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Sida Evaluation

Itad

# Evaluation of the market systems development approach

Lessons for expanded use and adaptive management at Sida

Volume II: Case studies



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The views and interpretations expressed in this report are the authors' and do not necessarily reflect those of the Swedish International Development Cooperation Agency, Sida.

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# Foreword

Development processes are increasingly recognized as complex and non-linear, involving multiple actors, potential power struggles and behavior change – rather than a ‘mere’ addition of physical, financial and human resources. This poses a challenge for the way international development assistance has traditionally been programmed, implemented and followed up; at the same time, it opens doors for new partnerships and ways of working.

The Doing Development Differently (DDD) community – a network of development professionals in funding agencies, civil society organizations, government bodies and consultancies from a wide range of countries and sectors – has distilled a set of key principles for achievement of sustainable results. These include locally owned problem formulation, mobilization of a wide spectrum of relevant stakeholders, iterative and adaptive programming, and risk management by taking ‘small bets’. But what does it take for a donor agency such as Sida to fully work in this spirit? How to strike a balance between on one hand the need for accountability, foresight, minimal risk, and formalized ways of working induced by its public mandate, with on the other the need for continuous learning, high quality risk management, and an ability to adjust programs and partnerships to better reflect the processes of development it engages in?

To shed further light on this, Sida commissioned an evaluation in 2017 to draw lessons from its past and present management of projects that apply a Market Systems Development (MSD) approach. The MSD approach embraces the DDD principles and Sida has used it in various forms in its programming for two decades, that is, during varying internal and external regulatory and procedural regimes. Currently, it is being applied in an increasing number of sectors and Sida partner countries. The evaluation had the dual purpose of (i) contributing to the improvement of future MSD programming, and (ii) to generate recommendations on how Sida may create conducive conditions for systems approaches and adaptive management more generally.

We wish to express our thanks to the evaluation team and gratitude to all individuals – including staff in Sida and its partner organizations – who have invested time and interest in the evaluation. The evaluation process served as a learning tool for Sida and an opportunity to reflect on our own ways of working. The evaluation has informed a review of Sida’s rules, procedures and practices that was ongoing in parallel, and fed into the formulation of Sida’s Vision 2023 by identifying areas critical for strengthening the capacity of the organization to work adaptively with market systems development and beyond.

Sven Olander  
*Head of Evaluation Unit*

# Tables of Contents

|  |             |
|--|-------------|
| <b>Foreword</b> .....  | <b>ii</b>   |
| <b>Tables of Contents</b> .....  | <b>iv</b>   |
| <b>Abbreviations and acronyms</b> .....  | <b>vi</b>   |
| <b>Preface</b> .....   | <b>viii</b> |
| <b>Introduction</b> .....  | <b>1</b>    |
| <b>EnterGrowth (Sri Lanka)</b> .....   | <b>4</b>    |
| <b>Musika (Zambia)</b> .....   | <b>10</b>   |
| <b>Project on Rural Economic Development and Markets for The Poor (Guatemala)</b> .....      | <b>18</b>   |
| <b>GROW (Liberia)</b> .....  | <b>29</b>   |
| <b>Road to Jobs (Afghanistan)</b> .....  | <b>39</b>   |
| <b>Stimulating Private Sector for Inclusive Economic Development (Afghanistan)</b> .....     | <b>45</b>   |
| <b>Women and Financial Inclusion (Zambia)</b> .....  | <b>53</b>   |
| <b>Agricultural Markets Development Trust (Tanzania)</b> .....                               | <b>63</b>   |
| <b>Women’s Economic Empowerment Through Strengthening Market Systems, (Bangladesh)</b> ..... | <b>70</b>   |
| <b>Promoting Decent Work in Rwanda’s Informal Economy (Rwanda)</b> .....                     | <b>81</b>   |
| <b>Livelihood Improvements for Women and Youth (Ethiopia)</b> .....                          | <b>89</b>   |
| <b>Annexes</b> .....   | <b>100</b>  |

## **Table Index**

|   |    |
|---|----|
| Table 1: Case study project sample.....                         | 1  |
| Table 2: Summary of case study RAG ratings .....                | 3  |
| Table 3: AMDT RAG rating analysis .....                         | 68 |
| Table 4: EnterGrowth RAG rating analysis .....                  | 8  |
| Table 5: GROW RAG rating analysis.....                          | 37 |
| Table 6: Decent work RAG rating analysis .....                  | 87 |
| Table 7: Road to Jobs RAG rating analysis .....                 | 43 |
| Table 8: SPEDA RAG rating analysis .....                        | 51 |
| Table 9: WEESMS RAG rating analysis .....                       | 79 |
| Table 10: WIN RAG rating analysis .....                         | 61 |
| Table 11: LI-WAY RAG rating analysis .....                      | 98 |
| Table 12: Musika RAG rating analysis .....                      | 17 |
| Table 13: Strategic changes of PRODERT II to PRODERT Plus ..... | 22 |

Table 14: PRODERT RAG rating analysis..... 24

# Abbreviations and acronyms

|          |   |
|----------|---|
| AAER     | Adopt-Adapt-Expand-Respond  |
| AKF      | Aga Khan Foundation   |
| AMDT     | Agricultural Markets Development Trust  |
| ASI      | Adam Smith International  |
| CORE     | Committee for Review  |
| CRS      | Catholic Relief Services  |
| DCED     | Donor Committee for Enterprise Development  |
| DFID     | Department for International Development (UK)   |
| EMPODERA | Economic Empowerment of Youth and Indigenous Women in Guatemala                           |
| FNDP     | Fifth National Development Plan   |
| FSDT     | Financial Sector Deepening Tanzania   |
| FSDZ     | Financial Sector Deepening Zambia   |
| GoL      | Government of Liberia   |
| GTP      | Growth and Transformation Plan  |
| HQ       | Head quarters   |
| ICT      | Information and Communication Technology  |
| ILO      | International Labour Organisation   |
| IMD      | Inclusive Market Development  |
| ITT      | Invitation to Tender  |
| LI-WAY   | Livelihoods Improvement for Women and Youth   |
| M&E      | Monitoring and Evaluation   |
| M4P      | Making Markets Work for the Poor  |
| MACO     | Ministry of Agriculture and Cooperatives  |
| MIFOTRA  | Ministry of Public Service and Labour   |
| MRM      | Monitoring and Results Measurement  |
| MSA      | Market Systems Analysis   |
| MSD      | Market Systems Development  |
| MSE      | Micro and Small Enterprises   |
| MTR      | Mid-term Review   |
| NGO      | Non-governmental Organisation   |
| OECD DAC | Organisation for Economic Co-operation and Development's Development Assistance Committee |
| PIC      | Project Investment Committee  |
| PRODERT  | Project on Rural Economic Development and Markets for the Poor                            |
| PROFIT   | Production, Finance and Technology Program  |

## ABBREVIATIONS AND ACRONYMS

|            |   |
|------------|---|
| QAC        | Quality Assurance Committee                                       |
| RAF        | Results Assessment Framework                                      |
| RAG rating | Rating assessment based on red, amber and green colours           |
| RBM        | Results-based Management  |
| SDC        | Swiss Agency for Development and Cooperation                      |
| SIYB       | Start and Improve Your Business                                   |
| SME        | Small and Medium-sized Enterprises                                |
| SNV        | Netherlands Development Organisation                              |
| SPEDA      | Stimulating Private Sector for Inclusive Economic Development     |
| TAF        | The Asia Foundation   |
| TNS        | TechnoServe   |
| UN         | United Nations  |
| USAID      | United States Agency for International Development                |
| WCDRM      | Wealth Creation Development of Rural Markets Program              |
| WEE        | Women's Economic Empowerment                                      |
| WEESMS     | Women's Economic Empowerment through Strengthening Market Systems |
| WFP        | World Food Programme  |
| WIN        | Women and Financial Inclusion                                     |

# Preface

This evaluation has been undertaken by an independent team from Itad. It was commissioned by the Chief Evaluator's Team at the Unit for Thematic Support and Evaluation at Sida's Department for International Organisations and Policy Support, subsequently the Evaluation Unit at the Department for Organisational Support.

The evaluation was managed by a Steering Group at Sida composed of Pernilla S. Rafiqui (Senior Monitoring and Evaluation Specialist), Gun Eriksson Skoog (Senior Policy Specialist for Employment), Åsa Heijne (Senior Adviser for Market Development), and Karolina Hulterström (Head of Unit for Learning and Organisational Development).

The authors would like to thank the Steering Group and the many others who have provided valuable contributions to the evaluation (listed in Volume 1, Annex 3).

# Introduction

Sida has appointed Itad to undertake an evaluation of its management of the market system development (MSD) approach. The evaluation was conducted between January and August 2018.

It has a dual purpose:

1. To contribute to improved MSD programming by Sida through better management practices across the project cycle.
2. To generate recommendations on how Sida can create conducive conditions for systems approaches and adaptive programming more generally.

The evaluation report consists of two volumes. This document (Volume 2) contains eleven case study reports. Volume 1 contains the main evaluation report.

## CASE STUDIES: OVERVIEW

The case studies looked at eleven MSD projects funded by Sida (see Table 1 below).

For each project, they assessed Sida's management, the implementing partner's role, and mutual responsibilities at each stage of a generic project cycle, including design and approval; partner selection; agreements and contracts; implementation and management; results-based management (RBM); and evaluation.<sup>1</sup>

The case studies included a combination of desk reviews and country visits. The desk reviews drew on existing documentation and monitoring data, and a limited number of key informant interviews for all of the eleven projects and the country visits enabled the team to delve deeper into four of the case studies across the three countries (Guatemala, Zambia and Ethiopia).

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<sup>1</sup> Not all steps in the cycle are sequential. For example, '(1) Design and approval' and '(2) Partner selection' often occur iteratively and in tandem; and '(5) Results-based management' is an integral part of '(4) Implementation and management'.

**Table 1: Case study project sample**

| Country            | Project  | Years     | Case study type |               |
|--------------------|--|-----------|-----------------|---------------|
|                    |  |           | Desk study      | Country visit |
| <b>Sri Lanka</b>   | EnterGrowth  | 2005-2009 | √               |               |
| <b>Zambia</b>      | Musika   | 2011-2021 | √               | √             |
| <b>Guatemala</b>   | Project on Rural Economic Development and Markets for the Poor (PRODERT)   | 2013-2021 | √               | √             |
| <b>Liberia</b>     | GROW   | 2014-2018 | √               |               |
| <b>Afghanistan</b> | Road to Jobs   | 2014-2018 | √               |               |
| <b>Afghanistan</b> | Stimulating Private Sector for Inclusive Economic Development (SPEDA)      | 2015-2020 | √               |               |
| <b>Zambia</b>      | Women and Financial Inclusion (WIN)  | 2016-2019 | √               | √             |
| <b>Tanzania</b>    | Agricultural Markets Development Trust (AMDT)                              | 2016-2020 | √               |               |
| <b>Bangladesh</b>  | Women's Economic Empowerment through Strengthening Market Systems (WEESMS) | 2016-2021 | √               |               |
| <b>Rwanda</b>      | Promoting Decent Work in Rwanda's Informal Economy (Decent Work)           | 2017-2020 | √               |               |
| <b>Ethiopia</b>    | Livelihoods Improvement for Women and Youth (LI-WAY)                       | 2017-2022 | √               | √             |

The detailed methodology used for the case studies is presented in Volume 1.

## CASE STUDIES: SUMMARY OF ANALYSIS

Analysis was carried out in the inception phase to determine what the specificities of the MSD approach imply for funders' management of such projects (see Volume 1). The case studies built on this analysis to assess how well Sida handled the requirements at each stage of the project cycle. A corresponding RAG (red, amber and green) rating was assigned to each stage of the project cycle, as summarised in Table 2. In some cases, there was either insufficient evidence to make a judgement or the project had not yet reached the stage in the project cycle for a judgement to be made. Detailed narrative to explain the judgements are provided in the respective case study reports later in this document.

**Table 2: Summary of case study RAG ratings**

| Project      | Country     | Design, approval, partner selection | Agreements, contracts | Implementation, management | RBM | Evaluation |
|--------------|-------------|-------------------------------------|-----------------------|----------------------------|-----|------------|
| EnterGrowth  | Sri Lanka   | ●                                   |                       | ●                          |     | ●          |
| Musika       | Zambia      | ●                                   | ●                     | ●                          | ●   | ●          |
| PRODERT      | Guatemala   | ●                                   | ●                     | ●                          | ●   | ●          |
| GROW         | Liberia     | ●                                   | ●                     | ●                          | ●   | ●          |
| Road to Jobs | Afghanistan | ●                                   | ●                     | ●                          | ●   | ●          |
| SPEDA        | Afghanistan | ●                                   | ●                     | ●                          | ●   | ●          |
| WIN          | Zambia      | ●                                   | ●                     | ●                          | ●   | ●          |
| AMDT         | Tanzania    | ●                                   | ●                     | ●                          | ●   | ●          |
| WEESMS       | Bangladesh  | ●                                   | ●                     | ●                          | ●   |            |
| Decent Work  | Rwanda      | ●                                   | ●                     |                            |     |            |
| LI-WAY       | Ethiopia    | ●                                   | ●                     | ●                          | ●   |            |

# EnterGrowth (Sri Lanka)

## Project overview

EnterGrowth was designed as a multi-faceted local enterprise development project, responding to a variety of constraints to economic growth and development that were identified with key stakeholders within the four targeted districts. The project's overall development objective was "to contribute to the generation of pro-poor economic growth and quality employment for women and men in the North West and North Central provinces". The project had three immediate objectives:

- Market access: improving market access for micro and small enterprises (MSEs).
- Business environment: creating a more conducive policy regulatory and legal environment for MSEs.
- Enterprise culture: improving attitudes towards business and entrepreneurship.

At the national level, it had a fourth immediate objective:

- Business development services: Greater access countrywide to market-led, sustainable business services for MSEs.

The project was managed by a team established by ILO, with a headquarters in Colombo and four small district offices managed by full-time district managers.<sup>2</sup>

## Design, approval and partner selection

The EnterGrowth project was initiated at a time when Sida was doing very little on market systems development. However the Program Document is closely aligned with the MSD approach. It outlines the analysis of constraints for the MSE sector and outlines the program's participative and inclusive approach to planning and developing its specific interventions, to ensure a high degree of relevance and ownership. Despite this, neither Sida nor the ILO were cognisant of the MSD approach during the design phase and it was only as a result of an evaluation (see section below) that this project was identified as using elements of the MSD approach.

The EnterGrowth program was designed in part, to support and ensure the sustainability of the ILO/Sida Start and Improve Your Business (SIYB) project in Sri

**Years:** June 2005 – September 2009

**Country / Region:** Sri Lanka

**Implementing organisation:** ILO

**Budget:** USD 5 million

**Co-funders:** None

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<sup>2</sup> The Springfield Centre (2007). Strategic Review of ILO Enter-Growth Project Sri Lanka: Final Report.

Lanka, which started in 2000 and was in its second phase of operations at the time. An independent project review conducted in 2003 concluded that sustainability at the partner organisation level may be reached; however a strategy for national sustainability was, at the time, not yet in place. While this had since been addressed by SIYB, assistance was required to make the SIYB program fully sustainable and a number of EnterGrowth's objectives specifically focus on the SIYB program.<sup>3</sup>

The ILO utilised existing research to inform the Program Document, validated this analysis and took stock of the actual situation of MSEs in the intended program areas through consultations with stakeholders, including: micro and small entrepreneurs, business associations and chambers of commerce and industry, development banks, provincial and district authorities. They also carried out a small survey of some 200 rural micro-enterprises.<sup>4</sup>

Based this, the program outlined three key thematic entry points, which were:

- Improving market access, including through developing a vibrant market for business services.
- Developing an enabling policy, legislative and regulatory environment at local level.
- Strengthening enterprise culture.<sup>5</sup>

While the Program Document specified the thematic entry points, it left open the specific sub-sectors and intervention areas. The Program Document envisaged that 3 to 4 sub-sectors per district would be selected during implementation, based on analysis of which sectors had high potential for growth and poverty reduction. The Program Document also specified that the program would support approaches and services that were likely to benefit women, select sub-sectors which offered opportunities to women, and addressed gender bias among officials and service providers.<sup>6</sup>

Additional flexibility was built in at this stage, stating the program would not be limited to these sub-sectors, noting that significant economies of scale can be realised by building more generic capacities around the work specific to the sub-sector, and by developing tools that could be utilised more broadly, in particular in the area of productivity improvement.<sup>7</sup>

This flexible approach was identified as an important enabling factor for EnterGrowth, as it allowed the project to make changes in approach and to activities without encountering restrictive approval procedures.<sup>8</sup>

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<sup>3</sup> ILO (2005). Program Document: Micro and small enterprise development for pro-poor growth in Sri Lanka.

<sup>4</sup> Ibid.

<sup>5</sup> Ibid.

<sup>6</sup> Ibid.

<sup>7</sup> Ibid.

<sup>8</sup> The Springfield Centre (2009). The Enter-Growth Project Sri Lanka: Applying a market development lens to an ILO local enterprise development project.

At Sida the process was led by the embassy in Colombo with support from Sida HQ. Despite this flexibility in scope, key informants could not recollect any major challenges in the project approval process at Sida. During the process the absence of a local partner raised questions about ‘ownership’ and it was known that at least one key individual in the approval process was not clear what the project was to achieve but this did not create any major stumbling blocks.

Key informants noted some capacity gaps within the ILO, stating they were not ‘open minded’ to the approach at first. However, Sida, with the support of an external consultant, sought to promote a new approach to the design.

### **Agreements and contracts**

The agreement was not made available to the evaluation team. The project was funded over 10 years ago and therefore key informant’s recollection of this stage was limited and they did not recall any challenges during this stage. However, legal agreements with United Nations (UN) organisations are often subject to their own rules and were likely to be less influenced by Sida’s organisational capacity at the time.

### **Implementation and management**

Sida was on the Steering Committee, chaired by the ILO country director and with representatives of government, workers’ and employers’ organisations, private sector organisations and chaired by the ILO country director. While Sida would give strategic input, they and the ILO office were very hands-off in implementation, enabling the project team to be flexible and responsive in its approach, which was identified by the case study<sup>9</sup> as an important enabling factor for EnterGrowth.

The capacity and integrity of the project team were identified by key informants as key factors in the program’s success. This was also identified by the case study. Noting the

*high calibre of the project team, at head office and in the four district offices, and the facilitative management style of both Project Managers, were key factors in the project’s ability to effectively adopt a light touch approach, to be flexible to market and partner needs, build positive relationships with stakeholders (especially in the face of expectations of a more interventionist approach), to work in a variety of sectors, and to build local ownership.<sup>10</sup>*

Key informants explained how this built trust between Sida and the ILO in Sri Lanka. The ILO project team were analytical and open about mistakes. Sida had regular meetings with the ILO Office in Colombo and followed the program closely through ad hoc communication. Sida went on several field trips and this management approach facilitated an open approach to communication. One key informant believed the success of the project was down to the mindset of the people working on the project, not necessarily Sida’s policies or systems.

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<sup>9</sup> Ibid.

<sup>10</sup> Ibid.

Importantly, when the project required knowledge and capacity that was not available in the core project team, the budget was sufficiently flexible for EnterGrowth to identify and recruit appropriate technical and specialist expertise to help with the variety of elements in the program. For a multi-faceted and innovative project, requiring a variety of technical expertise, this was very important.<sup>11</sup>

## **RBM**

The Program Document outlines an approach to RBM that is consistent with the MSD approach. The Program Document includes a logical framework, outlining indicators and quantitative targets in many cases. While many of the indicators do not measure a systemic ambition, it is clear that attempts have been made to integrate sustainability considerations where possible. For example, the indicator of achievement at the highest level of the logframe (overall objective/development objective) was set to be measured two to three years after program completion and many of the indicators at lower levels of the logframe also seek to measure proxies for systemic change.

The Program Document also outlines how the RBM system will be used to inform learning and adaptation. For example, progress towards implementation was measured in relation to the work plans: At the top level, a global work plan for the three-year period was used but below this, detailed annual work plans were used, which were updated on a quarterly basis, and district work plans were also developed that reflected activities specific to the district that have come out consultations with local stakeholders. This represents an iterative and context-specific approach to planning and measuring progress.

While the program had a formal RBM approach, it is clear from key informant interviews that the emphasis of the RBM system was not on the logframe. The program was able to promote a culture of learning and adaptation and the project made considerable efforts to document its progress, achievements and lessons learnt. The case study<sup>12</sup> remarked on the considerable number of monitoring and impact reports produced, particularly in the second half of the project period after the mid-term review. Significant here is the project team's use of these reports, to help refine and, in some cases, adapt its approaches.<sup>13</sup>

## **Evaluation**

At the Steering Committee's request, the project was the subject of a mid-term strategic review. The Springfield Centre was commissioned to carry out the review, which was seen as a very valuable process for the project team.

The evaluation not only took account of the project's adaptive and non-linear nature, it identified the project was using elements of the MSD approach. By identifying this,

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<sup>11</sup> Ibid.

<sup>12</sup> Ibid.

<sup>13</sup> Ibid.

the project increasingly adopted market development approaches and evolved into an ILO version of a market development, or M4P, project.<sup>14</sup>

**Conclusion**

This flexible approach was identified as an important enabling factor for EnterGrowth as it allowed the project to make changes in approach and to the activities, without encountering restrictive approval procedures.<sup>15</sup>

The capacity and integrity of the project team and the fact the ILO project team were analytical and open about mistakes built trust between Sida and the ILO in Sri Lanka. Sida had regular meetings with the ILO Office in Colombo and followed the program closely through ad hoc communication. This allowed Sida to provide strategic input but be hands-off in the implementation, enabling the project team to be flexible and responsive in its approach.

Importantly, the budget allowed for technical and specialist expertise to be brought in when needed. This was important for supporting the capacity of the team.

