organisations and other key stakeholders (such as professional trainers) and adaptive management and adaptable strategy.

The discussion of policy options in this section presents a set of interventions that could represent a feasible and coherent strategy. These revolve around the following themes:

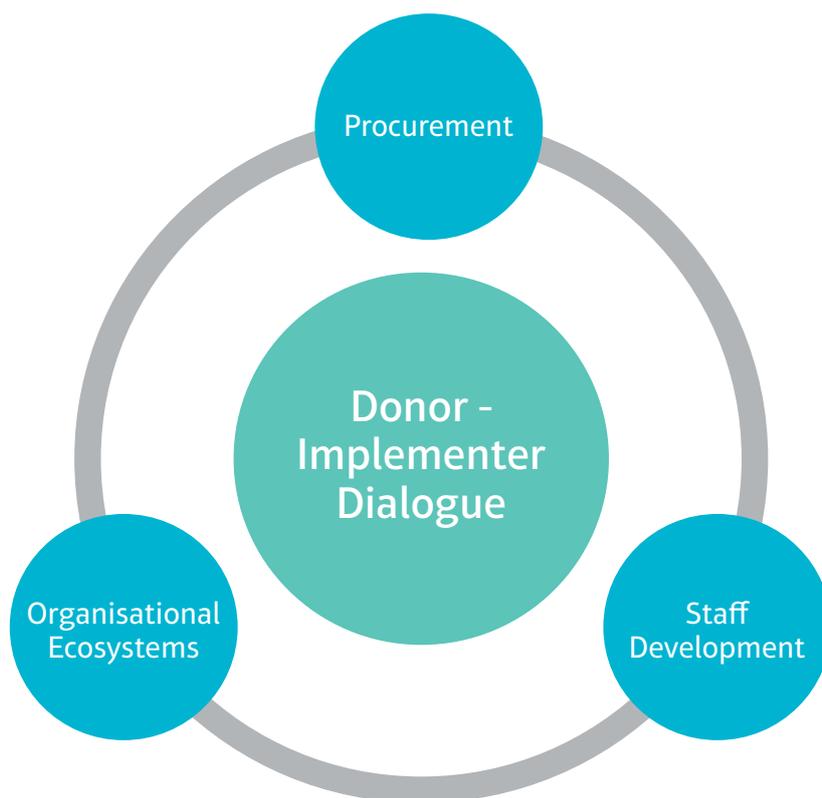
- **Donor-implementer dialogue:** regular meetings for improved collaboration and synergies about capacity building policies and investments.
- **Procurement guidelines:** guidance for good practice and procedures.
- **Core knowledge / training curricula:** promote training curricula, innovations, and business models to reduce costs of skills development.
- **Organisational learning cultures:** policies and practices that create conducive conditions for MSD teams to improve their performance.

Periodic dialogue between donors and implementing organisations, specifically about building capacity for market systems development, can be the source of policies and investments that adapt to challenges in different contexts (e.g. workplace cultures, educational systems, sectors/ subsectors, availability of skilled practitioners, rules that influence partnerships with the private and public sectors, etc.).

As new challenges and opportunities arise, new policies, adjustments to current policies and new investments become necessary. Monitoring the effects of such policies and investments and agreeing on the innovations or modifications required requires a concerted effort between donors and implementers because of the complementarity between their functions and expertise.

Periodic dialogue between donors and implementers is central to the strategy. The issues in the periphery may change but open and constructive dialogue will always be needed to sustain an effective capacity building system for the MSD field.

Fig 1: The central role of periodic donor-implementer dialogue and policy areas these should address.



2.1 Dialogue between donors and implementers

Aim: The most active and innovative donors and implementing agencies meet regularly to monitor and improve policies and investments on building capacity for MSD.