**Table 3: EnterGrowth RAG rating analysis**

| Requirements of the MSD approach at each stage of the project cycle  | Our judgement on how well the requirements have been met  | RAG rating  |
|--|---|---|
| <p><b>Design, approval and partner selection</b></p> <ul style="list-style-type: none"> <li>• Emphasis on flexibility, experimentation and adaptation in project design.</li> <li>• In-depth diagnosis required to inform intervention design, although this often occurs after contracting (e.g. during an inception phase) and on an ongoing basis thereafter.</li> <li>• Partner selection should include consideration of organisation’s capability as a ‘facilitator’ and ability to innovate.</li> </ul> | <ul style="list-style-type: none"> <li>• Very flexible design, supportive of MSD approach. Focus on ‘facilitation’ but did not recognise they were using aspects of the MSD approach until the mid-term review carried out by Springfield after which the project increasingly adopted an MSD approach.</li> </ul>  |  |
| <p><b>Agreements and contracts</b></p> <ul style="list-style-type: none"> <li>• Emphasis on flexibility, experimentation and adaptation.</li> <li>• Legal agreements should incentivise projects to be responsive and flexible to the market. They should be clear on what is subject to change and what is not, including in relation to activities, results, and budgets.</li> <li>• Budgetary allocation is often heavier on staff time (to enable analysis and facilitation).</li> </ul>                   | <ul style="list-style-type: none"> <li>• It wasn’t difficult to get approval even though the Head of Development Cooperation at the time didn’t really understand what the program was going to achieve.</li> <li>• Limited documentation and institutional memory of this stage. Interviewees recall the budget was flexible.</li> <li>• Insufficient evidence to provide a rating.</li> </ul> |   |

<sup>14</sup> Ibid.

<sup>15</sup> Ibid.

| Requirements of the MSD approach at each stage of the project cycle  | Our judgement on how well the requirements have been met   | RAG rating  |
|--|--|---|
| <p><b>Implementation and management</b></p> <ul style="list-style-type: none"> <li>• Funder oversight of implementation is often more resource intensive than for ‘traditional’ projects.</li> <li>• Clarity required on degree of flexibility available to implementer.</li> <li>• Funders should support and encourage a learning culture.</li> </ul>  | <ul style="list-style-type: none"> <li>• The ILO team in Colombo was strong and Sida had a good relationship with them. The ILO lead on this was open, honest and critical of the project – always analysing and wanting to improve. This built trust in their ability to implement and allowed Sida to be hands-off.</li> <li>• Project had a research budget ILO able to hire in expertise when needed to fill gaps in internal capacity.</li> </ul> |    |
| <p><b>RBM</b></p> <ul style="list-style-type: none"> <li>• Results frameworks should avoid arbitrary quantitative indicators which may undermine sustainability and systemic impact.</li> <li>• Detailed target setting can only be established once sufficient analysis has been completed.</li> <li>• Indicators should be subject to change in response to adaptation to project strategy.</li> <li>• As well as being a tool for accountability, RBM should be used to inform ongoing learning and adaptation (e.g. by applying the DCED Standard).</li> </ul> | <ul style="list-style-type: none"> <li>• No targets but learning culture was created by ILO.</li> <li>• Insufficient evidence to provide a rating.</li> </ul>  |   |
| <p><b>Evaluation</b></p> <ul style="list-style-type: none"> <li>• Evaluations should take account of the project’s unpredictable, adaptive and non-linear nature; and the long-term trajectory to impact inherent in the MSD approach.</li> </ul>  | <ul style="list-style-type: none"> <li>• Springfield conducted MTR. They did not recognise they were using aspects of the MSD approach until the Mid-Term Review carried out by Springfield after which the project increasingly adopted an MSD approach.</li> <li>• Springfield evaluation was seen as very beneficial for the project.</li> </ul>  |  |

# Musika (Zambia)

## Project overview

Sida is providing core funding to Musika Development Initiatives Zambia Ltd, a non-profit company limited by guarantee, registered in Zambia in October 2010.

Musika follows MSD principles to deepen, broaden and strengthen inclusive agricultural markets in key agricultural provinces in Zambia in order to reduce rural poverty. It has recently expanded into energy markets.

Musika built upon the agricultural market development work begun under the USAID-funded Production, Finance and Technology (PROFIT) program, which ran between 2005 and 2010. It was established by several ex-PROFIT staff and took forward much of PROFIT's work and its relationships in agricultural input, service, financial and output markets.

There have been three phases of Sida funding:

1. USD 7.5 million between 2011–13
2. USD 18.2 million between 2014–17
3. USD 19 million between 2018–22

Musika has also secured additional funding from the DFID who provided GBP £4.6 million between 2012 and 2016 under the Wealth Creation Development of Rural Markets Program (WCDRM).

## Design, approval and partner selection

### *i. Project initiation*

Following its establishment in October 2010, Musika approached a number of potential funders, including Sida, during 2011. Musika's objectives fit well with what Sida wanted to accomplish in the Zambian agriculture sector as outlined in the Swedish Cooperation Strategy 2008–11: "*de facto implementation of the FNDP [Fifth National Development Plan] agricultural policy focusing on poverty and growth promotion and increased climate adaptation*".<sup>16</sup>

The immediate issue from Sida's perspective was not that Musika was proposing an MSD approach but that it was a new institution without a track record. It was, and still is, unusual for Sida to fund a start-up organisation. It was only due to the active

**Years:** 2011–21

**Country / Region:** Zambia

**Implementing organisation:**  
Musika Development Initiatives  
Zambia Ltd

**Budget:** USD 44 million

**Co-funders:** DFID

<sup>16</sup> Swedish Cabinet Office (2008). Strategy for Development Cooperation with Zambia 2008–11.

encouragement and support of Sida desk officer, who had observed some of PROFIT's achievements, that funding to Musika was considered by the embassy. Musika reported that: “*there were plenty in the embassy saying, ‘we can’t’*”.<sup>17</sup>

#### *i. Proposal*

A short-term consultant was procured with special competence in the MSD approach. He helped Musika produce a business plan covering a five-year period 2011–16. The pertinent points were:

- SEK 83.4 million over five years.
- An associated ‘Results Assessment Framework (RAF)’ with the overarching the objective: “*To deepen, broaden and strengthen inclusive agricultural markets in key agricultural provinces of Zambia*”. Four key indicators are given against this objective: (a) 250,000 farming households have improved access to key crop and livestock inputs; (b) 120,000 farming households have improved access to key crop and livestock services; 100,000 farming households have improved access to financial services; and 100,000 farming households have improved access to output markets.
- A description of the MSD approach and how Musika will apply it.
- Four focal areas proposed, taken forward from the PROFIT program: (a) Agricultural retail distribution markets; (b) Agro-enterprise commercial micro-services market; (c) Rural and agricultural financial services markets; and (d) Agricultural commodity markets (by which it means the development of forward markets for producers).
- For each focus area the proposal summarised constraints and what Musika will do to address these. It also set out risks and opportunities with regards to gender and environment in each market.

In an effort to address concerns about Musika being a new organisation, the proposal set out Musika’s governance structure including membership of its Board of Directors, including representation from the private sector the Ministry of Agriculture and Cooperatives (MACO) and the Zambia National Farmers Union. In addition, while funding for the full five years was proposed, Musika sought to mitigate ‘start-up’ risk by suggesting a two-year period to support the organisation in its “*establishment and initial operations phase*”. During the first six months of this Musika was to be subject to a ‘pre-award assessment’ to determine Musika’s capacity to manage further funding.<sup>18</sup> This was written into the proposal at the embassy’s request.

#### *ii. Appraisal*

An appraisal of Musika’s proposal was conducted by the embassy desk officer and an embassy ‘associate’ and captured in an ‘Assessment Memo’. The Assessment Memo consisted descriptive and analytical elements. It described: fit with Swedish strategies and policies; Zambian agriculture sector policy, challenges and strategic issues; and

<sup>17</sup> Key informant interview

<sup>18</sup> Musika (2010), Musika business plan 2011-2016, p3

the key features of the proposed Musika project including how it will apply MSD principles of systemic change and facilitation. It went on to assess various aspects of the program including: relevance to the current situation in Zambian agriculture; the program's likely effectiveness, drawing largely on results from the PROFIT program; and organisational competencies, again drawing on the capacities of PROFIT.

Throughout, the Assessment Memo demonstrates a strong understanding of the MSD approach and their implications for programming as illustrated by the following quote:

*The budget for Musika, particularly on staffing, can be seen to be high. However, this is due to the nature of the approach that relies more on technical expertise for facilitation. In addition it has to be recognised that systemic change is complex, slow and unpredictable, as such donor investments have to follow investments by firms or people rather than drive them for meaningful change to occur.*<sup>19</sup>

The assessment reiterates the suggestion in Musika's proposal that funding be provided for an initial six months to allow for a pre-award assessment of Musika's organisational, financial and governance capacity and that further funding be conditional on a successful assessment.<sup>20</sup>

A 'Team Committee' then reviewed Musika's Business Plan and the Assessment Memo, meeting in June 2011. Key issues discussed include:

- A view that the RAF was too broad and a more detailed description of activities was needed. The meeting note reads: "*Wording such as 'support to' and 'facilitate' should be clarified, and more on 'what' and 'how' were needed. This was important to be clear what the embassy was funding and what exact interventions Musika was undertaking*".<sup>21</sup> The response was to explain that the program needed a flexible approach and the specifics of Musika's activities would depend on circumstance. It was pointed out that the Assessment Memo explained this and provided examples of types of support interventions. Rolling work plans would be used linked to budgets, in order to have control and monitor the program. The plans would be reviewed every six months.
- It was also noted that staffing was a high proportion of the budget (also salary levels were questioned in general). It was explained that salaries form a major part of the budget because the program is about technical assistance provided by staff in the organisation. Sida had met highly competent staff on their field trip and it was felt that they were key to the project's success.
- There was a question whether Musika would act with favouritism and would work with some companies and not others. It was explained that while this may happen, competitor organisations could copy the approaches developed by

<sup>19</sup> Sida (2011), Assessment Memo – support to Musika Development Initiatives, June 2011, p. 12.

<sup>20</sup> Sida (2011), Assessment Memo – support to Musika Development Initiatives, June 2011, p. 13.

<sup>21</sup> Sida (2011), Minutes from Team Committee Meeting on the Assessment and Preparation of Support to the Musika, 2011 to 2015

Musika. Plus they could approach Musika to request assistance. On the field trip there had been examples of organisations copying initiatives started by Musika.

What comes across clearly from the Team Committee meeting is the significant differences in understanding of the MSD approach among participants. Those advocating the program demonstrate a strong understanding while other participants lack in familiarity. This is not surprising given that before the time of the appraisal in 2011, Sida had funded just a handful of MSD programs.

There was a great deal of discussion stemming from Musika being a new organisation. The committee noted that a pre-award assessment of Musika was being proposed but emphasised the importance of this assessment and suggested the embassy controller assist with its design.<sup>22</sup> It was suggested Musika's capacity to manage the program should be added to the risk section of the Assessment Memo. In interview, Musika confirmed that the fact they were a new organisation was the major challenge to Sida funding – not that they were proposing an MSD approach, despite the approach being relatively novel at the time.<sup>23</sup>

The newness Musika had implications for the length of Sida's support. The committee resolved to offer two years of funding (subject to the organisational assessment within the first six months) with a "*firm commitment that it will extend to 5 years*" on the basis that "*it [funding of Musika] was not worth doing if only for 2 years*".<sup>24</sup>

### **Agreements and contracts**

The agreement between the embassy and Musika split funding into two phases. The first consisted SEK 48.5 million of core funding to Musika for two years (2011–13). The second was said to be for further three years to be decided at a later date. Further, at the start of the first phase, the embassy would disburse six months of funding. Musika would employ an organisational development consultant to work with the organisation during this period. After four months, the embassy would commission a pre-award assessment, with further funding conditional on implementing its recommendations.

Notably, no developmental targets were included in the agreement. The agreement commits Musika to "*plan, implement and monitor the results of its Business Plan Annex 1 and budgets Annex 2*".<sup>25</sup> As described below, this allowed Musika to work to longer-term five-year targets, despite only having a commitment for two years' worth of funding.

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<sup>22</sup> Sida (2011). Minutes from Team Committee Meeting on the Assessment and Preparation of Support to the Musika, 2011 to 2015.

<sup>23</sup> Key informant interview.

<sup>24</sup> Sida (2011). Minutes from Team Committee Meeting on the Assessment and Preparation of Support to the Musika, 2011 to 2015.

<sup>25</sup> Sida (2011). Specific Agreement Between Sweden and Musika Development Initiatives Zambia Limited p. 3.

## Implementation and management

The embassy commissioned Moore Stephens LLP to carry out the pre-award assessment in March 2012. The assessment made a number of recommendations some of the highest prioritised of which were to: revise financial accounting procedures manual; develop a formal strategy document and associated financial strategy; review and revise human resource manual; develop a sub-granting manual; reiterate the election of Board Chair and Vice; develop a risk management system; and explore alternative sources of funding.<sup>26</sup> Musika implemented these recommendations to the embassy's satisfaction and disbursements were made.

Musika are required to submit annual audited financial reports and narrative reports on an annual basis. Narrative reports provide a description of activities in the period and access progress against the project's results framework. Musika are also required to submit annual workplans and budgets in accordance with the results framework. Bi-annual meetings are held to enable Sida to access performance, discuss workplans, and priorities going forward.

Both Sida and Musika characterise their relationship in positive terms. Three characteristics in particular emerged from our research:

- **Despite a phased approach to funding, Sida have allowed Musika to focus on long-term goals.** While Sida's funding commitment was for an initial two years with a possible three-year extension, Musika was given the latitude to plan as if they had five years.<sup>27</sup> The program's results framework for example reflected a five-year commitment. Sida could have asked Musika to achieve a set of measurable results within a two-year period to secure further funding. Instead, Musika was allowed to report on progress towards long-term goals and thus focus on the relatively slow process of promoting systemic change.
- **Sida enable flexibility in programming.** Musika's results framework has purposely designed (by Musika) to be broad in scope, to enable it to operate flexibly. It allows Musika to open new interventions, scale-up what works and stop what doesn't. This flexibility is reflected in Musika's working relationship with the embassy. Musika feel comfortable taking up new opportunities as they emerge and discussing interventions that are underperforming when that occurs.
- **Sida impose minimal technical requirements.** On the 'technical' side of the program, Musika report to having received little in the way of requirements from Sida. There are exceptions – a push for greater inclusion of environmental concerns in Musika's new business plan being an example – but Musika report an appreciation for Sida's "*let Musika get on with what we know Musika can do*" approach; "*really that's all you want from a donor on an M4P initiative*".<sup>28</sup> For their part, Sida derive confidence in Musika from a combination of having delivered strong results; having a good reputation in Zambia; robust operations

<sup>26</sup> Moore Stephens LLP (2012). Organisational Assessment, Musika, June 2012.

<sup>27</sup> Key informant interview.

<sup>28</sup> Key informant interview.

that perform well in audits; and a collaborative relationship whereby Musika are responsive to embassy requests to say, support Ministerial visits.

In the context of an otherwise positive relationship, one notable challenge emerged related to Environmental Helpdesk in Stockholm. In an exception to the ‘minimal technical requirements’ point above, during 2015–16, the Helpdesk pushed forcefully for Musika engagement in issues around the safe use of agro-chemicals. While there was agreement in principle that the safe use of agro-chemicals is a desirable outcome, there was disagreement on the means by which Musika could achieve this. Musika had been supporting companies to create distribution networks for agro-chemicals and encouraging them to provide safe use information and personal protection equipment. Because, like any MSD program, Musika was working through the market there were limits to what Musika could influence in agro-chemical supply chains. Sida’s Helpdesk envisaged a more interventionist approach whereby Musika got more heavily involved to ensure compliance with safety standards. The issues were worked through but caused some friction in the process.

### **RBM**

While not a requirement of funding, Musika have made an effort to develop their results measurement systems in accordance with the DCED Standard for Measuring Results in Private Sector Development going as far as a ‘pre-audit’. The pre-audit revealed the extent to which Musika would have to re-engineer their existing paperwork and Musika came to the view that the costs of formal accreditation would outweigh the benefits. At the same time, DFID was undertaking an external evaluation (see below). Both Musika and Sida felt that given Musika had adopted DCED principles, and given an evaluation was taking place, formal accreditation was not necessary to assure the credibility of Musika’s results. The pre-audit, and the fact that Musika were attempting to align to DCED principles, have given the embassy confidence in the MRM system and the results it produces.

As discussed above the results framework is sufficiently broad to allow for adaptation. Moreover, Musika is not held to individual projections/targets against indicators as long as overall performance is satisfactory.

### **Evaluation**

Sida’s initial appraisal suggested that Sida itself undertake evaluation. At the Team Committee meeting during the appraisal process however, it was suggested that external and independent evaluation be undertaken. This was agreed and that this would be a separate program component managed and procured by the embassy. Subsequently, the first Decision Document, from 2011–13 allocated just under 3% of program funds to external evaluation (SEK 1.3 million).<sup>29</sup> Further the agreement between the embassy and Musika says: “*A mid-term evaluation will be carried out during 2012/13*”. It goes on to say “*The Review and/or Evaluation shall summarise*

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<sup>29</sup> Sida (2011). Musika Decision on Contribution, October 2011

*obtained and expected results in relation to the RAF, and contain an analysis of any deviation there from”<sup>30</sup>*

However, at some point towards the end of the first phase, DFID had become co-funders of Musika and had initiated an “*ambitious and costly impact evaluation*”. “*It was therefore concluded that Sida’s evaluation resources would be better used either at the end of the Phase II or when a number of years had elapsed after the program was concluded*”.<sup>31</sup> The DFID-funded evaluation was published in April 2017. The current desk officer reports that Sida did not get all that they wanted out of the evaluation. They thought, for example, that the evaluation would have examined Musika’s MRM system for example.<sup>32</sup>

Sida are currently planning a mid-term evaluation for the third phase of Musika funding in the second half of 2019.

## Conclusions

The following key conclusions emerge from this case study:

1. In initiating funding, the primary challenge for Sida was that Musika was a new organisation without a track record. This was overcome by: (a) making the release of funding tranches contingent on Musika implementing recommendation from an embassy-commissioned organisational audit; and (b) phased funding – committing to an initial two years, with the expectation of a further three years. Crucially, phased funding did not undermine Musika’s ability to plan for a focus on longer-term goals. Its results framework for example, reflected a five-year program.
2. A positive and productive relationship during implementation has been built on Sida taking an engaged but strategic role and placing few technical requirements on Musika – “*let Musika get on with what we know Musika can do*”. Equally, Musika have been able to demonstrate to Sida strong results and operational competency.
3. An issue emerged when a third actor got involved – Sida’s Environment Helpdesk in Stockholm. While this issue was overcome through dialogue there was some frustration on both sides stemming from differing perspectives on how ‘interventionist’ Musika could be in the market.
4. Musika’s attempt to align its MRM system with DCED principles, has given the embassy confidence in the results it is producing.
5. In ceding responsibility for evaluation to DFID, Sida lost an opportunity to get what it wanted from an evaluation.

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<sup>30</sup> Sida (2011), Specific agreement between Sweden and Musika Development Initiatives Zambia Limited, p5-6

<sup>31</sup> Sida (2015). Musika Contribution Completion Report, 11 February 2015.

<sup>32</sup> Key informant interview

**Table 4: Musika RAG rating analysis**

| Requirements of the MSD approach at each stage of the project cycle  | Our judgement on how well the requirements have been met   | RAG rating  |
|--|--|---|
| <p><b>Design, approval and partner selection</b></p> <ul style="list-style-type: none"> <li>• Emphasis on flexibility, experimentation and adaptation in project design.</li> <li>• In-depth diagnosis required to inform intervention design, although this often occurs after contracting (e.g. during an inception phase) and on an ongoing basis thereafter.</li> <li>• Partner selection should include consideration of organisation’s capability as a ‘facilitator’ and ability to innovate.</li> </ul>   | <ul style="list-style-type: none"> <li>• In terms of partner selection, Musika was a strong choice as it had been established by several ex-PROFIT staff who had pioneered the MSD approach in Zambia.</li> <li>• With regards to the initial funding of Musika, the primary issue from Sida’s perspective was not that Musika was proposing an MSD approach but that it was a new institution without a track record. This was overcome with a two-year pilot, but crucially Musika was allowed to plan for a longer timeframe.</li> <li>• The design itself aligned well with MSD principles – systemic change ambition, facilitation and adaptation.</li> </ul>                           |    |
| <p><b>Agreements and contracts</b></p> <ul style="list-style-type: none"> <li>• Emphasis on flexibility, experimentation and adaptation.</li> <li>• Legal agreements should incentivise projects to be responsive and flexible to the market. They should be clear on what is subject to change and what is not, including in relation to activities, results, and budgets.</li> <li>• Budgetary allocation is often heavier on staff time (to enable analysis and facilitation).</li> </ul>   | <ul style="list-style-type: none"> <li>• Grant agreements for Musika are brief and high level. It does nothing to encourage the adoption of MSD principles but neither does it constrain their adoption.</li> <li>• While the first Grant Agreement was for two years’ funding, it encourages Musika to deliver results against its five-year business plan and associated results framework.</li> </ul>   |    |
| <p><b>Implementation and management</b></p> <ul style="list-style-type: none"> <li>• Funder oversight of implementation is often more resource intensive than for ‘traditional’ projects.</li> <li>• Clarity required on degree of flexibility available to implementer.</li> <li>• Funders should support and encourage a learning culture.</li> </ul>  | <ul style="list-style-type: none"> <li>• Sida’s oversight of implementation has been engaged but ‘light touch’. Both parties couch the working relationship between the embassy and Musika positively. Three characteristics emerged from our research: <ul style="list-style-type: none"> <li>– Despite a phased approach to funding, Sida have allowed Musika to Focus on long-term goals.</li> <li>– Sida enable flexibility in programming, including via a results framework that sufficiently broad to allow for adaptation.</li> <li>– Sida have imposed minimal technical requirements on Musika as long as Musika delivers results and performs well audits.</li> </ul> </li> </ul> |  |
| <p><b>RBM</b></p> <ul style="list-style-type: none"> <li>• Results frameworks should avoid arbitrary quantitative indicators which may undermine sustainability and systemic impact.</li> <li>• Detailed target setting can only be established once sufficient analysis has been completed.</li> <li>• Indicators should be subject to change in response to adaptation to project strategy.</li> <li>• As well as being a tool for accountability, RBM should be used to inform ongoing learning and adaptation (e.g. by applying the DCED Standard).</li> </ul> | <ul style="list-style-type: none"> <li>• The results framework is high level and broad, which provides space for adaptation to project strategy.</li> <li>• Musika are not held to individual projections/targets against indicators as long as overall performance is satisfactory.</li> <li>• While they have not been audited, Musika have developed their MRM system in accordance with the DCED Standard. This has given the embassy confidence in the results Musika’s reporting of results.</li> </ul>  |  |
| <p><b>Evaluation</b></p> <ul style="list-style-type: none"> <li>• Evaluations should take account of the project’s unpredictable, adaptive and non-linear nature; and the long-term trajectory to impact inherent in the MSD approach.</li> </ul>  | <ul style="list-style-type: none"> <li>• Sida ceding responsibility for evaluation to DFID and was disappointed by the final product. In doing so, Sida lost an opportunity to get what it wanted from an evaluation.</li> </ul>   |  |

# Project on Rural Economic Development and Markets for The Poor (Guatemala)

**Principal project:** PRODERT (Proyecto Desarrollo Económico Rural Territorial y Mercados para los Pobres – project on rural economic development and markets for the poor).

**Secondary project:** EMPODERA (Empoderamiento Económico de Jóvenes y Mujeres Indígenas de Guatemala – economic empowerment of youth and indigenous women in Guatemala)

## Project overview

PRODERT is a project in Guatemala which began in 2013 with a two-year ‘pilot’ (Phase 1); proceeded with a Phase 2, intended to run from 2015 to 2018; and in early 2018, before Phase 2 ended, was converted into a ‘scaling up’ phase which will end in 2021.

PRODERT is mostly (about 90%) funded by Sida; Helvetas Swiss Inter-cooperation, the implementing partner, will have contributed SEK 13.2 million to the three phases.

**Years:** 2013–21 (three phases: 2013–15; 2015–18; 2018–21)

**Country / Region:** Guatemala

**Implementing organisation:** Helvetas

**Budget:** SEK 124.8 million

**Co-funders:** Helvetas (SEK 13.2 million)

The overall objective of the scaling up phase is “*to increase the economic income and employment for marginalised and disadvantaged groups, particularly indigenous women, in rural areas*”<sup>33</sup> in five departments. The Phase 1 and 2 overall objectives were similar: “*Improved income, employment and social inclusion of disadvantaged groups in rural areas, based on local production potential and cultural values, in a sustainable way*”<sup>34</sup> (Phase 1); and “*Increased income, employment and social inclusion for marginalised groups in rural areas, by capitalising on local production potential and cultural values*”<sup>35</sup> (Phase 2). The removal of social inclusion from the scaling up phase objective reflects a more singular focus on MSD.

<sup>33</sup> Sida (2017). Helvetas project: inclusive economic and social development – scaling up phase. Appraisal of intervention. UF2014/75759/GUAT.

<sup>34</sup> Ibid.

<sup>35</sup> Ibid.

## Design, approval and partner selection

### *i. Project conception and design*

The initiative for an M4P<sup>36</sup> project came principally from a program officer in the embassy who had received training in the approach in 2011. M4P had hitherto not been attempted by Sida in Guatemala, nor by any other international actors. With the agreement of the Sida Head of Development Cooperation, the program officer contacted the Guatemala office of the international NGO Helvetas to gauge their interest in drawing up an M4P project proposal. Because Helvetas Guatemala had no experience in this area, they contacted their regional office in Peru who lent support. The Helvetas project coordinator received training from the Peru office and in UK.<sup>37</sup>

A draft Project Document was drawn up by Helvetas on the basis of which the embassy produced the Appraisal of Intervention in March 2013 following a standard quality control by the embassy controller on issues such as budgetary transparency, implementer organisational capacity, alignment with country strategy and the quality of the risk assessment.<sup>38</sup>

The appraisal was in the standard Sida format at the time. It included analysis relating to the following:

- The development problems the intervention was designed to target and how it would contribute to solving them.
- The relevance of the development intervention to Swedish government strategies and policies.
- How four ‘rights’ principles – non-discrimination, openness and transparency, participation and accountability – had been integrated.
- How factors relating to gender, environment, anti-corruption, social and political tensions (conflict) had been addressed.

The appraisal document was submitted to the Committee for Review (CORE) at HQ. The deployment of CORE was unusual for a medium-sized project that was in line with the country strategy and to be implemented by a well-established organisation with global experience and a presence in Guatemala since 1972. This was an acknowledgement by the embassy of their lack of experience. No other member of the embassy personnel at the time had had M4P training or experience.

The CORE consisted of eight people – including a ‘discussant’ with M4P expertise – in addition to three embassy staff: program officer, controller and Head of Development Cooperation. It broadly endorsed the proposal while recommending several improvements especially to monitoring and evaluation (M&E) and the risk register. The CORE was provided with the appraisal document and the Helvetas

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<sup>36</sup> M4P was the term used at the time. Although it is seen by some to differ from market systems development (MSD), the two terms are often used interchangeably.

<sup>37</sup> Key informant interview.

<sup>38</sup> Sida (2013). Quality control of draft decision and draft agreement. PRODERT. 18-03-2013. Case number: Of2013/1373.

project proposal; but the latter was in Spanish only, and the majority of the CORE members could not read it.<sup>39</sup>

As this was presented as a pilot project, the committee recommended that there should be an evaluation before any decision to proceed to a further phase. A pilot made sense in the local context where M4P experience was lacking; however, another reason for a two-year project was Sida's rule that interventions approved near the end of a country strategy were only allowed to last for one year beyond its end date. Helvetas envisaged continuing the project if Sida did not renew their investment after Phase 1.

### Agreements and contracts

The decision to proceed with Phase 1 was made by the Head of Development Cooperation,<sup>40</sup> and an agreement, quality-assured by HQ legal personnel and the embassy controller, was signed with Helvetas in April 2013. The agreement had a standard Sida format and was not adapted to M4P.<sup>41</sup>

### Implementation

A full project plan was completed by Helvetas in April 2013. The overall objective of the project was *“improved income, employment and social inclusion of disadvantaged groups in rural areas, based on local production potential and cultural values, in a sustainable way”*. Three departments (out of 22 nationally) were targeted with a total population of about 2.5 million.<sup>42</sup>

The objective was challenging. The main target group – indigenous women in rural areas – were mostly living in extreme poverty, lacking access to both inputs and market opportunities for their produce. There was a very weak private sector in the target region and scepticism among many civil society actors, both there and in Guatemala generally, towards engagement with it.<sup>43</sup>

The proposed approach had two main components. The first was the fostering of producer networks – groups of *“micro-entrepreneurs and / or socio-productive organisations”*, for sharing experiences, learning from each other, and *“doing business together, to better face the market, staying and growing in it”*.<sup>44</sup>

The second component was working with national and local government-led structures and processes, guided by a regional strategy for rural economic development, to coordinate support to the target groups and formulate policies and strategies for inclusive local economic development. This was a familiar approach for Helvetas Guatemala's endeavours in non-M4P interventions, and in principle,

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<sup>39</sup> Sida (2013). CORE minutes. PRODERT. 18-03-2013. Case number: Of2013/1373.

<sup>40</sup> Sida (2013). Beslut om Insats. PRODERT. 18-03-2013. Case number: Of2013/1373.

<sup>41</sup> Sida (2013). Agreement between Sida and Helvetas on support for the project: Desarrollo Económico Rural Territorial y Mercados para los Pobres during the period 2013-2014. 09-04-2013.

<sup>42</sup> Helvetas Guatemala (2013). PRODERT Project plan.

<sup>43</sup> Key informant interview.

<sup>44</sup> Helvetas Guatemala (2013). PRODERT Project plan.

working with and through these types of structures is recognised as a route to sustainability.

The plan was extremely detailed it had an activity matrix of around 130 lines.

Early in Phase 1, the original program officer took unpaid leave for over one and a half years. She was replaced by an interim program officer with no MSD experience, although she attended two short courses.<sup>45</sup>

*i. Phase 2*

The two-year Phase 1 ended in December 2014 without an evaluation. A new Project Document was produced by Helvetas in November 2014,<sup>46</sup> and an appraisal document produced by the embassy in February 2015. This time HQ involvement in the appraisal was minimal. A decision was taken by the embassy and an agreement was signed with Helvetas in April 2015 for a new four-year phase. The project coordinator, however, continued in post.

The approach in the new phase was very similar to that of the first, with a strong emphasis on the producer networks and linkages with local economic development structures and processes. The project also aimed to advance women's empowerment and promote resilience in the face of climate change.

The project package included coordination of an M4P 'hub' – a type of community of practice intended for interested stakeholders, including government and the private sector, in Guatemala.

It is acknowledged by the current leadership in Helvetas Guatemala, the embassy and the thematic expert in Stockholm that the performance of the combined PRODERT 1 and 2 phases fell well below expectations.<sup>47</sup> The reasons for this were a mixture of a particularly challenging environment for M4P, flawed design – for example there were no financial service elements – and weaknesses in project execution. There was little or no diagnostic inception or adaptation during the life of the two phases. Although many of the target population had increased their output during PRODERT 2, there were few signs of sustainable system elements to support them. In particular, there were very few downstream private sector linkages. The M4P hub had limited participation and principally took the form of short, annual training events run by Helvetas.

It is not entirely clear why the flaws in design were not picked up by the CORE with its wide range of participants but the reliance on the embassy's appraisal document was likely to have been a factor. In our opinion, the lack of a detailed theory of change was also a major factor.

In the appraisal there appears to have been a strong reliance on the international reputation of Helvetas in M4P, without much scrutiny of the competence of the local

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<sup>45</sup> Key informant interview.

<sup>46</sup> Helvetas Guatemala (2014). Project Document: Desarrollo Económico Rural Territorial (PRODERT). Phase 2 2015-2018.

<sup>47</sup> Key informant interviews.

team in M4P which turned out to be weaker than anticipated.<sup>48</sup> Dialogue between the embassy and Helvetas during implementation was not strong, partly due to inflexible Helvetas personnel, according to informants on both sides. Another factor was Sida's customary arms-length approach to the projects it funds.<sup>49</sup>

In late 2015 there was a critical juncture. Helvetas Guatemala had a new country director, the original program officer returned to the embassy, and another program officer – soon to step up to become Head of Development Cooperation – joined her in taking a close look at the project. These fresh eyes reinforced each other's view that the project was not meeting expectations. The embassy approved a process of re-orientation by Helvetas using existing PRODERT funding. Experts were brought in from the Helvetas network to rethink the project.<sup>50</sup> Out of this, the design for a new project phase emerged about a year later.<sup>51</sup> During this period the embassy received its first visit from a thematic specialist in the Sida Euro-Latin Department. He encouraged a link with the embassy in Bolivia that had more experience of M4P.<sup>52</sup>

#### ii. “Scaling up” phase

The Helvetas proposal for a new project phase, originally entitled ‘PRODERT Plus’, became known as the scaling up phase. The new proposal was subjected to another round of Sida appraisal and decision making between June and November 2017. A new agreement was signed with Helvetas in December 2017, in effect terminating Phase 2 a year early and replacing it with a new four-year project.<sup>53</sup>

The new project extended the intervention's reach – two additional departments – but more significantly made major changes to the methodology which aligned it much more closely with MSD principles. Some of these changes were set out in a comparative matrix (below).<sup>54</sup>

**Table 5: Strategic changes of PRODERT II to PRODERT Plus**

| From ... PRODERT II   | TO ... PRODERT Plus  |
|---|--|
| <b>Emphasis in improving the production link in several sub-sectors</b> | A more holistic vision of the market system  |
| <b>Work in many sub-sectors</b>   | Work in fewer sub-sectors but with more influence to achieve greater scale, maintaining flexibility to add sub-sectors, mainly those which favour participation of women |
| <b>Zone of intervention is in three departments</b>                     | The intervention zone in the Western Highlands occurs in five departments  |

<sup>48</sup> Sida (2013). PRODERT Appraisal of Intervention. Case number: Of2013/1373.

<sup>49</sup> Key informant interviews.

<sup>50</sup> Key informant interviews.

<sup>51</sup> Helvetas (2017). Concept Note: PRODERT Plus.

<sup>52</sup> Key informant interviews.

<sup>53</sup> Helvetas Guatemala (2014). Project Document: Desarrollo Económico Rural Territorial (PRODERT). Phase 2 2015-2018.

<sup>54</sup> Helvetas (2017). Concept Note: PRODERT Plus.

| From ... PRODERT II                            | TO ... PRODERT Plus  |
|--|--|
| <b>Direct actions with business networks</b>   | Facilitate changes with partners in different functions of market systems  |
| <b>Consider women as Project beneficiaries</b> | Stimulate the promotion of economic empowerment of women through actions of partners and actions in market systems |
| <b>Achieve impacts through partners</b>        | Achieve impacts with partners looking for sustainability of processes  |
| <b>Assistance through donations</b>            | Facilitate access to a diversity of financial products and services, promoting financial education                 |

The changes included a new focus on financial inclusion to be backed by a guarantee and capital risk instrument. Importantly, the project design included a theory of change that spelt out the desired pathway to sustainable market system development. There were also stronger drivers of women's empowerment.

To a much greater degree than with PRODERT Phases 1 and 2, the proposal was developed with substantial help from Helvetas personnel in the regional centre in Peru and in Switzerland; and the project included continuing provision of international backstopping from Helvetas in MSD and RBM. There was also a new project coordinator, the previous one having been released. The revamped team included specialists in financial inclusion, women's empowerment and market intelligence.<sup>55</sup>

The new Helvetas country director also released his deputy and empowered the new project coordinator to have a regular dialogue with the embassy. The new project phase is in practice still in an inception phase.

### **RBM and evaluation**

M&E was recognised to be weak in Phases 1 and 2.<sup>56</sup> There was no functional theory of change and the logframe was flawed. The results and indicators were mostly at the output level, and there were no indicators that related to systemic change. These weaknesses were both reflections of, and contributors to, flaws in project design.

Even though the data demands of the logframe were not very stretching, data collection, which was mainly reliant on partners, was also patchy. This suggests weak demand for data from Helvetas, as well as weak capacity and incentives among partners. These problems occurred despite the project being able to draw on a Helvetas Guatemala M&E expert. There is of course no guarantee that an M&E specialist will know how to operate effectively in an MSD environment. The

<sup>55</sup> Key informant interviews.

<sup>56</sup> Key informant interviews.

embassy, unsurprisingly, did not have anyone with much experience in M&E generally and particularly in MSD.

Just as PRODERT 1 and 2 appear not to have been sufficiently adaptive as interventions, nor have we found any evidence that there was an adaptive approach to M&E during the lifetime of the first two project phases. Sida, in its project appraisal template of the time, appeared to expect a fully developed logframe before project inception.<sup>57</sup> In inexperienced hands, this can inhibit learning and adaptation. The embassy did engage regularly with Helvetas about progress in the project, but apparently this did not lead to significant changes in intended results or how they were measured.

M&E is positioned to improve in the scaling up phase. There is a detailed theory of change and credible outcome indicators.<sup>58</sup> The project has access to a Helvetas international M&E expert and will soon have two dedicated in-country M&E staff.<sup>59</sup>

## Evaluation

As has been mentioned, there was no external evaluation of either the pilot or Phase 2.

**Table 6: PRODERT RAG rating analysis**

| Requirements of the MSD approach at each stage of the project cycle  | Our judgement on how well the requirements have been met   | RAG rating  |
|--|--|---|
| <p><b>Design, approval and partner selection</b></p> <ul style="list-style-type: none"> <li>• Emphasis on flexibility, experimentation and adaptation in project design.</li> <li>• In-depth diagnosis required to inform intervention design, although this often occurs after contracting (e.g. during an inception phase) and on an ongoing basis thereafter.</li> <li>• Partner selection should include consideration of organisation's capability as a 'facilitator' and ability to innovate.</li> </ul> | <ul style="list-style-type: none"> <li>• This stage betrayed Sida's lack of experience of M4P/MSD. The design lacked clear systemic ambition and adaptivity.</li> <li>• The partner had a long and successful track record in several development approaches in the country. It did not, however, have any experience of M4P facilitation. This was not fully apparent to Sida.</li> <li>• The project design and partner capability improved significantly in the 2017 scaling up phase, mainly as a result of expert support from the implementing organisation's global network and from Sida HQ, and a close dialogue with embassy.</li> </ul> |  |
| <p><b>Agreements and contracts</b></p> <ul style="list-style-type: none"> <li>• Emphasis on flexibility, experimentation and adaptation.</li> <li>• Legal agreements should incentivise projects to be responsive and flexible to the market. They should be clear on what is subject to change and what is not, including in relation to activities, results, and budgets.</li> <li>• Budgetary allocation is often heavier on staff time (to enable analysis and facilitation).</li> </ul>                   | <ul style="list-style-type: none"> <li>• The agreements for the first two phases do not seem to be drawn up with M4P in mind. However, they do not appear to have influenced the project design and modalities one way or another.</li> </ul>  |  |

<sup>57</sup> Sida (2013), (2014). Appraisals of interventions.

<sup>58</sup> Helvetas Guatemala (2017). Project Document.

<sup>59</sup> Key informant interview.

| Requirements of the MSD approach at each stage of the project cycle  | Our judgement on how well the requirements have been met   | RAG rating  |
|--|--|---|
| <p><b>Implementation and management</b></p> <ul style="list-style-type: none"> <li>• Funder oversight of implementation is often more resource intensive than for ‘traditional’ projects.</li> <li>• Clarity required on degree of flexibility available to implementer.</li> <li>• Funders should support and encourage a learning culture.</li> </ul>  | <ul style="list-style-type: none"> <li>• The implementation of each of the first two phases lacked proper diagnostic inception stages.</li> <li>• The embassy had a somewhat hands-off relationship with the implementing partner. This is often appropriate in development interventions, but in the case of PRODERT, it may have contributed to the persistence of weaknesses.</li> </ul>  |    |
| <p><b>RBM</b></p> <ul style="list-style-type: none"> <li>• Results frameworks should avoid arbitrary quantitative indicators which may undermine sustainability and systemic impact.</li> <li>• Detailed target setting can only be established once sufficient analysis has been completed.</li> <li>• Indicators should be subject to change in response to adaptation to project strategy.</li> <li>• As well as being a tool for accountability, RBM should be used to inform ongoing learning and adaptation (e.g. by applying the DCED Standard).</li> </ul> | <ul style="list-style-type: none"> <li>• M&amp;E frameworks, data collection and analysis were weak. They both reflected and contributed to weak project design. The weaknesses were partly due to lack of expertise in M&amp;E, both in the embassy and the implementing partner.</li> <li>• M&amp;E itself did not develop adaptively until the scaling up phase.</li> <li>• M&amp;E in the new phase is positioned to improve significantly.</li> </ul> |    |
| <p><b>Evaluation</b></p> <ul style="list-style-type: none"> <li>• Evaluations should take account of the project’s unpredictable, adaptive and non-linear nature; and the long-term trajectory to impact inherent in the MSD approach.</li> </ul>  | <ul style="list-style-type: none"> <li>• The absence of any external evaluation contributed to the delay in full discovery of weaknesses in the project.</li> </ul>  |  |

## EMPODERA (Empoderamiento Económico de Jóvenes y Mujeres Indígenas de Guatemala – Economic Empowerment of Youth and Indigenous Women in Guatemala)

EMPODERA, implemented by the international NGO SwissContact, is the inception phase for a potential long-term market systems development project that will “*contribute to indigenous women’s and young people’s economic environment*” in the Alta Verapaz region of Guatemala.<sup>60</sup> Project funding is SEK 5 million; and the timing is January to September 2018. The inception phase consists of six studies which will result in a project proposal, identifying the most promising market sectors. There is no guarantee that the project will proceed to implementation. It will be appraised in the normal way.

**Years:** 12 years. Inception phase: Jan–Sept 2018

**Country / Region:**  
Guatemala

**Implementing organisation:**  
Swiss Contact

**Budget:** SEK 5 million

The decision to fund the inception phase was taken by the Head of the Development Corporation in the embassy.<sup>61</sup> The proposal was subjected to an informal quality assurance involving the regional department thematic adviser, and colleagues from the Swedish Embassy in Bolivia.<sup>62</sup>

The initiative came from the country director of SwissContact Guatemala, which has a long-term project for youth education and entrepreneurship with a systemic approach. The initial approach had a firm proposal for MSD for cardamom. This, however, was rejected by the embassy because of reservations about monopsony and environmental effects, among others, in cardamom production.<sup>63</sup>

The new approach combines exploration of MSD with decent work, climate change resilience, women’s empowerment, sexual and reproductive health, and the combating of gender-based violence. SwissContact are slightly concerned about the potential loss of focus in a project with so many objectives. They also worry that a strong ethical filter to market development and employment may be an obstacle.

SwissContact internationally have a strong background in MSD with regular collaboration with the Springfield Centre. They have produced a practitioner Handbook for MSD. They conducted MSD training in Guatemala in 2017 through a

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<sup>60</sup> SwissContact Guatemala (2016). El sistema de mercado de servicios financieros en Guatemala: Factores que promueven y/o limitan el acceso a personas de bajos recursos, con énfasis en mujeres indígenas.

<sup>61</sup> Sida (2017). EMPODERA Decision on contribution.