Activities:

- Continue convening donors and implementing organisations regularly. The participants should be representatives who are deeply involved in policy, planning and implementation of capacity building strategies.
- Promote similar dialogue groups in other countries and regions through national and regional MSD-related networks and groups to convene the participants.
- Create low-cost, simple mechanisms to allow groups to know what each other are talking about and planning.

2.2 Better procurement guidelines

Aim: Improve procurement rules and procedures to incentivise investment in capacity building, enable adaptive management, and create good conditions for high-performance teams.

Activities:

- Produce a set of guidelines based on good practices and innovations on tendering and procurement for MSD programmes. More details about this activity can be found in the next section.
- Produce case studies and cost benefit-analyses to evidence the public value of greater investment in capacity building of local staff.⁴

⁴ For example, “Are UK aid contractors doing enough to make local firms competitive?” <https://goo.gl/0qXZsq>

2.3 Core knowledge and training curriculum development

Aim: Develop and promote adoption among implementers and training service providers of a core body of knowledge, a training curriculum, for MSD practitioners.

Activities:

- Support and encourage leading implementers to share their training curricula and agree on a core body of knowledge that becomes the norm and that, therefore, does not create competitive advantages. Such body of knowledge could be supported and promoted by both implementers and donors as a public good and a roadmap for graduation processes.
- Promote knowledge about methods⁵ for assessing competency gaps and developing processes to close them. Absorb lessons from good practices and innovations in the human resources and talent development fields.
- Study and promote innovations and services that reduce the costs of building capacity building. For example: explore cost-sharing partnerships between national government agencies and MSD programme implementers for organisational capacity and skills development.

2.4 Organisational learning culture

Aim: Establish strong incentives for implementers to create and maintain organisational cultures that nurture staff skills and boost the performance of MSD teams.

Activities:

- Incorporate advice in the procurement guidelines to incentivise implementing organisations to invest in internal capacity building and organisational environments that raise the performance of MSD teams. For example, bidding criteria might include assessment of implementers staff development plans and capacity building systems.
- Document organisational innovations that are providing staff with advice in real time, enabling staff to learn on the job and creating environments for peer learning and collective problem-solving.⁶
- Study examples of organisations that are successfully building high-performance teams with a good understanding of local contexts and relevant technical skillsets. How are they doing it? What are the costs and benefits they perceive? How do they monitor performance and assess impacts?

⁵ For example, Groove Network's competencies matrix and self-assessment method <https://beamexchange.org/re-sources/324/>

⁶ For example, Mercy Corps' Just-in-Time information desk, ASI's Technical Support Unit, BEAM and SEEP's Market Facilitation Clinics and DAI's training of trainers' scheme

3. Recommendations for strategic and early activities

The strategy and activities proposed here take into account the advice and interests of donors, implementers and other experts who participated in the production of the capacity building study and the London workshop.

To be pragmatic, strategy to improve policies and investment in capacity building will have to **focus on a small subset of the above activities** appealing to both donors and implementers. These should represent “low-hanging fruit” that can be implemented relatively quickly, with high visibility and expected impact, and that require the collaboration of donors and implementers, with inputs from other experts, such as professional trainers and field practitioners.

The first objective should be production of Procurement Guidelines. This is practical (scope- and time-bound), purposeful and impactful (they will have important impacts on the implementers’ performance). The objective is to promote changes in procurement rules and procedures that incentivise investment in capacity building, enable adaptive management, and create the conditions for high-performance teams.

The guidelines could address several issues, including recruitment and staff training, the composition of teams as programmes evolve, incentives for on-going training and coaching, organisational culture, and how to assess impact of capacity building investments.

Donors and implementers are increasingly aware of the need to have procurement principles, rules and procedures that enable adaptive management of MSD programmes⁷. However, the priority emphasis should be on capacity building, and how procurement affects personnel recruitment,⁸ staff development and team performance.

The guidelines should capture both current and emergent practices from donors and implementers. They could also showcase ground-breaking ideas, tools or methods that can inspire decision-makers to improve procurement processes in their own organisations.