<sup>62</sup> Key informant interview.

<sup>63</sup> Key informant interview.

specialist from SwissContact in Bolivia. There is something of a stand-off with Helvetas in Guatemala, whom they see as trying to position themselves as leaders in MSD without sufficient expertise. They have been reticent about participating in the MSD hub.<sup>64</sup>

SwissContact has a long-term vision for the project (12 years minimum), expanding to other regions when the time is right. They currently enjoy a close, collaborative relationship with the embassy over the project. There will be a workshop in June when the studies will be presented to the embassy and international SwissContact staff. They hope this relationship will continue into implementation, with e.g. quarterly progress and learning meetings. However, they perceive at times an ‘accountant mentality’ in the embassy, with a primary focus on financial aspects.<sup>65</sup>

As with Helvetas, they acknowledge that they will face challenges with local personnel’s lack of experience of, and possibly inclination for, working with the private sector. They have taken on a team leader who has value chain experience; and an M&E specialist who happens to be Swedish.<sup>66</sup>

## Conclusions

- Both for Sida and Helvetas, the implementing partner, PRODERT was the first project in Guatemala that purported to be M4P/MSD. It was a useful learning experience, both for the embassy and Helvetas Guatemala; but one that could have been brought forward if Sida HQ advice for an evaluation of Phase 1 had been followed. Instead, the weaknesses of the first phase persisted before they were eventually addressed through the scaling up phase.
- The weaknesses in the original design were not picked up at the Phase 1 appraisal stage, despite the strong HQ input through the CORE process. One explanation is that the CORE relied principally on the embassy’s appraisal document, drawn up by personnel with no practical MSD experience. The Project Document was written in Spanish, which prevented at least some of the CORE participants from comprehending it.
- It has been suggested by some informants that exclusively targeting the poorest people in remote areas with weak private sector actors can pose serious challenges to MSD, and a hybrid approach with direct support to the target groups may be more appropriate in the initial stages. PRODERT had a hybrid approach, but one that relied partly on government actors whose support was unpredictable and was in some cases distracted by political processes.
- The project lacked adaptive approaches in its first two phases. This could have been aggravated by a literal interpretation by the embassy of Sida’s appraisal templates of the time which appear to expect fully developed logframes and activity plans at the outset.
- MSD experience and capacity was weak at times in both the embassy and the implementing partner.

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<sup>64</sup> Key informant interviews.

<sup>65</sup> Key informant interviews.

<sup>66</sup> Key informant interview.

- The project suffered from persistent weaknesses in RBM. The embassy understandably lacked expertise in this area and therefore found it difficult to diagnose the weaknesses. Sida HQ do not offer direct support to embassies in RBM, although there is a call-off contract that embassies can access.
- The transformed scaling up phase was the result of bold steps by both the embassy and Helvetas. It represents a good model of close, flexible, collaboration between the partners; as does the relationship with SwissContact. The controller function has not presented any obstacles to this flexibility.
- The decision to fund the EMPODERA design phase reflects the embassy's deepening understanding of MSD – in this case the need for very thorough diagnostics before committing resources to particular markets and particular approaches.
- EMPODERA combines an unusually wide range of objectives for an MSD project. It will be important to monitor the feasibility of this going forward.

# GROW (Liberia)

## Project overview

*Support to the Development of Markets and Value Chains in Agriculture in Liberia* – known as GROW – is a five-year project in Liberia, funded entirely by Sida. The stated aim in the invitation to tender was “*to contribute to sustainable peace and poverty reduction through inclusive and integrated economic development*”.<sup>67</sup> Its expected impact was substantially increased incomes and employment opportunities for a large number of poor women, men and youth, created through market and value chain development in agriculture. The expected outcome was “*increased business activities, trade and value addition, through increased capacity and competitiveness of smallholder farmers and related micro and small enterprises*”.

The project is an outlier for Sida, in that it involved the procurement of a private contractor – Adam Smith International (ASI) – for its implementation through international competitive bidding in accordance with the Swedish Public Procurement Act. Sida also contracted a monitoring consultancy, Nathan Associates with Finnish Consulting Group Sweden, to assist in oversight of the project.

GROW was due to be completed in 2018, but in March 2018 was granted a no-cost extension of one year. One of the reasons for the extension was the Ebola epidemic, which struck Liberia at the end of March 2014. Project activity slowed down or ceased until late 2015 when the country was declared Ebola-free.

## Design, approval and partner selection

### *iii. Project conception and design*

The project that became known as GROW was to a great extent the ‘brainchild’ of the program manager. She became interested in M4P<sup>68</sup> before being posted to Liberia in 2010 and received training from the Springfield Centre in the approach. M4P chimed with her long-standing belief in the relevance of adaptive approaches to many fields

**Years:** 2014–18

**Country / Region:** Liberia

**Implementing organisation:**  
Adam Smith International

**Budget:** SEK 141 million plus  
SEK 3 million for a monitoring  
consultant

**Co-funders:** None

<sup>67</sup> Sida (2012). Terms of Reference for a Facilitator to Design & Implement a Program for Support to the Development of Markets & Value Chains in Agriculture in Liberia. Case number: 2011-001004.

<sup>68</sup> M4P was the term used at the time. Although it is seen by some to differ from market systems development (MSD), the two terms are often used interchangeably.

in international development, based not least on eight years' work experience in Sida's Evaluation Secretariat.<sup>69</sup>

When she was posted to Liberia, the embassy was relatively new and needed to build up a portfolio. Sida commissioned a consulting firm with operations in Liberia – GRM International – to carry out a study to review and make recommendations for entry points in the area of market and value chain development in agriculture and forestry against a background of a Liberian government commitment to a market-oriented approach to sustainable and inclusive development of agriculture, and a specific request from the Ministry of Agriculture to Sida to contribute to such a process.<sup>70</sup> The study was completed in November 2010. It convinced Sida to proceed with the scoping of a project to meet this demand.<sup>71</sup> An independent consultant was commissioned to produce a project proposal.<sup>72</sup>

This proposal, which was completed in February 2012, set out the rationale for support to the smallholder sector. Liberia, both before and after the 14 years of civil war (which ended in 2003), had been experiencing a 'dual economy'. One part of the economy is formal and export oriented, represented by large private enterprises typically exporting raw materials including plantation agricultural products. The second part is an informal smallholder and subsistence sector mainly producing food crops in rural areas. The dual market structure, underpinned by an inequitable property rights structure, has hampered market development, created market distortions, and contributed to the persistence of poverty among large sections of the population. It also contributed to the drivers of conflict.

The project proposal set out in substantial detail the rationale for support to 'Market and Value Chain Development' and using the 'M4P' approach. In practice, these concepts, as employed in the proposal, were intended to equate to MSD as we understand it in this evaluation.

Two informants for this study questioned whether a full M4P approach was right for Liberia at this point in its history.<sup>73</sup> In its post-conflict context, with thin markets characterised by monopsony, a very weak financial sector, and a heavy NGO presence distorting many markets, M4P was likely to struggle to make headway in the short to medium term. It is possible that a hybrid approach, with strong direct support to partners and a more active role in some markets, may have been legitimate in the circumstances.

#### *iv. Project assessment*

The project proposal was subjected to an extensive assessment process. Because the embassy did not yet have delegated powers the assessment took place in Stockholm.

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<sup>69</sup> Key informant interview.

<sup>70</sup> Sida (2012). Specific Agreement Between Sweden and Liberia on Support to Development of Markets and Value Chains in Agriculture in Liberia 2012-2017. 11-05-2012.

<sup>71</sup> Sida (2012). Terms of Reference for a Facilitator to Design & Implement a Program for Support to the Development of Markets & Value Chains in Agriculture in Liberia. Case number: 2011-001004.

<sup>72</sup> Margaret Masbayi, FIT Resources, Monrovia (2012). Program Document: Support to the Development of Markets and Value Chains in Agriculture in Liberia.

<sup>73</sup> Key informant interviews.

We have not been able to obtain documents relating to the process; therefore this section is based on testimonies of interviewees.

We were told that the process involved three levels: the ‘Liberia team’, Africa department, and a wider Committee for Review (CORE). The process appears to have been characterised by considerable contestation, and painstaking consensus building. A significant hurdle was the issue of procurement. It had been clear from an early stage in project conception that there was no organisation on the ground in Liberia that could implement the project, and that an international private sector entity was the only viable option. There was initially considerable opposition from legal staff within the procurement department on the grounds that the lack of specificity in the proposal ran counter to government procurement law. Sida obtained outside legal advice to resolve the matter.<sup>74</sup>

The assessment process resulted in an Assessment Memo in April 2012 which was put forward for decision making.<sup>75</sup> This was a very thorough document – 36 pages in the main text – arguing the classic case for M4P as a contribution to poverty reduction. It addressed Liberia’s post-conflict environment, recommending a portfolio approach combining quick wins with long-term interventions, grounding them on conflict and political economy analyses. The Assessment Memo went on to identify five agricultural sub-sectors and specific areas of the country for the project to focus on, based on the analysis commissioned earlier.

A decision was made to approve the project and to begin the procurement process.<sup>76</sup>

### **Agreements and contracting**

The main procurement process was very thorough and involved about 10 people, including an in-house procurement adviser, a Sida agriculture markets specialist, an M4P specialist from an international consultancy firm, and representatives of the Government of Liberia (GoL) (a Sida officer obtained their inputs through a visit to Monrovia). Some participants were given training in M4P, although not those from the GoL. One informant believed that the GoL presence may have been inappropriate given their unfamiliarity with M4P.<sup>77</sup>

An invitation to tender (ITT) was drawn up and published in May 2012. The terms of reference were for a “Facilitator to Design & Implement a Program for Support to the Development of Markets & Value Chains in Agriculture in Liberia”.<sup>78</sup>

The assignment was to be divided into two distinct phases. Transition of the assignment from the ‘Design Phase’ to the ‘Implementation Phase’ would depend on Sida’s approval of the ‘Design Phase deliverables’. These deliverables were specified

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<sup>74</sup> Key informant interviews.

<sup>75</sup> Sida (2012). Support to the Development of Markets and Value Chains in Agriculture in Liberia – an M4P Program, Assessment Memo. Case number: 2011-001004.

<sup>76</sup> Sida (2012). Beslut on Insats, Support to the Development of Markets and Value Chains in Agriculture in Liberia. 26-04-2012. Case number: 2011-001004.

<sup>77</sup> Key informant interviews.

<sup>78</sup> Sida (2012). Terms of Reference for a Facilitator to Design & Implement a Program for Support to the Development of Markets & Value Chains in Agriculture in Liberia. Case number: 2011-001004.

in great detail – running to nearly three pages – in the ITT. Another highly specified element was the profile of the team leader.

According to the ITT, Sida, with the support of an external monitoring consultant and a ‘Committee of Experts’, would make a renewed assessment before approval of the design. Major assessment criteria would include effectiveness, cost efficiency, feasibility, sustainability and risks. Particular attention would be given to “(1) adherence to the M4P approach; (2) the budget; and to (3) M&E system and the results matrix/results chains, including gender disaggregated data and application of the DCED Standard, 4) quality of the market system analyses, and the strength of the logics within the intervention logics/result chains.”

It was clear therefore that, in accordance with recognised M4P principles, the implementing organisation would be free to present variations on the design proposed by Sida. The terms of reference clearly spelt out other recognised M4P principles, e.g.

- standing outside the market systems as a facilitator and not directly delivering market functions;
- ensuring the flexible adaptation of the program and incorporation of lessons learnt from experience;
- managing a portfolio of interventions in a flexible, entrepreneurial and results-oriented manner further developing the program over time, through piloting and demonstration, extension of downstream and upstream systemic interventions, learning and portfolio development, replication and scaling up with a variety of partners;
- integrating capacity building of partners and stakeholders, knowledge management and communication, and coordination with other programs;
- designing an exit strategy for the program.

Sida prepared the ground for the selection, producing a bid evaluation matrix. The bids were evaluated entirely on paper; interviews were ruled out on the ground of Sida’s interpretation of Swedish procurement law. In her testimony to the desk study, the program manager regretted the lack of opportunity to engage with the bidders, which, she felt, would have given the selectors a better take on the culture of the companies. She believes that any future similar procurement should include criteria relating to the culture of the bidding organisations, assessed mostly through face-to-face engagement. She also believed with hindsight that insufficient attention was given to the internal relationships in what was intended to be an implementer consortium.<sup>79</sup> Instead, ASI operated a subcontracting model which gave them a great deal of power and led to what two informants described as the marginalisation of the Springfield Centre and the Mercy Corps who played no or limited parts in the later stages of the project.<sup>80</sup>

The initial procurement decision was made in December 2012. There were two front-runners, including GRM International who had done the original country scoping

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<sup>79</sup> Key informant interview.

<sup>80</sup> Key informant interviews.

study. Interviewees told us that factors that swayed the decision in favour of ASI included: the profile of their proposed team leader, the participation of the Springfield Centre in the bid, the strength of their proposals for promoting support functions in the market system, and their post-conflict analysis.<sup>81</sup>

The decision to award the contract to ASI was appealed in the Swedish court by the runner-up. This was a challenging experience for Sida personnel involved. It led to a delay of about half a year in confirming ASI as the implementer.

## Implementation and management

### *i. Inception/‘design phase’*

The design phase began in June 2013. By this time the proposed team leader was no longer available – the first of several factors that began to reduce Sida’s confidence in ASI’s ability to meet the expectations created by their bid.

The design phase was intended to last six months. In the end it took a year. The overrun was principally due to the perceived weakness of the initial deliverables. One informant said that she and her colleagues were ‘shocked’ when they received the design report.<sup>82</sup> The report and its annexes ran to over 800 pages, but were seen to lack coherence and implementability.<sup>83</sup> They were said by one informant to be mostly constructed of generic material. The subsequent Sida program officer in Monrovia, who had taken part in the selection process, had become frustrated with ASI. He and other informants believe that ASI relied too much on short-term experts who lacked knowledge of the local context, while failing to capacitate the local team. All informants – including a member of the local team – agreed that the team lacked M4P experience and expertise.<sup>84</sup>

Criticisms of the design included the choice of sub-sectors that was thought to be too narrow for an M4P approach. They did not include cocoa that was favoured by Sida personnel and the monitoring consultant and had been identified as a core sector in the initial analysis by the GRM. Another criticism is related to what was seen as a ‘superficial’ access to finance component; however, there was no doubt that the project faced major financial inclusion challenges in Liberia that had an extremely weak indigenous banking sector. A third area of concern was that very few relationships with market actors had been established in the design phase; this was seen to be a result of the lack of empowerment of the local team.

Rather than deciding not to proceed with implementation through ASI – an option under the contract – the embassy insisted on improvements in the design report. With so much time and resources invested in the procurement of ASI, it would clearly have been a very difficult decision to terminate the relationship. However, it seems that the concerted decision making outlined in the ITT – e.g. involving a ‘panel of experts’ –

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<sup>81</sup> Key informant interviews.

<sup>82</sup> Key informant interview.

<sup>83</sup> Adam Smith International (2014). GROW Design Phase Report 03-06-2014.

<sup>84</sup> Key informant interviews.

did not take place, and most of the responsibility rested with the embassy and, in practice, the program officer.

*ii. Implementation*

A decision to move to implementation was made in July 2014. This coincided with the full onset of the Ebola epidemic. The project team were unable to function properly during the epidemic. Movement was severely restricted particularly outside Monrovia. Institutions were difficult to engage, and partnership activity virtually ceased. For example, a Program Advisory Board intended to help steer the project, with members from government, the private sector and other stakeholders, hardly got off the ground.

Personnel left the project team and it was difficult to recruit suitable replacements. There were two changes of team leader in 2014. The embassy was also unhappy with the London-based project director, whom they found unresponsive, and so they insisted on a replacement.<sup>85</sup>

The project did not gather pace significantly until 2016. The deputy team leader, who had been working on the project from the beginning, took over as team leader. The local team was strengthened in early 2017. A formal review by the monitoring consultant in July 2017, and their comments on the ASI annual report for that year, acknowledged that progress was being made in most areas.<sup>86</sup> The main problem, however, was that the project was due to end in December 2018, and there was not much prospect of systemic change in the multiple markets being realised by that point. An irony was that ASI was by then performing the type of facilitative role (scoping multiple interventions) that is envisaged in a textbook M4P approach. However, the review pointed out that it was too late for this and urged ASI to focus on a small number of interventions with the highest likelihood of success.

Another criticism of ASI, at least in the early post-Ebola phase, was the lack of support for the local team from the head office. Yet a succeeding program manager said she was in a constant dilemma about whether to try to manage ASI in a more hands-on manner. In hindsight she thinks she should have done, despite this not being the normal role of a Sida program officer. She also felt that she did not have sufficient capacity in all areas, especially RBM.<sup>87</sup> From the ASI side, there was the sense that the embassy lacked insights into the problems they were facing. They said they would have welcomed more engagement, but also appreciated the hands-off approach.<sup>88</sup>

Support from ASI in London seems to have recently improved. A ‘strategic review panel’ – including the London-based project director and a technical peer from another project – visits the project every six months or so. It gives advice to the team and also debriefs Sida.

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<sup>85</sup> Key informant interview.

<sup>86</sup> Nathan Associates and FCG Sweden (2017). External Review of GROW, by Ignacio Fiestas, Joseph Holden, James Darwolo.

<sup>87</sup> Key informant interview.

<sup>88</sup> Key informant interviews.

## RBM

It is acknowledged by the monitoring consultant that aspects of the logframe<sup>89</sup> – the indicators for example – and the written monitoring guidance were broadly satisfactory. It was, however, criticised for the lack of baselines and formal targets.<sup>90</sup> The different versions of the logframe we have seen included systemic indicators, but in the early versions, these seem to have been borrowed from other projects.<sup>91</sup> There does not seem to have been a serious attempt until the last year to produce indicators designed for GROW's unique set of circumstances. The logframe was substantially amended three times. This, according to the monitoring consultant, was mainly because the project team realised over time that the indicators were not appropriate – rather than to reflect actual adaptation in the project. No use was made of a theory of change; a central component of the DCED Standard.

There were strong criticisms of RBM *processes* by both the monitoring consultant and Sida personnel. In particular, they criticised ASI's reporting which was described as 'glossy' and lacking specificity and transparency. Their monitoring was described as a 'black box'. ASI seemed to be driven to report big numbers, irrespective of the appropriateness of these numbers for project accountability and learning. In Trac reporting, the program manager commented that she thought the numbers were exaggerated.

The lack of baselines and targets will have contributed to this, i.e. difficulties in making sense of results data and identifying the contributions of the project. This was particularly hard for the Head of Development Cooperation who had little contact with the project, but had to sign off the annual performance report.

The embassy pointed out that it is very difficult for them to fully diagnose the weaknesses in an implementing organisation RBM capacity and to know how to engage with them on improvements. Successive program officers were very appreciative of the support from the monitoring consultant. There is no doubt that the consultant gave Sida confidence in their belief that the project was not being well managed. The consultant helped both program officers, at different times, to construct improvement plans. However, the consultant's brief for engaging with the ASI team was limited, restricting their ability to coach the team directly. Moreover the consultancy firm, as one of the bidders for the GROW contract, was regarded with suspicion by ASI.<sup>92</sup>

The local ASI team has included an experienced M&E specialist since 2017 and that year's report was seen to be a significant improvement on previous ones.

## Evaluation

There has not yet been a full evaluation of GROW. A review was conducted by the monitoring consultant in 2017. This was too late for it to be really useful for

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<sup>89</sup> The logframe went through several iterations, which is normal for MSD/M4P.

<sup>90</sup> Targets are acceptable in MSD/M4P as long as they are reviewed and adapted.

<sup>91</sup> Adam Smith International GROW logframe revisions.

<sup>92</sup> Key informant interviews.

formative purposes, and not deep and comprehensive enough to be valuable for summative learning.

### Conclusions

- The project proposal, unusually, was generated by Sida itself using consultants for the diagnostic research. It comprehensively presented the arguments for the M4P/MSD approach.
- Although, in MSD, facilitators are expected to operate outside their market systems, there can be benefits to the country if they are locally based organisations in terms of the additional capacity they gain through implementing the project. International consulting firms are unlikely to leave such a legacy unless the facilitation is carried out through local organisations. ASI did not do this to any significant degree despite the fact that organisations with a local base and solid activity on the ground were identified and named.
- The procurement process was carried out according to the book. This was essential, particularly in the light of potential legal challenges from rejecting bidders, and the scrutiny that Sida was under politically at the time. This dissuaded them from engaging with bidders, which may have given them a better picture of the culture of the organisations; an important factor in successful management of MSD projects.
- Sida did not appear to systematically address the option of terminating ASI's contract at the end of the design/inception stage. There were several red flags that suggested implementation was not likely to go well, even without the intervention of Ebola. The decision was in the hands of the embassy; it was not an easy dilemma for them to resolve.
- Although implementation has improved significantly in the last year, the program officers have been faced with a poorly performing project. It is not clear how much guidance Sida staff have in these circumstances, or how much support they can expect from HQ, given the devolved nature of Sida's operations. Within the embassy, staff have many responsibilities and do not have the resources to get deeply involved in troubleshooting and holding the implementing organisation to account, even if they have the experience and confidence to do this.
- The monitoring consultant was a valuable support to the Sida program officers. However, the consultant did not engage significantly with the implementing organisation. With an inexperienced local implementing team faced with substantial obstacles, coaching from the consultant might have made a difference.
- GROW was a step into the unknown for Sida in several respects. It was a relatively large single-funder project in a country where Sida had little experience and which was still in a relatively fragile situation. It involved procurement of an international implementer through a legally bound process of which Sida had little experience. The original 'sponsor' of the project moved to another job before the beginning of the inception. There were undoubtedly significant weaknesses in the implementer's performance. None of these in themselves should have been an insuperable obstacle, but together they were a perfect storm.

Table 7: GROW RAG rating analysis

| Requirements of the MSD approach at each stage of the project cycle  | Our judgement on how well the requirements have been met  | RAG rating  |
|--|---|---|
| <p><b>Design, approval and partner selection</b></p> <ul style="list-style-type: none"> <li>• Emphasis on flexibility, experimentation and adaptation in project design.</li> <li>• In-depth diagnosis required to inform intervention design, although this often occurs after contracting (e.g. during an inception phase) and on an ongoing basis thereafter.</li> <li>• Partner selection should include consideration of organisation's capability as a 'facilitator' and ability to innovate.</li> </ul>   | <ul style="list-style-type: none"> <li>• Very thorough and comprehensive design with contributions from independent consultants</li> <li>• Very thorough assessment process (our view on this, however, is hampered by lack of access to the relevant documentation).</li> </ul>  |    |
| <p><b>Agreements and contracts</b></p> <ul style="list-style-type: none"> <li>• Emphasis on flexibility, experimentation and adaptation.</li> <li>• Legal agreements should incentivise projects to be responsive and flexible to the market. They should be clear on what is subject to change and what is not, including in relation to activities, results, and budgets.</li> <li>• Budgetary allocation is often heavier on staff time (to enable analysis and facilitation).</li> </ul>   | <ul style="list-style-type: none"> <li>• The invitation to tender, the successful bidder's response, and the eventual contract mirrored the 'classic' M4P/MSD approach set out in the original project design and Assessment Memo.</li> <li>• The evaluation of the bidders, because it was done entirely on paper, made it difficult to get a sense of the bidding organisation's cultures.</li> <li>• Sida lacked experience in procuring commercial contractors for projects like GROW. It made up for this by calling in external advice: Sida procured a monitoring consultant to support its embassy personnel. This was valuable, although a somewhat different model might have been more effective.</li> </ul> |   |
| <p><b>Implementation and management</b></p> <ul style="list-style-type: none"> <li>• Funder oversight of implementation is often more resource intensive than for 'traditional' projects.</li> <li>• Clarity required on degree of flexibility available to implementer.</li> <li>• Funders should support and encourage a learning culture.</li> </ul>  | <ul style="list-style-type: none"> <li>• The performance of the implementing organisation in the inception period was poor; and the embassy took steps to obtain improvements in the Inception Report.</li> <li>• The decision to proceed to implementation was not made as systematically as had been intended. The decision was left largely to embassy personnel who lacked experience in handling such a difficult decision.</li> </ul>   |  |
| <p><b>RBM</b></p> <ul style="list-style-type: none"> <li>• Results frameworks should avoid arbitrary quantitative indicators which may undermine sustainability and systemic impact.</li> <li>• Detailed target setting can only be established once sufficient analysis has been completed.</li> <li>• Indicators should be subject to change in response to adaptation to project strategy.</li> <li>• As well as being a tool for accountability, RBM should be used to inform ongoing learning and adaptation (e.g. by applying the DCED Standard).</li> </ul> | <ul style="list-style-type: none"> <li>• Implementation met substantial obstacles both external and internal to the management by the implementing organisation.</li> <li>• The embassy had help in assessing the difficulties from the monitoring consultant, and advice from Africa Department.</li> <li>• However most of the embassy's work involved fighting fires. Some of those fires stemmed from the London office of the implementing organisation; and the embassy was poorly equipped to intervene with them.</li> </ul>  |  |

| Requirements of the MSD approach at each stage of the project cycle   | Our judgement on how well the requirements have been met   | RAG rating  |
|---|--|---|
| <p><b>Evaluation</b></p> <ul style="list-style-type: none"> <li>Evaluations should take account of the project's unpredictable, adaptive and non-linear nature; and the long-term trajectory to impact inherent in the MSD approach.</li> </ul> | <ul style="list-style-type: none"> <li>Until the last 12 months or so, operationalisation of RBM by the implementing organisation was either non-existent or weak. This was initially due to the suspension of activity in the project. Later it was due to lack of expertise in the local team.</li> <li>Embassy staff lacked expertise in RBM and struggled to know how to engage with the implementing organisation on this.</li> <li>The monitoring consultant's brief did not extend to coaching the implementing organisation on RBM, and were only able to point out the weaknesses.</li> <li>There has not yet been a full evaluation of GROW. A review was conducted by the monitoring consultant in 2017. This was too late for it to be really useful for formative purposes, and not deep and comprehensive enough to be valuable for summative learning.</li> </ul> |  |

# Road to Jobs (Afghanistan)

## Project overview

‘Road to Jobs’ aims to unleash the economic potential of the expanding rural road network in Afghanistan, which has been supported by SIDA–United Nations Office for Project Services. The new roads aim to provide rural communities with the opportunity for better connectivity to markets and Road to Jobs aims to help turn that opportunity into reality in selected Northern Provinces.

The project aims to enhance the competitiveness of rural and urban value chains connected by the road network through multi-faceted interventions that respond to the underlying constraints inhibiting pro-poor sector growth.<sup>93</sup>

The overall goal of the Road to Jobs project is therefore ‘more and better jobs in selected Northern Provinces in Afghanistan contribute to improved livelihoods and poverty reduction’.<sup>94</sup>

**Years:** 2014–18 (inc. 1 year extension)

**Country / Region:** Afghanistan

**Implementing organisation:** ILO

**Budget:** USD 7.6 million

**Co-funders:** None

## Design, approval and partner selection

The transfer of security responsibility to the Afghan military and policy and withdrawal of foreign troops towards the end of 2014 prompted several questions about the sustainability of development in Afghanistan and the creation of sustainable jobs was seen as a critical issue.<sup>95</sup> Sida identified an opportunity to address this challenge and approached the ILO for a project proposal.<sup>96</sup>

### *i. Partner selection*

The assessment of ILOs capacity mainly focused on processes, structures and fiduciary risk and was based on available reviews and reports from organisations such as the European Union and DFID, and consultations with Sida’s unit for multilateral cooperation as well as the unit for method development. As a result, the ILO was assessed to meet Sida’s requirements with regard to management for results, financial management and control, sustainability, ownership and risks.<sup>97</sup>

<sup>93</sup> ILO (2015). Road to Jobs, Project Document.

<sup>94</sup> ILO (2017). 2016 Annual Report: Road to Jobs, March 2017.

<sup>95</sup> ILO (2015). Road to Jobs, Project Document.

<sup>96</sup> Key informant interview.

<sup>97</sup> Sida (2014). Road to Jobs Appraisal of Intervention 52050099, June 2014.

It was further assessed that the supervision by the ILO Kabul office and its supporting units in Delhi, Bangkok and departments at headquarter in Geneva provided the necessary capacity and competence to support the project organisation in “all relevant fields of expertise”. It was, however, noted that specific actions would be taken to ensure the ILO had appropriate capacity on monitoring and evaluation, particularly with respect to the application of the DCED Standard.<sup>98</sup>

#### *ii. Design*

The project design is well aligned with MSD approach. The Project Document outlines systemic ambition using an adaptive approach. The project design included a nine-month inception phase to identify underlying causes of weak market performance (constraints) and ensure that interventions are designed “correctly to ‘facilitate’ change in these systems, rather than aggressively ‘pushing’ change or pre-set tools.”<sup>99</sup>

The project design also reserves a good chunk of technical assistance resources to enable the project to be flexible so that it can be directed to the specific constraints inhibiting the growth and competitiveness of sectors and value chains throughout the project.<sup>100</sup>

#### **Agreements and contracts**

Sida recognised and advocated for the Road to Jobs project to have inbuilt flexibility, including within its budget:

*The project’s concept needs to have an inbuilt flexibility to meet the changing political, economic, social and security environment. During the inception phase, ILO will further develop indicators, baselines, targets and milestones, and these could further be revised during implementation. Thus, also the budget needs to be flexible and be open for revisions deemed necessary as a result of the conclusions and details in the Inception Report and also during implementation. Still, Sida has requested ILO to provide a detailed budget in order to give a clear understanding on how the implementation of the projects is planned, while still being aware that revisions of the budget most likely will need to be made.*<sup>101</sup>

Sida has supported the use of project funds for capacity building, to ensure that there is a common understanding of project philosophy, approach and objectives for internal staff and local consultants.<sup>102</sup> Approximately 75% of the capacity building resources comes from the project budget (the rest is contributed by the ILO). Staff have received training from the Lab at the ILO, the Springfield Centre and on the DCED Standard. This was highly valued by the project team, noting that the MSD

<sup>98</sup> Sida (2014). Road to Jobs Appraisal of Intervention 52050099, June 2014.

<sup>99</sup> ILO (2015). Road to Jobs, Project Document.

<sup>100</sup> Ibid.

<sup>101</sup> Sida (2014). Road to Jobs Appraisal of Intervention 52050099, June 2014.

<sup>102</sup> ILO (2017). 2016 Annual Report: Road to Jobs, March 2017.

approach is new for many of the people on the project so capacity building is required.<sup>103</sup>

### **Implementation and management**

Formally, the ILO report every six months using the ILO report template and meetings should be held annually. It was agreed that whenever possible, Sida staff will explore opportunities to visit the project office to familiarise themselves with the activities and events taking place on the ground.<sup>104</sup> However, the security situation in Afghanistan is challenging and there is lack of opportunity to go out to the field. The program officer is supported by a counterpart in the Swedish Embassy in Kabul, neither of whom have been able to carry out field visits under this project.<sup>105</sup>

The program officer counterpart in Kabul is in regular contact with ILO team (approximately 2–3 times a month) and has a close relationship with the ILO chief technical adviser. However, this contact is predominantly focused on administrative issues and does not involve substantive discussions or updates on the project.<sup>106</sup>

The program officer has voiced concerns about the effectiveness of their engagement with the ILO. The formal reporting is not providing Sida with sufficient information; it is activity focused and ‘scattered’, meaning it is hard to glean from this information what is happening as a result of the project. Concerns have also been raised that, because of the reporting style, it is difficult to determine the extent to which the project is adopting an MSD approach. For example, it is clear that research and analysis is carried out under the project but it is not clear how this is used to inform project strategy. It is clear the project is not using a direct delivery approach, but it is less clear the extent to which it has a systemic approach.<sup>107</sup>

The ILO have been given a no-cost extension and Sida is currently assessing whether or not to proceed with a second phase of funding. The current reporting is not sufficient for Sida to base their decision on and they are currently in the process of commissioning an independent evaluation (see below)

There have been two project officers throughout the duration of this project. While the handover process was seen to have worked well by Sida staff involved, with staff turnover, some institutional memory is often lost and there is anecdotal evidence to suggest this may have contributed to the challenge that Sida has faced in understanding this project.<sup>108</sup>

Sida is perceived to be open and encouraging of ‘failures’ and subsequent adjustments to the project plans. It is reported that Sida will interrogate revisions to

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<sup>103</sup> Key informant interview.

<sup>104</sup> ILO (2017). 2016 Annual Report: Road to Jobs, March 2017.

<sup>105</sup> Key informant interview.

<sup>106</sup> Key informant interview.

<sup>107</sup> Key informant interview.

<sup>108</sup> Key informant interview.

project plans to ensure there is a well-evidenced justification; however, they are always supportive.<sup>109</sup>

## **RBM**

The Appraisal of Intervention lists the key objective areas but does not seek to include indicators. It was envisaged that rapid market assessments and competitiveness assessments carried out in the inception phase would provide the evidence-based foundation for selection of the value chains, which would in turn inform revisions of indicators and for defining of baselines, targets and milestones.<sup>110</sup>

During the inception phase the project developed an RBM system with support from the Lab at the ILO in line with the DCED Standard. They commissioned a pre-audit and have implemented the recommendations from this. While they have not proceeded to a full audit, the ILO are confident the systems would comply.<sup>111</sup>

However, it is not evident to Sida staff or within the documentation reviewed in this case study that the project has developed a learning culture. For example, the logframe has undergone only one revision to an outcome area after the initial revisions carried out the end of the inception phase.

## **Evaluation**

The process of carrying out the MTR was led by the ILO Head Office. This process was led by a project manager who had little understanding of the MSD approach and subsequently commissioned a consultant who also had limited understanding of the approach. Subsequently, the evaluation assessed progress against the logframe but failed to understand the project objectives.<sup>112</sup>

At the time of data collection for this case study, Sida was in the process of commissioning an independent evaluation to get a better grasp of the project before commissioning a second phase. Sida were waiting to commission the evaluation until they had received the Road to Jobs Annual Report; however, there were delays in this process which had a knock-on effect to the evaluation timeline. Sida were in the process of procuring the evaluation through the RBM framework contract but questions raised by the potential implementing partners around budget (for security) and additional time for the evaluation also halted the procurement process. ILO requested that the funding decision be made by summer of this year to ensure smooth delivery from Phase 1 to Phase 2. However, this was seen to be unlikely and Sida were considering other evaluative options, including Sida staff visiting the project to make an assessment.<sup>113</sup>

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<sup>109</sup> Key informant interview.

<sup>110</sup> Sida (2014). Road to Jobs Appraisal of Intervention 52050099, June 2014.

<sup>111</sup> Key informant interview.

<sup>112</sup> Key informant interview.

<sup>113</sup> Key informant interview.

Sida have now commissioned the evaluation through the RBM framework contract and they expect the draft evaluation report to be submitted by September 2018.<sup>114</sup>

Support was also provided by the evaluation department and procurement department at Sida, which also slowed this process down.<sup>115</sup>

## Conclusion

The formal reporting is not providing Sida program officers with sufficient information; and because of the security situation in Afghanistan Sida has been unable to fully resolve this issue through informal engagement channels. This has created a situation where Sida is not able to determine what the results of the program are. Sida is also unclear on the extent to which the project is adopting an MSD approach.

**Table 8: Road to Jobs RAG rating analysis**

| Requirements of the MSD approach at each stage of the project cycle  | Our judgement on how well the requirements have been met  | RAG rating  |
|--|---|---|
| <p><b>Design, approval and partner selection</b></p> <ul style="list-style-type: none"> <li>• Emphasis on flexibility, experimentation and adaptation in project design.</li> <li>• In-depth diagnosis required to inform intervention design, although this often occurs after contracting (e.g. during an inception phase) and on an ongoing basis thereafter.</li> <li>• Partner selection should include consideration of organisation's capability as a 'facilitator' and ability to innovate.</li> </ul> | <ul style="list-style-type: none"> <li>• The assessment of ILOs capacity mainly focused on processes, structures and fiduciary risk. However, it is noted that specific actions would be taken to ensure the ILO had appropriate capacity on monitoring and evaluation, particularly with respect to the application of the DCED Standard.</li> <li>• The project design is well is aligned with MSD approach. The Project Document outlines systemic ambition using an adaptive approach.</li> </ul> |  |
| <p><b>Agreements and contracts</b></p> <ul style="list-style-type: none"> <li>• Emphasis on flexibility, experimentation and adaptation.</li> <li>• Legal agreements should incentivise projects to be responsive and flexible to the market. They should be clear on what is subject to change and what is not, including in relation to activities, results, and budgets.</li> <li>• Budgetary allocation is often heavier on staff time (to enable analysis and facilitation).</li> </ul>                   | <ul style="list-style-type: none"> <li>• Sida recognised and advocated for the Road to Jobs project to have inbuilt flexibility, including within its budget.</li> <li>• Sida has supported the use of project funds for capacity building, from the Lab at the ILO, the Springfield Centre and on the DCED Standard. This was highly valued by the project team.</li> </ul>  |  |

<sup>114</sup> Email communication between Program Officer and Evaluation Team, July 2018.

<sup>115</sup> Key informant interview.

| Requirements of the MSD approach at each stage of the project cycle  | Our judgement on how well the requirements have been met  | RAG rating  |
|--|---|---|
| <p><b>Implementation and management</b></p> <ul style="list-style-type: none"> <li>• Funder oversight of implementation is often more resource intensive than for ‘traditional’ projects.</li> <li>• Clarity required on degree of flexibility available to implementer.</li> <li>• Funders should support and encourage a learning culture.</li> </ul>  | <ul style="list-style-type: none"> <li>• The program officer has voiced concerns about the effectiveness of their engagement with the ILO. The formal reporting is not providing Sida with sufficient information on results, or the extent to which the project is adopting the MSD approach.</li> <li>• Sida is perceived to be open and encouraging of ‘failures’ and subsequent adjustments to the project plans, as long as it is evidenced.</li> <li>• There have been two program officers throughout the this project’s duration. While the handover process was seen to have worked well, with staff turnover, often some institutional memory is lost and there is anecdotal evidence to suggest this may have contributed to the challenge that Sida has faced in understanding this project.</li> </ul> |    |
| <p><b>RBM</b></p> <ul style="list-style-type: none"> <li>• Results frameworks should avoid arbitrary quantitative indicators which may undermine sustainability and systemic impact.</li> <li>• Detailed target setting can only be established once sufficient analysis has been completed.</li> <li>• Indicators should be subject to change in response to adaptation to project strategy.</li> <li>• As well as being a tool for accountability, RBM should be used to inform ongoing learning and adaptation (e.g. by applying the DCED Standard).</li> </ul> | <ul style="list-style-type: none"> <li>• Reporting is ‘scattered’ and Sida are not able to determine the ‘story’.</li> <li>• It is not evident to Sida staff or within the documentation reviewed in this case study that the project has developed a learning culture.</li> <li>• The logframe has undergone one only revision to an outcome area after the initial revisions carried out the end of the inception phase.</li> </ul>   |  |
| <p><b>Evaluation</b></p> <ul style="list-style-type: none"> <li>• Evaluations should take account of the project’s unpredictable, adaptive and non-linear nature; and the long-term trajectory to impact inherent in the MSD approach.</li> </ul>  | <ul style="list-style-type: none"> <li>• MTR commissioned by ILO Head Office by individual with very understanding of the MSD approach and subsequently, the evaluation assessed progress against the logframe but failed to understand the project objectives</li> <li>• Currently in process of commissioning independent evaluation to inform decision on Phase II funding but slow progress.</li> </ul>   |  |

# Stimulating Private Sector for Inclusive Economic Development (Afghanistan)

## Project overview

The project proposal defines the overall goal of SPEDA as contributing to inclusive economic development in Afghanistan through private sector development.

The specific objectives of the project are defined as: (1) increased opportunities for micro, small, and medium-sized enterprises (MSMEs) to establish and expand their businesses within and across selected value chains; and (2) Improved gender inclusive enabling environment for private sector growth. The theory of change has been developed with the following outcomes:

1. **Enhanced agricultural productivity in selected value chains** by an average 20–40%, targeting 100,000 farmers in nine value chains.
2. **Enhanced viability of business ventures in selected value chains** through systemic changes for small and medium-sized enterprises (SMEs), providing market linkages and value-add opportunities for 140,000 farmers.
3. **Improved access of MSMEs to critical infrastructure** through the construction and renovation of small-scale market and agricultural infrastructure that is chosen by target communities themselves according to their priorities for increasing resilience and the sustainability of specific value chains.
4. **Improved participation of women in the economy** targeting 6,500 rural women to become business owners, employees, and link with private sector firms and financing.
5. **Increased employment opportunities for youth** by bridging the gap between youth employment and private sector opportunities through an integrated demand and supply approach, which will lead to at least 3,500 instances of youth employment or entrepreneurship.

By focusing on these outcomes, the theory of change put forward in the project proposal “builds towards a series of positive systemic changes in various levels of market system including at the farmer/individual level, at the enterprise level, and at market system level.”<sup>116</sup>

**Years:** 2015–17

Phase I: 2015–17

Phase II: 2017–20

**Country / Region:** Afghanistan

**Implementing organisation:**

Aga Khan Foundation

**Budget:** SEK 192 million

Phase I: SEK 52 million

Phase II: SEK 140 million

**Co-funders:** None

<sup>116</sup> AKF (2017). Project Proposal: SPEDA II.

SPEDA is expected to contribute to Objective 2 of Sweden’s international development cooperation with Afghanistan, 2014–19: “Better opportunities for people living in poverty to contribute to and benefit from economic growth and gain a good education.”<sup>117</sup>

### **Design, approval and partner selection**

#### *i. Project concept and partner selection*

The Aga Khan Foundation’s (AKF) Policy and Partnership unit began discussions with Sida in 2013. They facilitated a visit from the Swedish Embassy to take towards discussions on the scope and objectives on the project. AKF then submitted a Concept Note, which after some revisions was approved and AKF began developing the full proposal.<sup>118</sup>

Sida’s Afghanistan Unit had no previous experience from cooperating with the AKF in Afghanistan, however, Sida had previously cooperated with AKF in other contexts, generating good relations and positive attitudes within Sida towards the organisation with most of the project objectives being met and all reporting being submitted on time and to a sufficient standard. AKF were also seen to have a good reputation among stakeholders in Kabul with a strong track record in the country and good contextual knowledge as approximately 96% of staff were from Afghanistan.<sup>119</sup> However, while the final appraisal was generally positive, Sida decided to divide the five-year project with a proposed budget of approximately USD 50 million into two phases with a combined budget of approximately USD 22.1 million to mitigate the risk associated with a new partnership with AKF Afghanistan.<sup>120</sup>

Consideration was also given to their experience working on what was considered similar thematic topics, such as value chain development projects and natural resource management programs that encompasses agriculture, forestry, livestock, and water resources that seek to increase the productivity and train farmers on harvest and postharvest techniques. However, an assessment is not provided on their credentials with respect to implementing projects using an MSD approach or what AKF call ‘inclusive market development’ (IMD) approaches.

#### *ii. Project design*

In the proposal development phase Sida was open and flexible and did not place many restrictions on AKF; however, they did suggest the design process should be consultative.<sup>121</sup> As suggested, the identification of challenges faced by the target population and the root causes of poverty have been done predominantly through existing research and participatory consultations and this approach is used not only in

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<sup>117</sup> Ibid.

<sup>118</sup> Key informant interview.

<sup>119</sup> Sida (2015). SPEDA Appraisal of Intervention 52050115: Final.