Procurement policy is a politically sensitive issue, where change requires leadership within donors and implementers, and careful advocacy among other stakeholders. In some cases, changes will be of public interest and the media may play a key role. New guidelines are a first - but important - step towards a broader and longer debate and an inevitable advocacy process.

The following issues are examples of what the guidelines could cover:

- **Discussion of why procurement practices and scoring criteria matter:** Explanation of how these affect the capacity building investment behaviour of implementers. A procurement environment that enables greater consultation and trust building is less wasteful of implementers’ resources, and leads to better value for donors.
- **How to write tender documents that enable capacity building:** Including, for example, specification of team skills, investment in skills development, realistic timetables for team building and orientation.
- **How to incorporate capacity building investment in programme design:** Including, principles and mechanisms for promoting more effective, dialogue and negotiation of capacity building aspects of project designs.
- **How to set up effective consultation procedures during tender processes:** Including model procedures for implementers to raise queries about, or address challenges related to

⁷ For example, DFID’s Smart Rules and Global Learning for Adaptive Management (GLAM) and USAID’s Localworks and CLA Policy.

⁸ See also BEAM’s study, ‘The road to adaptive management’ on the influence of procurement policy on team management culture. <https://beamexchange.org/resources/776/>

- capacity building in the ToRs for tenders.
- **How to describe capacity building investment plans in proposals / bids:** Including what donors tendering for MSD programmes expect to see included regarding capacity building in proposals. Principles, examples, tips and recommendations.

The guidelines should be written by donor staff, with inputs from MSD implementers and procurement experts. People on the bidding end of the procurement process should be consulted too. Their production will be the driver for implementation of other activities.

The production of **the procurement guidelines will be the driving and organising force** for the implementation of the other activities. Practical implications include:

- The policy dialogue group that met in London in November 2016 takes the lead in coordinating production of the procurement guidelines.
- The BEAM Exchange should aim to convene similar groups in other parts of the world - initially with the objective of adding diverse local experience and perspectives to the process. Latin America, South Asia, East Asia/Pacific and Eastern Africa already have MSD networks that connect donors, implementing organisations and other relevant experts.
- If the Guidelines require examples to illustrate specific points or evidence to support specific recommendations, then case studies or cost-benefit analyses may be commissioned, but this is not a priority.
- Existing resources, such as academic papers, reports, webinar recordings, evaluations, tools and blogs will be used as needed to feed into the Guidelines. These resources will be identified through consultations with experts.
- This process requires international coordination – for example by the BEAM Exchange – and the support of local policy group facilitators, to ensure national/regional groups achieve synergies in the development of guidelines and advocacy for their use in procuring MSD programmes.

4. Summary conclusions

Low availability of qualified staff and high-performing teams has become one of the main bottlenecks to the expanding application of market systems development approaches.

It is urgent that the international and local stakeholders come together to shape, fund and inform structural improvements in the system for capacity building. The impact and credibility of the MSD industry depend on it.

There is a demand amongst key donors, larger implementers and trainers for mechanisms and spaces where knowledge sharing, dialogue and convergence takes place on a regular basis. However, these stakeholders want to go beyond advocacy; they demand concrete strategies and actions that can trigger structural transformations and investment to nurture more skilful staff and high-performing teams.

This paper proposes that a driving and organising force for structural improvements and investment could be the collaborative creation of common procurement guidelines covering the capacity building aspects of MSD programmes.

A group of advisors and procurement experts from the donors should come together to lead the production of such guidelines. They will need to be in regular consultation with MSD and business development experts from large implementing organisations, MSD trainers and capacity building experts.

In time the benefits of better guidelines should be evaluated through comparisons of programme capabilities and performance. The guidelines will need to be continuously adapted to reflect lessons that emerge.

Consensus around the scope and content of the guidelines and their application could best emerge from policy dialogue groups, specifically convened and coordinated to produce and fine-tune the guidelines in different parts of the world.