<sup>120</sup> Key informant interview.

<sup>121</sup> Key informant interview.

the design phase but was also the proposed approach for the analysis/diagnostic work to be conducted throughout the program.<sup>122</sup>

For example, in the selection of economic infrastructure projects (outcome 3), the process starts with participatory consultations to review value chain gaps and identify potential opportunities to develop a first draft of potential infrastructure projects. Sectoral Working Groups then select a short list using a set of pre-defined criteria. AKF then conduct feasibility studies, but only to identify who would own, operate, maintain and regulate the infrastructure. The assessment of challenges and the extent to which these interventions will form solutions relies heavily, if not exclusively, on a participatory exercise and does not represent a complete assessment of market constraints through rigorous diagnostics like one might expect to see in an MSD program.<sup>123</sup>

Despite this lack of documented analysis, the project proposal clearly articulates a systemic ambition and a desire to create sustainable changes to the lives of the poor through market development approaches.

### *iii. Phased approach*

As noted above, the decision was taken to split the project into two phases to mitigate risk of working with a new partner. However, this approach does not appear to have yielded any benefits for either AKF or Sida and has led to increased administrative burden on both sides, taking approximately nine months in total to process.<sup>124</sup>

The current program officer joined the Afghanistan unit during the appraisal process for the second phase, although there was already a significant time pressure to ensure the second phase was approved and funds were disbursed so project delivery was not negatively affected as a result of a gap in funding.<sup>125</sup>

A mid-term evaluation had been commissioned by the AKF before the current program officer took position. This was originally intended to provide evidence for Sida which would inform their funding decision on Phase II. Unfortunately, the evaluation was of poor quality (see Evaluation section below) and therefore the program officer prepared the appraisal based on existing project documentation and through seeking additional information and clarifications from AKF. Had the time-constraints been less acute, the project officer reports they would have ideally found time to engage in a discussion with the partner on how to strengthen aspects of the program design to place greater emphasis on market centric approaches (as opposed to actor centric) and to improve on sustainability aspects and exit strategies.<sup>126</sup>

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<sup>122</sup> AKF (2017). Project Proposal: SPEDA II.

<sup>123</sup> AKF (2017). Project Proposal: SPEDA II.

<sup>124</sup> Key informant interview.

<sup>125</sup> Key informant interview.

<sup>126</sup> Key informant interview.

### Agreements and contracts

The grant agreements<sup>127</sup> are fairly high-level documents, focusing predominantly on requirements for narrative and financial reporting, annual meetings and rules governing the transfer of funds from the AKF to third parties. The Grant Agreement does not specify the use of the MSD (or ‘IMD’) approach in project implementation; however, detailed specification of the project approach is described in the project proposal and referenced to in the Grant Agreement.

The Grant Agreement specifies that any revisions of budget will be subject to Sida’s prior approval and the request should be submitted to Sida 30 days in advance.<sup>128</sup> It has been found to be relatively easy to make adjustments to the budget as a result of support from the embassy staff in Kabul,<sup>129</sup> although, anecdotally, Sida is becoming more cautious with budget revisions under this contribution as a result of challenges and weaknesses in financial narrative reporting under SPEDA. This makes it difficult for Sida staff to understand the justification for budget changes and therefore more difficult to approve revisions.<sup>130</sup>

### Implementation and management

Semi-annual review meetings form the basis of the formal engagement between Sida and AKF. Additional, ad hoc communication takes place over video conference but this does not currently support open dialogue and communication between Sida and AKF and there currently are ‘too few interaction points’ however more regular and more productive communication was achieved during the first phase. In addition, language barriers, connection issues and the ongoing security situation in Afghanistan create additional bottlenecks for effective communication channels and relationship building.<sup>131</sup>

Sida have made efforts to smooth communication and reporting channels. For example, the financial reporting (budget and narrative) were complex and presented in such a way that made it difficult for Sida staff to interpret and calculate cost efficiencies. They worked with AKF to develop a template that would satisfy Sida’s requirements, while trying not to create an additional administrative burden on the project. While this seems to have eased some of the challenges there is still a perception that reporting is not as clear and as straightforward as it could be.<sup>132</sup> It is, however, difficult to determine whether these challenges are down to communication issues or if they are as a result of complexities in the project originating from the nature of the project.

In addition, while AKF have been seen to have very good understanding of the context in Afghanistan, many staff are not familiar with the MSD approach. There is

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<sup>127</sup> Sida (2015). Grant agreement between Sida and the Aga Khan Foundation Afghanistan, SPEDA I; Sida (2017). Grant agreement between Sida and the Aga Khan Foundation Afghanistan, SPEDA II.

<sup>128</sup> Sida (2017). Grant agreement between Sida and the Aga Khan Foundation Afghanistan, SPEDA II.

<sup>129</sup> Key informant interview.

<sup>130</sup> Key informant interview.

<sup>131</sup> Key informant interview.

<sup>132</sup> Key informant interview.

both a willingness from Sida for training to be supported through the project's capacity building budget and a demand for training from SPEDA staff in the MSD approach so they have a better understanding of how this might differ from their IMD approach and to gain a common understanding of what Sida expects from this project. They are aware of online materials, many of which have been highlighted by the Sida program officer, but there is a desire for more in-depth training which is tailored to the context in Afghanistan.<sup>133</sup>

## **RBM**

In terms of formal reporting back to Sida, an annual workplan and budget are submitted to Sida in advance of the annual review meetings, in accordance with the agreed results framework. This should include an updated risk analysis, an updated plan for monitoring and evaluation and when applicable, account for how conclusions from recent evaluations and/or review meetings will be implemented.<sup>134</sup> Therefore, the Grant Agreement does not promote flexibility in the results framework, learning or adaptation.

The logframe is not seen by AKF as a static document, recognising that some of the assumptions they made at the time of development may need to be revised.<sup>135</sup> While the logframe was revised between the two phases, there is no evidence that prior or subsequent revisions have been made. The current logframe consists of 51 indicators, most of which are quantitative in nature. AKF reporting describes the results against the logframe and presents a section on challenges, mainly relating to external challenges and how AKF has (or plans to) mitigate for these. There is no discussion on lessons, failures, and adjustments to the workplans that you would expect in an adaptive, MSD program.<sup>136</sup>

At times, when the communication channels between Sida and AKF were more effective, there is evidence to suggest this was used as an opportunity to dig beyond the formal reporting into more meaningful results. This provided an opportunity for the program officer to delve deeper in to the results and look beyond results reported against the quantitative indicators in the logframe.<sup>137</sup>

Based on the experience of the first phase of the project, Sida has during this appraisal phase discussed with the partner whether it is possible to slightly modify how the results are presented in the written reporting. Sida have requested that for this second phase, the presentations/tables should more closely follow the format of the results framework presented in the project documentation.<sup>138</sup>

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<sup>133</sup> Key informant interview.

<sup>134</sup> Sida (2017). Grant agreement between Sida and the Aga Khan Foundation Afghanistan, SPEDA II

<sup>135</sup> Key informant interview.

<sup>136</sup> AKF (2017) SPEDA Project Third Annual Report; AKF (2017) SPEDA II Project Interim Report 2017.

<sup>137</sup> Key informant interview.

<sup>138</sup> Sida (2017). Grant agreement between Sida and the Aga Khan Foundation Afghanistan, SPEDA II.

## Evaluation

An independent mid-term evaluation was conducted during SPEDA Phase I, covering the period of August 2015 to December 2016.<sup>139</sup> The MTR was commissioned through SPEDA funding by the AKF with limited involvement from the Swedish Embassy in Kabul of Sida HQ.<sup>140</sup>

The evaluation sought to cover four of the five OECD DAC evaluation criteria: efficiency, effectiveness, relevance and sustainability. It was primarily focused on determining progress against planned outputs and outcomes, but also with a view to assessing design and implementation strategies and assessing the realisation or potential realisation of systemic change at the market system level.<sup>141</sup> Unfortunately, the assessment of design and implementation strategies was focused on the management arrangements to maximise resources for implementation activities and an assessment of the logframe, which focused exclusively on extent to which the indicators were measurable. The assessment found the logframe indicators were “specific enough to measure the project at output, outcome and impact levels” but it did not seek to measure the extent to which they were relevant, useful, or if they sought to measure systemic change. The evaluation did not seek to assess the realisation or potential realisation of systemic change and its assessment of sustainability is limited to a half page reflection piece.

The MTR was originally intended to contribute evidence to inform Sida’s funding decision on Phase II. Unfortunately, the evaluation was found to be poor quality and was not used to inform the funding decision.

The Grant Agreement for the second phase specified that AKF are also responsible for commissioning the end of project evaluation regarding the impact on the target group in relation to the objectives of the project. This will coincide with the end of program funding in October 2020 and does not provide opportunities for ex-post assessment of the sustainability of the program outcomes. AKF is responsible for drafting the terms of reference and Sida is only required to give a no-objection to the ToRs and to the proposed evaluation team.<sup>142</sup> With so little oversight of the evaluation scope, Sida runs the risk of repeating the same mistakes as the MTR.

However, the Grant Agreement also specified that Sida will commission an independent review of internal management and control regarding AKF’s capacity assessment, management and follow-up on third parties. In this instance, Sida has maintained responsibility for drafting the terms of reference, and AKF will be required to give its no-objection.<sup>143</sup>

## Conclusion

The appraisal of AKF focused on their reputation within Sida, reputation with stakeholders in Kabul, their track record in the country and their work on similar

<sup>139</sup> ARM Consulting (2017). Mid-Term Evaluation Report: SPEDA.

<sup>140</sup> Key informant interview.

<sup>141</sup> ARM Consulting (2017) Mid-Term Evaluation Report: SPEDA.

<sup>142</sup> Sida (2017). Grant agreement between Sida and the Aga Khan Foundation Afghanistan, SPEDA II.

<sup>143</sup> Sida (2017). Grant agreement between Sida and the Aga Khan Foundation Afghanistan, SPEDA II.

thematic topics but not on their credentials with respect to implementing projects using an MSD approach. Sida now have concerns about their ability to implement the project using the MSD approach.

Sida's decision to split the project into two years does not appear to have yielded any benefits for either AKF or Sida and has led to increased administrative burden on both sides. If the timing of the appraisal for phase two had not coincided with a change in program officer this decision to split the project into two phases may have yielded more benefits. However the appraisal was rushed through to ensure smooth continuation of funding.

The decision that the mid-term evaluation should be commissioned by AKF resulted in lack of control over the process from Sida and the evaluation report was not of sufficient quality for it to be used in the appraisal process for the second phase. The end-term evaluation under Phase II will also be commissioned by AKF and Sida is only required to give a no-objection to the ToRs and to the proposed evaluation team. With so little oversight of the evaluation scope, Sida runs the risk of repeating the same mistakes as the MTR.

**Table 9: SPEDA RAG rating analysis**

| Requirements of the MSD approach at each stage of the project cycle  | Our judgement on how well the requirements have been met   | RAG rating  |
|--|--|---|
| <p><b>Design, approval and partner selection</b></p> <ul style="list-style-type: none"> <li>• Emphasis on flexibility, experimentation and adaptation in project design.</li> <li>• In-depth diagnosis required to inform intervention design, although this often occurs after contracting (e.g. during an inception phase) and on an ongoing basis thereafter.</li> <li>• Partner selection should include consideration of organisation's capability as a 'facilitator' and ability to innovate.</li> </ul> | <ul style="list-style-type: none"> <li>• AKF was seen to have good local knowledge and had experience working on similar thematic areas but assessment of their capability as a 'facilitator' or experience of implementing projects with MSD approach was not provided.</li> <li>• Decision was taken to split project into two phases to reduce risk as Sida had not worked with AKF previously in Afghanistan. This created significant administrative burden on both sides without any identified benefits.</li> <li>• The second phase approval was already in process when the current program officer joined and needed to be pushed through quickly to ensure smooth delivery.</li> <li>• Very little evidence of diagnostics to inform program design. Mainly based on existing evidence and stakeholder consultation.</li> </ul> |  |
| <p><b>Agreements and contracts</b></p> <ul style="list-style-type: none"> <li>• Emphasis on flexibility, experimentation and adaptation.</li> <li>• Legal agreements should incentivise projects to be responsive and flexible to the market. They should be clear on what is subject to change and what is not, including in relation to activities, results, and budgets.</li> <li>• Budgetary allocation is often heavier on staff time (to enable analysis and facilitation).</li> </ul>                   | <ul style="list-style-type: none"> <li>• The Grant Agreement is a fairly high-level document, focusing predominantly on requirements for narrative and financial reporting</li> <li>• The agreement outlines rules regarding timelines for approvals of budget revisions however Sida is anecdotally becoming more cautious with budget revisions under this contribution as a result of challenges and weaknesses in financial narrative reporting.</li> </ul>  |  |

| Requirements of the MSD approach at each stage of the project cycle  | Our judgement on how well the requirements have been met  | RAG rating  |
|--|---|---|
| <p><b>Implementation and management</b></p> <ul style="list-style-type: none"> <li>• Funder oversight of implementation is often more resource intensive than for ‘traditional’ projects.</li> <li>• Clarity required on degree of flexibility available to implementer.</li> <li>• Funders should support and encourage a learning culture.</li> </ul>  | <ul style="list-style-type: none"> <li>• Staff turnover at Sida, lack of communication, lack of details in the reporting, and security context have contributed to diminished trust. AKF are seen to have good local knowledge but not on MSD.</li> <li>• There is demand for capacity building on MSD approach from AKF and agreement from Sida this would be beneficial.</li> <li>• KII noted Sida were more flexible with budget revisions but have tightened up slightly as the financial narrative was weak.</li> <li>• Formal meetings every 6 months but it is difficult to get Sida staff on the ground to visit the project due to security issues.</li> </ul> |    |
| <p><b>RBM</b></p> <ul style="list-style-type: none"> <li>• Results frameworks should avoid arbitrary quantitative indicators which may undermine sustainability and systemic impact.</li> <li>• Detailed target setting can only be established once sufficient analysis has been completed.</li> <li>• Indicators should be subject to change in response to adaptation to project strategy.</li> <li>• As well as being a tool for accountability, RBM should be used to inform ongoing learning and adaptation (e.g. by applying the DCED Standard).</li> </ul> | <ul style="list-style-type: none"> <li>• The Grant Agreement does not promote flexibility in the results framework, learning or adaptation.</li> <li>• While the logframe was revised between the two phases, there is no evidence that prior or subsequent revisions have been made.</li> <li>• The current logframe consists of 51 indicators, most of which are quantitative in nature, the majority of which do not measure sustainability or systemic change.</li> <li>• There is no discussion in reporting on lessons, failures, and adjustments to the workplans that you would expect in an adaptive, MSD program.</li> </ul>                                  |    |
| <p><b>Evaluation</b></p> <ul style="list-style-type: none"> <li>• Evaluations should take account of the project’s unpredictable, adaptive and non-linear nature; and the long-term trajectory to impact inherent in the MSD approach.</li> </ul>  | <ul style="list-style-type: none"> <li>• MTR commissioned at end of Phase I by AKF. Poor quality and did not provide Sida with necessary information.</li> <li>• The MTR focused on results against the logframe and paid very little attention to design, lessons, systemic change or sustainability.</li> <li>• Phase II evaluation will also be commissioned by AKF.</li> </ul>  |  |

# Women and Financial Inclusion (Zambia)

## Project overview

Sida is funding Women and Financial Inclusion (WIN), a three-year project (2016–19) that aims to increase financial inclusion for young people and women in order to reduce vulnerability and create income generating opportunities.

WIN is implemented by Financial Sector Deepening Zambia (FSDZ). FSDZ is part of a network of organisations promoting financial inclusion across Africa. FSDZ was established by DFID in 2013 and its activities outside the WIN program are currently funded by DFID.

WIN is explicitly aligned to the MSD approach, although it uses the term ‘Making Markets Work for the Poor’ (M4P). It is applying the DCED Standard as the basis for its performance monitoring, although it is not formally accredited.

At the time that this case study was prepared, the WIN had completed a three-month inception and was around 20 months into implementation.

**Years:** 2016–19

**Country / Region:** Zambia

**Implementing organisation:**  
Financial Sector Deepening  
Trust Zambia (FSDZ)

**Budget:** SEK 28.4 million

**Co-funders:** DFID

## Design, approval and partner selection

### *i. Project initiation*

Sida’s funding for the WIN project was initiated in response to Zambia’s results strategy 2013–17 which includes the stated aim of creating jobs for women and young people and increasing access to financial services for farmers, entrepreneurs and businesses.<sup>144</sup> In response, Sida sought to identify possible partners working with financial inclusion in Zambia.<sup>145</sup> The fact that FSDZ were applying MSD approach was attractive to Sida: “*Since Sweden is supposed to work in an innovative way, and because of positive experiences, such as for the program Musika in Zambia, the embassy was particularly focused on finding a partner working with the method ‘Making Markets work for the poor (M4P)’*”.<sup>146</sup>

<sup>144</sup> Sweden Ministry of Foreign Affairs (2016), Results Strategy for Sweden’s international Development Cooperation in Zambia, 2013–17.

<sup>145</sup> Sida (2016). Women and Financial Inclusion, Appraisal of Intervention, 6 June 2016, p. 11.

<sup>146</sup> Ibid.

For its part, FSDZ had been in discussion with Sida about potential funding since 2014. DFID had encouraged FSDZ to find other donors as it was considering phasing out its funding from 2018.<sup>147</sup> The idea for a project focused specifically on women and young people came from Sida.<sup>148</sup>

### ii. Proposal

FSDZ submitted a project proposal dated March 2016. The pertinent points were:

- SEK 26.4 million over three years.
- Overall impact of “*increased financial inclusion for youth, women (including farmers and SME owners) and their households resulting in reduced vulnerability and greater income opportunities*”.<sup>149</sup>
- Four intervention areas centred on: (a) financial education and services to adolescents; (b) women smallholder farmers; (c) women SME owners; and (d) a learning component. These are broadly in line with the outcomes of the proposed results framework.
- A three-month inception phase to “*design the interventions in detail and in particular to develop and solidify partnerships*”.<sup>150</sup> By partnerships FSDZ includes both potential sub-implementers of the WIN program (e.g. NGOs) and permanent market actors (e.g. financial service providers).
- Selection of partners through a challenge fund-like mechanism whereby FSDZ request intervention concepts from potential partners.
- The proposal provided a market systems analysis of the Zambian financial services market in general. This covered the core market (financial service providers and women as a target beneficiary group); formal (policy and regulation) and informal (gender norms) rule systems; and supporting functions (the proposal focuses on ‘information’ and ‘skills and capacity’). However, the proposal emphasises the need for further analysis to understand the specific dynamics of, and constraints within, intervention areas (i.e. the ‘sub-market systems’) that would be subject to intervention.<sup>151</sup> The project design has this analysis was to take place after the inception phase and partner selection.

### iii. Appraisal

An appraisal of FSDZ’s proposal was conducted by a joint effort between the embassy and Sida Stockholm based on the proposal. This was undertaken by an ‘associate expert’ at the embassy; an economist at the embassy, and an adviser from the Africa Department in Sida HQ. The appraisal followed Sida’s template looking at the proposed project from several perspectives including relevance, alignment with government objectives, likelihood of achieving results and risk.

The appraisal focused not on the activities that the program will undertake (some ideas are given in FSDZ’s proposal but were omitted from the appraisal) but on the

<sup>147</sup> Ibid, p. 14.

<sup>148</sup> Key informant interview.

<sup>149</sup> FSDZ (2016). Proposal to Sida, 1 April 2016 to 31 March 2019.

<sup>150</sup> Ibid, p. 21.

<sup>151</sup> For example see: FSDZ (2016). Proposal to Sida, 1 April 2016 to 31 March 2019, p.18.

strengths of FSDZ as an organisation and how the program would be managed. For example, it draws upon:

- DFID’s experience of FSDZ: *“The Embassy has had a dialogue with DFID concerning the FSDZ’s capacity to deliver results. DFID has been very satisfied with the progress of FSDZ. Reporting has been on time, with high quality and FSDZ is regarded as a very professional organisation”*.<sup>152</sup>
- An embassy-commissioned ‘organisational assessment’ conducted by the audit firm EMM stating that overall FSDZ is an organisation with internal management procedures and controls that can be relied upon by Sida.<sup>153</sup>
- FSDZ’s results measurement system: *“The well-developed theory of change reflects that FSDZ has a solid monitoring and results measurement system, which is systematically used in the running of operations”*.<sup>154</sup>

This appears to have been an effective approach as the local Unit Quality Assurance Committee (QAC) recommended that the appraisal be put forward for a decision on contribution without substantive revision. Among several relatively minor issues, the QAC questioned the need for an in-depth environment assessment and asks whether Sida had considered taking a position on the FSDZ Board rather than playing an observer role.<sup>155</sup> The embassy was sufficiently convinced to rate the contribution as “low risk”.<sup>156</sup>

However, from a MSD perspective, FSDZ’s proposal raises fundamental design issues that were not addressed in the appraisal process. While the WIN proposal and appraisal documents articulate the importance of MSD principles, these are not well reflected in the project design that was proposed. Three issues stand out:

- **Timeframe.** A three-year timeframe does not equip a program well for the needs of market systems change. A typical five-year MSD project will see piloting in the early years and support to the scale and sustainability of ‘what works’ in the later years – it is difficult to accelerate this process not least because facilitating change with market actors necessitates going at their pace. A three-year timeframe appears to have been chosen because it aligned with the timing of Sweden’s strategy in Zambia. At this point in 2016, the five-year strategy (2013–17) was coming to an end, and thus funding available to programs underneath this strategy would have to taper off in subsequent years. At best, the limited timeframe placed constraints on what the WIN program could be expected to achieve but the issue was not raised in the appraisal document or at the QAC meeting. In interview, WIN’s lead designer reported that the three-year timeframe, and the three-month inception phase, contributed to the challenge fund-like design that was proposed and that her preference would be for a longer timeframe.<sup>157</sup>

<sup>152</sup> Sida (2016), Women and Financial Inclusion, Appraisal of Intervention, 06 June 2016, p. 21.

<sup>153</sup> Ibid, p. 10.

<sup>154</sup> Ibid, p. 15.

<sup>155</sup> Lulac FSDZ, 2016-05-03.

<sup>156</sup> Sida (2016). FSDZ Decision on Contribution, 6 June 2016.

<sup>157</sup> Key informant interview.

- ***Solutions before analysis.*** MSD programs are prefaced by: an upfront diagnostic of the market/sub-markets in which they are intervening to understand, among other things, system-level constraints and opportunities; the design of interventions to target those constraints and opportunities; and the identification of market actors through which those interventions will work. MSD programs cannot expect perfect upfront information (hence the need for learning and adaptation) but the design of opening interventions at least, are shaped by a market diagnostic. In contrast, the WIN program selected and contracted partners, before analysis took place. In practice this committed WIN to particular partners, proposing particular solutions in sub-systems that were not well understood. In interview, one partner confirmed that no analysis took place in preparing their proposal for WIN – they simply did not have the funds.<sup>158</sup> This commitment to solutions before analysis is a clear deviation from MSD principles, but was not recognised nor discussed in the appraisal document or at the QAC meeting.
- ***Built-in limits to adaptation.*** The need for adaptive management is not mentioned in either the proposal or appraisal documents. More importantly however, the project design creates two limitations from an adaptive management perspective. First, while in there is, in theory at least, room for some flexibility within the parameters of contracts with it implementing partners, short of terminating contracts, FSDZ is nevertheless legally bound to fund partners and solutions, established at the beginning of the program, for their duration. Second, the allocation of funds to sub-implementers and their interventions leaves little resource for WIN to respond to emerging needs or opportunities.

### Agreements and contracts

On 8 June 2016 Sida signed an agreement with FSDZ for the implementation of the WIN program. The total funding agreement was for SEK 28.4 over three years. The agreement focused on grant disbursement to FSDZ, reporting and audit requirements: nothing that would cause a constraint to the effective operation of an MSD program. Indeed, the agreement reinforces the use of an MSD approach:

*The Cooperation Partner shall submit an Inception Report, including a revised Project Document and work plan in a format consistent with the Making Markets Work for the Poor methodology, to be approved by Sida before the 2nd disbursement.*<sup>159</sup>

Again, the real issue is associated with the way in which WIN limited its ability to adapt by issuing sub-contracts to specific implementing partners and interventions at the beginning of the program.

<sup>158</sup> Key informant interview.

<sup>159</sup> Sida (2016), Women and Financial Inclusion Grant agreement.

## Implementation and management

### *i. Inception phase*

FSDZ embarked on an “exploratory exercise to identify partner organisations to determine how best to promote activities within the WIN thematic area”.<sup>160</sup> This work was undertaken by three consultants; one of which was the outgoing CEO of FSDZ.

FSDZ proposed two ‘projects’ within WIN. The first, entitled “Increasing Financial Inclusion of Women and Youth” supports local partners to provide financial services to women and youth and accompanying financial education. Again, a challenge fund-like methodology was used to identify partners and interventions.<sup>161</sup> The four partners/interventions were:

1. ***Increasing access to education finance and digital literacy.*** Catholic Relief Services to develop a digital education finance product with a private sector provider for female savings group members, plus financial education specific to develop digital literacy.
2. ***Financial education for youth and linkage to financial services.*** Restless Development to develop and provide financial education to in- and out-of-school youth through peers and local stakeholders to be delivered outside of the school curriculum. The intervention is known locally as *Tusunge Lubono* – Let’s Grow our Wealth. Linking to the third intervention below, Restless Development was also to provide financial education to young people to support the Dream savings account at NatSave.
3. ***Upscaling adolescent girls’ empowerment program.*** NatSave to expand outreach of its adolescent savings account (Dream account) nationally and to include boys (working with Restless Development and/or another organisation to develop and provide financial education to adolescent youth).
4. ***Digital financial services for female smallholder farmers.*** AgriFin Accelerate Program to work with partners (HarvestPlus, Zanaco, wFP, Arifu) to provide digital financial services to female smallholder farmers.

The second project focuses on supporting the inclusion of financial education in the school curriculum with two partner/interventions:

1. ***Financial education in school curriculum.*** FSDZ to directly support government to provide financial education to school children through the Zambian school curriculum.
2. ***Financial education in school curriculum via ‘iSchool’.*** To provide financial education to young people developing financial education modules to be included on tablets alongside the school curriculum; provide financial education through extra-curricular activities/groups such as sports clubs using tablets.

New design issues emerged as FSDZ provided Sida with more detail on interventions in the Inception Report. For example, WIN’s second intervention, “*Financial*

<sup>160</sup> FSDZ (2016). Women and Financial Inclusion (WIN). Inception Report to Sida, 2 October 2016, p. 1.

<sup>161</sup> Ibid, p. 2.

*education for youth and linkage to financial services*”, centres on NGO Restless Development implementing the *Tusunge Lubono* program; the provision of financial literacy training for in- and out-of-school young people, or to young people via schools or communities groups. From an MSD perspective, this begs several questions that are not addressed by the Inception Report:

- ***What system-level constraint or opportunity is being targeted?*** If financial education to young people is a (supporting) function of the market, how well is it being performed at the moment? In what ways is the function underperforming for young people? What is causing this?
- ***How does WIN envisage change?*** How does WIN envisage this ‘financial education’ role being performed in medium to long term? Who has an incentive to perform the role? Does FSDZ envisage Restless Development playing this role over the long term? If so, what’s the model? Who pays? If not, how will Restless Development exit?
- ***What will WIN do to facilitate the envisaged change?*** What will the intervention do to bring about the changes envisaged?
- ***How will WIN promote scale and sustainability?*** How will the intervention broaden and deepen these changes within the system to ensure scale and sustainability?

Another example can be found in WIN’s third intervention, “*Upscaling adolescent girls empowerment program*”, which centres on the expansion of NatSave’s Dream account. Essentially, the proposition is that Sida subsidise the expansion and adaptation of a product innovation in the core of the financial services market. Fundamental questions, again unaddressed by the Inception Report, include:

- ***What system-level constraint or opportunity is being targeted?*** How is the market for savings products underperforming for young people? If the key problem is low access, what is prohibiting the products that exist from scaling?
- ***How does WIN envisage change?*** If greater innovation and investment in savings products is needed, who will do this, and how will it work, over the medium to long term?
- ***What will WIN do to facilitate the envisaged change?*** Why is this particular approach – supporting a bank to innovate a financial product – the best way of addressing these constraints? Why NatSave and its Dream account product? What prohibits NatSave expanding or diversifying a commercial product without subsidy (Sida/FSDZ are funding around 90% of the project?)<sup>162</sup>
- ***How will WIN promote scale and sustainability?*** Beyond NatSave, *how* does the market at large benefit from this innovation?

There are many ways to phrase these kinds of questions (and interestingly, FSDZ’s proposal sets out its own version<sup>163</sup>). However phrased, it is essential that MSD intervention designs be tested against MSD principles.

<sup>162</sup> FSDZ (2016). Proposal to Sida, 1 April 2016 to 31 March 2019, p. 7.

<sup>163</sup> FSDZ (2016). Proposal to Sida, 1 April 2016 to 31 March 2019, p. 32.

Sida's comments on a draft Inception Report pick up on some of these issues. Sida asks two questions relevant to this discussion: "*At least two of organisations are NGOs, what is the exit plan to get the private sector to take over?*" and "*What is the competence of the partner of M4P or rather, how does FSDZ plan to capacitate the partners in M4P?*"<sup>164</sup> However, interventions are not tested sufficiently, are approved and pass into implementation.

## ii. Implementation

Oversight of implementation by the embassy is relatively high level and focused on project strategy and performance, risks and finances. Interaction is primarily with FSDZ; sub-implementers report to not having face-time with the embassy. FSDZ are required to submit annual audited financial reports and narrative reports on a bi-annual basis. FSDZ are also required to submit annual workplans and budgets in accordance with the program's results framework. Annual review meetings are held between FSDZ and the embassy.

There have been delays in implementation related to for example, recruitment of somebody to lead the project and the mobilisation of implementing NGOs. The embassy has been actively involved pushing and supporting FSDZ to address these issues.

More pertinent from a MSD perspective is that some of the limitations in project design described above have begun to manifest in implementation. WIN's implementing partners have now undertaken some analysis within their intervention areas<sup>165</sup> and in some cases this demonstrated the merit of undertaking ex ante analysis before partners and activities are selected. For example, for its first intervention, "*Increasing access to education finance and digital literacy*", FSDZ assumed that enabling digital payment of school fees would require FSDZ and implementing partner, Catholic Relief Services (CRS), to support the innovation of a technical solution. However, analysis of the system for school fees payments revealed a major systemic constraint in that current government regulation does not allow for digitised payments to schools. This has led FSDZ to augmentation of the intervention: "*This has led to a rethinking of the implementation strategy, and how to improve the regulatory framework to enable digital school fee payments across the country*".<sup>166</sup> FSDZ is now implementing this aspect of the intervention – lobbying government with a view to a change in regulation – but they have needed to be creative to resource this work; essentially borrowing from DFID resources and from their WIN overhead budget. They have not been able to reallocate the intervention funds contractually committed to CRS for, arguably, a potentially useful, but no longer optimal, set of activities. In the light of analysis, FSDZ and CRS are rethinking their technological solution: "*Thus, the product design may need to be just for the digital*

<sup>164</sup> Sida (2016), Comments to the FSDZ Inception report from the Embassy of Sweden and Sida

<sup>165</sup> FSDZ (2016). Women and Financial Inclusion and Capabilities Annual Report, 1 July 2016 to 30 June 2017.

<sup>166</sup> Ibid, p. 6.

*savings product, and follow-on payments of the funds to schools will need to be negotiated further with the Government.”<sup>167</sup>*

## **RBM**

WIN’s results framework takes the form of a logical framework, which is largely the same as the one presented in FSDZ’s original proposal.

The impact statement is “*Greater financial inclusion for girls, women and youth resulting in reduced vulnerability and increased income opportunities*” measured by the “*Number of women and girls experiencing improved well-being as a result of greater financial inclusion*”.

The following outcomes were agreed:

- Outcome 1: Girls have increased financial capabilities and greater use of savings accounts (indicator and target: 10,000 girls accessing saving accounts).
- Outcome 2: Rural women access appropriate financial services for farming activities, household or income generation expenditures (indicator and target: 20,000 rural women accessing new financial services for farming and household activities).
- Outcome 3: Women owner/operators of SMEs access needed financial and non-financial services to grow their businesses (indicator and target: 100 women-owned/operated SMEs accessing financial services from associations).

These results in turn are driven by five outputs. One output focuses on the numbers of financial service providers offering financial education or services to girls; three focus on the capacity of financial service providers to serve women; and the fifth on learnings being captured and disseminated.

From an MSD perspective, there is nothing prohibitive about this framework but neither does it encourage or incentivise FSDZ to take an MSD approach. All results focus on buyers or sellers of financial services (the core market) with little reference to the system (the supporting functions or rules) that shape and inform those transactions. The one exception is the inclusion of output 1 and its ambition to improve financial education (a supporting function of the financial services market). The results set out could be achieved through the use of direct delivery and/or actor centric approaches.

FSDZ are currently preparing their MRM system for a DCED pre-audit with a view to undertaking a full audit next year.

## **Evaluation**

The Grant Agreement commits Sida to an independent mid-term evaluation to be finalised no later than March 2018. The embassy has not yet conducted this evaluation. It reports that they are keen to learn from evaluations that have been conducted in Tanzania and so are in consultation with Sida in Stockholm on how best

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<sup>167</sup> Ibid, p. 14.

to proceed with the evaluation. The lack of evaluation is a missed opportunity to identify and discuss the project's design issues.

WIN finishes in June 2019. The Grant Agreement makes no mention of a final evaluation but the embassy report to be considering an evaluation for WIN's final six months.

## Conclusions

The following key conclusions and preliminary recommendations emerge from this case study:

1. While the WIN proposal articulates the importance of MSD principles, there are not well reflected in the project design. In particular, there are issues around timeframe, putting solutions before analysis, and built-in limits to adaptation. These issues were not raised or discussed during the appraisal process.
2. In its Inception Report, WIN's proposed interventions raises several further issues but they were not tested sufficiently and proceeded to be implemented.
3. The lack of independent evaluation is a missed opportunity to identify and address the above issues.

**Table 10: WIN RAG rating analysis**

| Requirements of the MSD approach at each stage of the project cycle  | Our judgement on how well the requirements have been met  | RAG rating  |
|--|---|---|
| <p><b>Design, approval and partner selection</b></p> <ul style="list-style-type: none"> <li>• Emphasis on flexibility, experimentation and adaptation in project design.</li> <li>• In-depth diagnosis required to inform intervention design, although this often occurs after contracting (e.g. during an inception phase) and on an ongoing basis thereafter.</li> <li>• Partner selection should include consideration of organisation's capability as a 'facilitator' and ability to innovate.</li> </ul> | <ul style="list-style-type: none"> <li>• WIN's design built-in limits to adaptation. First, WIN is legally bound to fund partners and solutions, established before analysis at the beginning of the project, for their duration. Second, this leaves little resource for WIN to respond to emerging needs or opportunities.</li> <li>• WIN selected and contracted implementing partners before analysis took place. In practice this committed WIN to particular partners, proposing particular solutions in sub-systems that were not well understood.</li> <li>• Sida's appraisal process considered FSDZ's ability to implement MSD programming. However, most of the implementation work was subsequently sub-contracted out to implementing partners on whose capacity to act as a 'facilitator' and ability to innovate – Sida has not assessed.</li> </ul> |  |
| <p><b>Agreements and contracts</b></p> <ul style="list-style-type: none"> <li>• Emphasis on flexibility, experimentation and adaptation.</li> <li>• Legal agreements should incentivise projects to be responsive and flexible to the market. They should be clear on what is subject to change and what is not, including in relation to activities, results, and budgets.</li> <li>• Budgetary allocation is often heavier on staff time (to enable analysis and facilitation).</li> </ul>                   | <ul style="list-style-type: none"> <li>• The Grant Agreement in brief and high level. It does not emphasise flexibility, experimentation and adaptation.</li> <li>• The agreement does reinforce the use of the MSD approach in that the Inception Report should include a Project Document and workplan consistent with the "Making Markets Work for the Poor" methodology.</li> <li>• The budget allocation is heavy on 'overheads' buy was accepted by the local unit committee without objection.</li> </ul>  |  |

| Requirements of the MSD approach at each stage of the project cycle  | Our judgement on how well the requirements have been met   | RAG rating  |
|--|--|---|
| <p><b>Implementation and management</b></p> <ul style="list-style-type: none"> <li>• Funder oversight of implementation is often more resource intensive than for ‘traditional’ projects.</li> <li>• Clarity required on degree of flexibility available to implementer.</li> <li>• Funders should support and encourage a learning culture.</li> </ul>  | <ul style="list-style-type: none"> <li>• <i>From a MSD perspective, WIN’s Inception Report – and its intervention designs in particular – left several important questions insufficiently answered. While the embassy picked up on some of these issues, interventions were not tested sufficiently and were approved for implementation.</i></li> <li>• <i>Oversight of implementation by the embassy is relatively high level and focused on project strategy and performance, risks and finances. Interaction is primarily with FSDZ; sub-implementers report to not having face-time with the embassy.</i></li> <li>• <i>The embassy is supportive of program flexibility. As discussed above, it is the project design that constrains WIN from exercising this flexibility.</i></li> </ul> |    |
| <p><b>RBM</b></p> <ul style="list-style-type: none"> <li>• Results frameworks should avoid arbitrary quantitative indicators which may undermine sustainability and systemic impact.</li> <li>• Detailed target setting can only be established once sufficient analysis has been completed.</li> <li>• Indicators should be subject to change in response to adaptation to project strategy.</li> <li>• As well as being a tool for accountability, RBM should be used to inform ongoing learning and adaptation (e.g. by applying the DCED Standard).</li> </ul> | <ul style="list-style-type: none"> <li>• <i>The results framework is fairly high level. Its structure is consistent with the MSD strategic framework and it provides space for adaptation.</i></li> <li>• <i>Targets were set initially before any substantive analysis took place in FSDZ’s proposal.</i></li> <li>• <i>FSDZ report feeling comfortable in approaching the embassy with requests for changes in Indicators and targets. The embassy report to being flexible if/where changes are needed.</i></li> <li>• <i>The MRM system follows the DCED Standard principles and has a strong focus on ongoing learning and adaptation. FSDZ are preparing for a DCED pre-audit and audit.</i></li> </ul>  |   |
| <p><b>Evaluation</b></p> <ul style="list-style-type: none"> <li>• Evaluations should take account of the project’s unpredictable, adaptive and non-linear nature; and the long-term trajectory to impact inherent in the MSD approach.</li> </ul>  | <ul style="list-style-type: none"> <li>• <i>The Grant Agreement commits Sida to an independent mid-term evaluation to be finalised no later than March 2018.</i></li> <li>• <i>An evaluation has not yet been commissioned or conducted. The embassy report that it knew the program had a difficult start and did not need in an evaluation to confirm this. WIN finishes in June 2019 and the embassy is considering conducting an evaluation in its final six months.</i></li> </ul>  |  |

# Agricultural Markets Development Trust (Tanzania)

## Project overview

The Agricultural Markets Development Trust (AMDT) was set up in 2015/2016. It was envisaged as a long-term, multi-donor facility<sup>168</sup> with the primary impact goal of increasing and sustaining incomes and employment opportunities for poor women, men and young people in agricultural markets in Tanzania using a market system development (MSD) approach.<sup>169</sup>

AMDT's interventions target 500,000 beneficiaries involved in smallholder agricultural production and other agricultural on-farm and off-farm economic activities (trading, services, supply) in three value chains – sunflower, maize and pulses.<sup>170</sup>

## Design, approval and partner selection

AMDT was initiated as a multi-donor response to fragmented government and donor initiatives in Tanzania that have failed to address the underlying causes of weak agricultural performance in Tanzania in the past decades. They recognised that many initiatives in Tanzania have shown good results in a short timeframe only for the situation to revert back to where it started.

The concept is based on the Financial Sector Deeping Trust (FSDT) Tanzania as DFID, DANIDA and Sida were all funders of FSDT Tanzania and involved in the initial discussions on the design and set up on AMDT (however, DFID later decided they would not provide funding for AMDT).<sup>171</sup> The MSD approach was seen as a

**Years:** 2016–20

Establishment of the Trust (2014–15)

**Country / Region:** Tanzania

**Implementing organisation:** Deloitte Consulting Ltd / AMDT

**Budget:**

**Sida:** USD 6.6 million (inc. approx. USD 1 million for the establishment phase under contribution number 51170037)

**Co-funders:**

- **DANIDA:** USD 22.1 million
- **Irish Aid:** USD 9.9 million
- **SDC:** USD 12.5 million (disbursed 500,000)

<sup>168</sup> Sida (2016). AMDT Appraisal of Intervention (final), December 2016; Key informant interview.

<sup>169</sup> Sida (2016). Appraisal of Intervention (final), December 2016.

<sup>170</sup> Sida (2016). Decision on Contribution: 51170096.

<sup>171</sup> Key informant interview.

point of departure from traditional development interventions in the agricultural sector in Tanzania and one that would create conditions for sustainable change.<sup>172</sup>

AMDT aims to contribute to the 2013–19 Results Strategy for Sweden’s Development Cooperation in Tanzania with respect to the following two objectives: “*Developed markets in agricultural production with the ambition that more poor people – primarily women – find employment and increase their incomes*” and “*Increased opportunities for women and young people to start and run productive businesses*”.

The design of AMDT is closely aligned with an MSD approach. In the establishment phase, analysis was commissioned to select value chains based on their ability to impact a large number of households; impact barriers to entry for the poor; the local, regional and international market potential and stability; and the pro-poor impact through increased household incomes and generation of employment opportunities. In addition, a number of cross-cutting issues were included in the selection process, such as gender equality and environmental sustainability.<sup>173</sup>

While the overall approach, objectives and value chains were selected during the establishment phase, they left open the specific intervention areas that should be applied. It was envisaged that subsequent analysis would be carried out during implementation to develop strategies for each of the value chains and guide the selection of interventions. Additional analysis was also planned at the intervention level to further assess market constraints and verify that the design and approach are consistent with the MSD approach.

However, despite strong evidence to suggest that Sida acknowledges that results of interventions in MSD programs are slow at the beginning but grow quickly over time. Both Sida (Decision on Contribution) and AMDT (Final Strategy) note that to ‘maintain momentum’, a ‘positive perception in the market’ and as a risk mitigation measure, AMDT will balance the need for quick wins and long-term interventions that can deliver big changes. Key informant interviews suggested this strategy may have been developed to demonstrate results to government stakeholders and there is no evidence to suggest this was imposed by Sida, nor that it has negatively affected the implementation of AMDT.

No challenges were identified in the internal approval process for this project. However, notes from the Contribution Management Committee meeting (dated October 2016) suggested additional information could be provided on Sida’s experience, strength and weaknesses of the M4P methodology. The Appraisal of Intervention (dated December 2016) includes this information. While this is not a challenge, it demonstrates the importance of Sida staff being able to draw on evidence to advocate for the MSD approach during the appraisal process.

Analysis was commissioned during the establishment phase to determine the best structure for AMDT. A Trust was found to offer a flexible structure that was suitable

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<sup>172</sup> Sida (2016). Appraisal of Intervention (final), December 2016.

<sup>173</sup> Ibid.

for long-term investments. This is because a Trust model operates as an independent entity with its own strategy, annual plans, intervention plans, budget, and governing structures. It is therefore more independent from donor control and it is seen to transfer risk from donors to the Trust.<sup>174</sup> The Trust model was also considered as better able to work at scale, to target systemic constraints and facilitate long-term local private sector-led investment through the MSD approach. The Appraisal of Intervention<sup>175</sup> acknowledged that an investment in time, effort and risk management at the beginning would be crucial to eventually bring about large-scale impact through the Trust.

The Trust Manager is responsible for resourcing, contracting, asset management, oversight of committees and fiduciary oversight. Therefore, the competitive process to select the Trust Manager assessed systems, policies and procedures as well as governance structures. This ensured checks and balances in overall governance and financial management and control, rather than their knowledge or capacity on MSD approaches.<sup>176</sup>

AMDT technical staff procured through Deloitte are required to have knowledge of the MSD approach. AMDT has identified that not all staff have sufficient capacity and training has been provided; it is resourced through the project budget.<sup>177</sup>

### **Agreements and contracts**

During the appraisal for the establishment phase in 2014–15, extensive consultation was made with Sida’s legal department related to the proposed governance model of the Trust and whether Sida’s involvement in the Project Investment Committee (PIC) was in conflict with Sweden’s ‘Capital Provision Accord’ (Kapitalförsörjningsförordningen) and/or Sida’s Instruction/Letter of Appropriation.

It was suggested that Sida should only be an observer on the PIC to comply with Swedish law; however, concerns were raised as this would not have provided Sida with enough control over AMDT’s strategic direction. Examples of similar models were referenced and based on these previous experiences and the inclusion of additional mitigation actions in the setup of the AMDT, the risk of conflicting Swedish law was seen as very limited.<sup>178</sup>

Reallocation of budget is possible under the Trust agreement; however, the PIC requires detailed explanation to justify the changes and they must approve any budget revision over a 5–6% threshold.

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<sup>174</sup> Sida (2016). Appraisal of Intervention (final), December 2016; Key informant interview.

<sup>175</sup> Sida (2016). Appraisal of Intervention (final), December 2016.

<sup>176</sup> Sida (2016). Appraisal of Intervention (final), December 2016.

<sup>177</sup> AMDT (2017). Minutes of Program Investment Committee Meeting, July 2017; Key informant interview; AMDT (2017). AMDT Annual Report 2016–17 (Final Draft).

<sup>178</sup> Sida (2016). Appraisal of Intervention (final), December 2016; Key informant interview.

## Implementation and management

Activities of the Trust are governed by the PIC. As the governing body of the Trust, the PIC has to give its no-objection to strategic decisions as listed in the PIC Constitution. The PIC includes representatives from Sida, DANIDA, Irish Aid, two representatives from the Government of Tanzania (Ministry of Industry, Trade and Investment and Ministry of Agriculture and Livestock) and two representatives from the private sector. The roles and responsibilities of the Trustee and the PIC are regulated in the AMDT Trust Deed and the PIC Constitution of 12 July 2014.<sup>179</sup>

The Trust structure also contains a Technical Committee that supports the PIC and AMDT Technical Director in the assessment of projects, AMDT workplans and intervention strategies. It is composed of eight experts from the public and the private sectors.<sup>180</sup> This provides additional capacity to the AMDT team and additional levels of oversight and assurance for the donors. For example, all interventions are first assessed by the Technical Committee and only those over USD 1 million require approval from the PIC.<sup>181</sup>

While the PIC is intended to provide strategic oversight, there have been examples, particularly in the inception phase where the other donors became involved in operational discussions. This started to encroach on the technical team's ability to make decisions and slowed down the decision-making process.<sup>182</sup> Donors have also sought to provide technical advice and have questioned AMDT's analysis of market constraints. For example, SDC commissioned independent analysis to verify that of AMDTs. However, donors are increasingly trusting in AMDT's analysis, are being driven by the analysis and recognise the advice and decisions of the Technical Committee.<sup>183</sup>

The PIC is also intended to streamline the coordination with multiple donors; however, there are of course specific requirements and questions from the respective donors that arise outside of the PIC meetings that require attention from AMDT staff. There are also differences of opinions among the donors. For example, during the process of developing the strategy it became clear that some donors, including Sida, had a preference for using pilots, failing fast and learning whereas others showed a preference for more analysis and more detailed plans before implementing.<sup>184</sup>

Key informants value Sida's approach and found the process worked very well when Sida was the Chair of the PIC as they had good knowledge of the MSD approach, a mandate and were able to make decisions quickly and had to seek advice from their

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<sup>179</sup> Sida (2016). AMDT Appraisal of Intervention (final), December 2016.

<sup>180</sup> AMDT (2017). Minutes of Program Investment Committee Meeting, July 2017; Key informant interview.

<sup>181</sup> Key informant interview.

<sup>182</sup> Key informant interview.

<sup>183</sup> AMDT (2017). Minutes of Program Investment Committee Meeting, December 2017; Key informant interview.

<sup>184</sup> Key informant interview.

headquarters far less than other funders.<sup>185</sup> However, because consensus is needed among the donors, the less risky option with more oversight is often the path chosen.<sup>186</sup> There is also evidence to suggest that Sida managed the transition between the former and current program officer well. An intern who was working with the former program officer became a ‘transition program officer’ until the current program officer took up post. They then continued to work alongside the current program officer for two months and therefore provided smooth staff transition.<sup>187</sup>

At all levels of the Trust structure, there is a resounding emphasis around using the MSD approach and ensuring that the ‘market facilitators’ who are implementing the interventions adopt this approach. There have been examples of where market facilitators have adopted a direct delivery approach; however, this issue has been flagged and AMDT are taking corrective action. There is also evidence that proposals have been rejected or modified if they did not adhere to the MSD approach and one example of where an intervention was not funded past its inception phase for the same reason.<sup>188</sup>

### **RBM**

The approach to RBM is supportive of the MSD approach. While a preliminary results framework was presented at the appraisal stage, it was acknowledged this was only a starting point and the framework should be reviewed and strengthened during the first year of operation based on inputs and experiences from the field.<sup>189</sup>

AMDT found the presentation of results in the Inception Report placed emphasis on accountability and reporting against a logframe rather than learning; it also found that the results and lessons at the intervention level were not represented in the logframe.<sup>190</sup> The Technical Committee recommended the reporting should start to focus on reporting progress towards “systemic changes beyond reporting on numbers of what is achieved”, which is necessarily qualitative in nature.<sup>191</sup>

AMDT is now looking to adopt the DCED Standard.<sup>192</sup>

### **Evaluation**

AMDT management have proposed the use of the DCED audit however discussions are currently ongoing with donors. They also plan to have annual technical reviews commissioned by donors and a separate MTR.<sup>193</sup>

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<sup>185</sup> Key informant interview.

<sup>186</sup> Key informant interview.

<sup>187</sup> Key informant interview.

<sup>188</sup> Key informant interview.

<sup>189</sup> Sida (2016). AMDT Appraisal of Intervention (final), December 2016.

<sup>190</sup> Key informant interview.

<sup>191</sup> AMDT (2017). Minutes of Program Investment Committee Meeting, October 2017.

<sup>192</sup> Key informant interview.

<sup>193</sup> Key informant interview.

## Conclusion

Sida has been supportive in the MSD approach and made positive contributions as PIC Chair and through its participation as a PIC member. Sida program officers are seen to have good knowledge of the MSD approach, and the fact they have a mandate and are able to take decisions is valued by AMDT. The transition of staff was managed well and this ensured continued understanding and technical capacity from Sida.

The Trust structure supports the MSD approach and seeks to ensure donors play a strategic role, rather than an advisory one. While there is some evidence to suggest some donors have tried to involve themselves in operation issues, the structure of the Trust, the Technical Committee, and the fiduciary oversight provided by Deloitte appears to be able to withstand this pressure. Therefore, the initial investment in establishing the Trust appears at this stage to be a good risk mitigation measure.

**Table 11: AMDT RAG rating analysis**

| Requirements of the MSD approach at each stage of the project cycle  | Our judgement on how well the requirements have been met  | RAG rating  |
|--|---|---|
| <p><b>Design, approval and partner selection</b></p> <ul style="list-style-type: none"> <li>• Emphasis on flexibility, experimentation and adaptation in project design.</li> <li>• In-depth diagnosis required to inform intervention design, although this often occurs after contracting (e.g. during an inception phase) and on an ongoing basis thereafter.</li> <li>• Partner selection should include consideration of organisation's capability as a 'facilitator' and ability to innovate.</li> </ul> | <ul style="list-style-type: none"> <li>• The project design is aligned with the MSD approach and systems have been integrated into the Trust structure to ensure the MSD approach is adopted.</li> <li>• Strong focus on analysis and diagnostics. Parameters were set, but analysis dictated the selected value chains with in-depth market system analysis also conducted during implementation to inform intervention design for three value chains. Subsequent analysis through interventions / grants 'inception phases'.</li> <li>• Partner selection at this stage focused on Trust – therefore on overall governance and financial management and control functions (Deloitte selected through competitive tendering process).</li> </ul> |  |
| <p><b>Agreements and contracts</b></p> <ul style="list-style-type: none"> <li>• Emphasis on flexibility, experimentation and adaptation.</li> <li>• Legal agreements should incentivise projects to be responsive and flexible to the market. They should be clear on what is subject to change and what is not, including in relation to activities, results, and budgets.</li> <li>• Budgetary allocation is often heavier on staff time (to enable analysis and facilitation).</li> </ul>                   | <ul style="list-style-type: none"> <li>• Analysis was conducted, determining a Trust was the best structure for flexibility, places risk on the Trust and gives donors independence. FSDT was seen as 'role model' and Trusts provide a view for long-term engagement in recognition of long-term horizons for MSD interventions.</li> <li>• Legal department at Sida wanted Sida to only be an observer on the Project Investment Committee (Board) but they found a work around to ensure Sida had ability to input into decisions.</li> <li>• Budget agreement is sufficiently flexible to allow for re-allocations based on evidence presented to PIC.</li> </ul>   |  |
| <p><b>Implementation and management</b></p> <ul style="list-style-type: none"> <li>• Funder oversight of implementation is often more resource intensive than for 'traditional' projects.</li> <li>• Clarity required on degree of flexibility available to implementer.</li> <li>• Funders should support and encourage a learning culture.</li> </ul>  | <ul style="list-style-type: none"> <li>• Sida involvement, through the PIC (Board) was supportive of MSD approach – ability to make decisions and advocate for the MSD approach was valued.</li> <li>• In the inception phase some other donors have been too close to operations, eroding the technical team's ability to make decisions and slowing down the decision-making process. This seems to have reduced and donors are generally focused at the strategic level.</li> <li>• Consensus is needed among the donors, and risk appetite and accountability requirements vary among</li> </ul>  |  |

| Requirements of the MSD approach at each stage of the project cycle  | Our judgement on how well the requirements have been met   | RAG rating  |
|--|--|---|
|  | <p>the donors. This often means results are less risk and more oversight as all donors must be on board.</p> <ul style="list-style-type: none"> <li>• Donors continue to encourage and support AMDT to ensure all interventions adopt MSD approach. Capacity support provided to implementing organisations and AMDT.</li> <li>• Transition of staff managed well – MSD expert in place during transition between former and current program officer.</li> </ul> |   |
| <p><b>RBM</b></p> <ul style="list-style-type: none"> <li>• Results frameworks should avoid arbitrary quantitative indicators which may undermine sustainability and systemic impact.</li> <li>• Detailed target setting can only be established once sufficient analysis has been completed.</li> <li>• Indicators should be subject to change in response to adaptation to project strategy.</li> <li>• As well as being a tool for accountability, RBM should be used to inform ongoing learning and adaptation (e.g. by applying the DCED Standard).</li> </ul> | <ul style="list-style-type: none"> <li>• Flexible approach. Current RBM system is under review. They will adopt the DCED Standard, have greater focus on reporting progress towards systemic change, and recommendation from donors that more risk monitoring and reporting should be carried out.</li> </ul>  |    |
| <p><b>Evaluation</b></p> <ul style="list-style-type: none"> <li>• Evaluations should take account of the project’s unpredictable, adaptive and non-linear nature; and the long-term trajectory to impact inherent in the MSD approach.</li> </ul>  | <ul style="list-style-type: none"> <li>• Considering DCED audit and have commissioned independent annual technical reviews.</li> </ul>   |  |

# Women's Economic Empowerment Through Strengthening Market Systems, (Bangladesh)

## Project overview

Sida is funding the Women's Economic Empowerment through Strengthening Market Systems (WEESMS), a five-year project (2016–21) that aims to provide greater opportunities for women in the Bangladesh labour market. The project is implemented through a partnership between iDE and The Asia Foundation (TAF).

**Years:** 2016–21

**Country / Region:** Bangladesh

**Implementing organisation:** iDE with The Asia Foundation

**Budget:** SEK 65.2 million

**Co-funders:** None

The project explicitly applies the MSD approach to achieve women's economic empowerment (WEE). Through identifying and overcoming the specific constraints in targeted sectors with high growth potential, the project aims to support women-owned enterprises to expand their micro-enterprises to more successful SMEs and create employment opportunities for women in the workforce. It will focus on three to four business sectors in rural and peri-urban areas.

It seeks to accrue benefits to women as a primary objective by addressing constraints specific to women and facilitating systemic change that benefits women in market systems. The project also aims to ensure that decent working conditions and environmentally sustainable business practices are promoted, as well as to apply a conflict sensitive and a resilience perspective. It is applying the DCED Standard as the basis for its performance monitoring.

At the time that this case study was prepared, the project had completed a 10-month inception phase and just over six months of implementation. The inception phase focused on project mobilisation, setting the project's strategic framework (including its theory of change), market analysis, and preliminary intervention design. During the first six months of the implementation phase, the focus was on establishing field offices in Rangpur and Khulna, recruiting and hiring field staff, and further market analysis and intervention design.

## Design, approval and partner selection

### i. Project initiation

The WEESMS project was initiated in response to Sida's new country results strategy published in 2014.<sup>194</sup> One of four sub-objectives in the strategy was to provide: *"Better opportunities for people living in poverty to contribute to and benefit from economic growth and obtain a good education"* ... including through greater opportunities for women to participate on the labour market.

This focus on economic opportunities and labour market development was new for Sida in Bangladesh and the embassy worked proactively to identify a strategy to address this objective. Through a series of scoping activities and discussions, the embassy recognised that to improve WEE in Bangladesh, it would be necessary to develop an intervention that worked simultaneously to address both the demand and supply sides of the labour market and that targeted SMEs.

The embassy identified that an MSD approach would be suitable for the intervention, largely because it was felt that a holistic and systemic approach was required to address the project's objectives. While the project officer was new to the MSD approach, significant support was provided by the regional adviser for market development in working this through.

Because Sida had limited experience in MSD in Bangladesh and it was not immediately obvious which organisation would be suitable to implement the project, it was decided that the implementer would be selected through a competitive process, which would enable the embassy to test the market. In this respect, Sida was more proactive than had traditionally been the case in Bangladesh, by:

1. **Developing ToR<sup>195</sup> which were explicit about the intervention focus and the approach that should be applied** (MSD to achieve women's economic empowerment). Through this process, and the subsequent development of the project proposal, Sida was heavily involved in the project design throughout the appraisal process, which is unusual for the organisation, but led to strong ownership of the project by the funder.
2. **Pre-identifying four shortlisted NGOs which were asked to prepare concept notes.** The project officer launched a targeted Call for Proposal in February 2016, which explicitly envisaged *"the application of a market systems development approach benefitting women and that was holistic, innovative, and promotes systemic change"*.<sup>196</sup> The four bidders were selected based on informal feedback from other funders of MSD projects in Bangladesh who provided guidance on organisations with relevant capacity and experience.

<sup>194</sup> Gov (2014). Results strategy for Bangladesh 2014–20, Annex to Government Decision 2014-08-14, (UF2014/51155/UD/ASO).

<sup>195</sup> Sida (2016c). Terms of Reference: Call for Proposals to Improve Women's Entrepreneurship and Economic Empowerment in Bangladesh, 5 January 2016.

<sup>196</sup> Sida (2016). WEESMS Appraisal of Intervention, final. Case number: UM2016/05987.

Although the ToR specified the overall approach and objectives of the project, they left open the specific intervention areas that should be applied. The ToR envisaged an inception and piloting phase that would provide time for intervention design to be specified, and a five-year project duration to allow time for interventions to achieve system-level change and scale.

The ToR were closely aligned with the MSD approach, and include explicit objectives around: (i) systemic and sustainable change; (ii) addressing social and cultural norms acting as barriers for women's entrepreneurship; and (iii) an M&E system which follows the DCED Standard. While the ToR do not explicitly mention adaptation, this is implicit in their repeated reinforcement of the MSD approach as being the guiding framework to guide project design.

#### *ii. Selection of implementing partners*

Following the review of four concept notes, two bidders (iDE<sup>197</sup> and TAF<sup>198</sup>) were shortlisted. The project officer (with support from policy advisers at Sida HQ) identified complementary strengths in the two concept notes and felt that combining their expertise had the potential to deliver an optimal implementing partnership – iDE was seen as strong in its MSD approach and TAF strong in political economy analysis and gender lens.

Both concept notes set out the overall strategic framing that would be applied to the project and the relevant experience and skills of the organisation. They did not specify intervention activities, but did describe the approach to intervention design, emphasising the importance of systemic change, facilitation and flexibility.

Given that iDE and TAF had not worked together before, significant effort was required from the project officer to facilitate this 'arranged marriage' and ensure that an agreement was reached that was deemed 'equal' and acceptable to both parties.

#### *iii. Proposal*

The two organisations subsequently formed a consortium and submitted first a draft project proposal<sup>199</sup> in March 2016. This went through three rounds of appraisal and amendment, before the final proposal was approved in May 2016 – relatively quickly after the original Call for Proposal was released just three months before.

The proposal was innovative in many respects – it outlined a conceptual framework that conveyed the partners' understanding of the MSD approach, WEE approaches, and gender issues, and how these could be combined in a strategic framework for the project. While the proposal endorsed the general tenets of the MSD approach, it also acknowledged limitations in the application of the MSD approach, particularly in

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<sup>197</sup> iDE (2016), Concept Note for the Embassy of Sweden, Women's Economic Empowerment through Strengthening Market Systems: A Proposed Program for SIDA.

<sup>198</sup> The Asia Foundation (2016), Concept Note, Improving Women's Entrepreneurship and Economic Empowerment in Bangladesh.

<sup>199</sup> Sida (2016). WEESMS Appraisal of Intervention, final. Case number: UM2016/05987.

regard to WEE, and presented an approach based in continued learning, innovation and improvement.<sup>200</sup>

The proposal provided a strategic framework composed of a theory of change and results framework and a high-level specification of results:

*The overall impact of WEESMS will be increased productive work opportunities for women in the labour market in target sectors (including both self-employment and wage employment) for at least 20,000 women in total, with at least 500 women entrepreneurs inclusive.*

In addition, the proposal:

- Provided an indicative list of focus sectors based on high growth potential and viability to engage with rural and peri-urban SMEs.
- Set out governance and operational arrangements for the project and delineation of roles between iDE and TAF.
- Set out a fairly detailed plan for the 10-month inception phase.
- Provided a high-level budget, split according to the following line items: Human Resources, Travel and Transportation, Program Activities, Program Operations, Others, Indirect Costs.

#### *iv. Appraisal*

The appraisal involved detailed due diligence, including of:

- **Budget** (including benchmarking of cost rates).
- **Design** (including rights-based perspective, gender considerations, environment and climate aspects), etc.
- **Results framework** (including intended outcomes and the results logic [theory of change]). However, the results framework at this stage was high level and the specification of numerical targets was left until the inception phase.
- **Approach to planning, monitoring and evaluation.**
- **Organisational capacity of implementing partners.** This included an assessment of their capacity to apply the MSD approach and act as a facilitator, based on their track record in MSD. It identified the risk of two organisations working together for the first time, which led to detailed checks that appropriate institutional and governance arrangements were in place for the project.
- **Financial management and control**, including historical audits of the organisations.

The project proposal went through a two-stage appraisal process:

**Stage 1 Plan Appraisal:** This first stage took place at the embassy level. Many members of the Quality Assurance Committee (QAC) were unfamiliar with the MSD approach, meaning that it was not approved at the first meeting, due to particular questions from the Controller and Head of Development Cooperation.

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<sup>200</sup> iDE and The Asia Foundation (2016), Final Technical Proposal, Women's Economic Empowerment through Strengthening Market Systems: A Proposed Program for SIDA.

Behind the scenes, the project officer made significant efforts to 'sell' the project with embassy colleagues, highlighting the successful experience of MSD projects elsewhere in Sida – both in Bangladesh (through Katalyst) and elsewhere.

In response to this, the final appraisal document<sup>201</sup> drew on and justified some fundamental principles of the MSD approach, including:

- A flexible and adaptive implementation approach manifested in iterative learning systems, supported by flexible budgeting arrangements.
- The integration of research/planning and implementation phases so that programming can switch from planning into action research and implementation activities.
- Efficient monitoring processes that feed a continual flow of information are therefore essential to effectively execute an adaptive management approach.

The appraisal made reference to the proven track record of the M4P approach, including other Sida-financed market systems development programs in Palestine, Kenya, Tanzania, Zambia, Afghanistan and Liberia.

The lack of a detailed budget, the high 'overheads' component of the budget, and the fact that results were only specified at a high level raised particular questions from those on the QAC who were unfamiliar with MSD programming. It was finally agreed that a more detailed budget and results framework would be specified further during the inception phase. There was discussion about whether a two-step decision process would be preferable given the perceived risks of the project – whereby funding would initially be approved for the inception phase and a second approval process would be required at the implementation stage. This was eventually ruled out.<sup>202</sup> However, the QAC required that additional safeguards be put in place after the inception phase, including that the intervention should be considered for a QAC Step 3 review at mid-term. The appraisal was finally approved at the embassy level at the second QAC meeting.

The main additional recommendations from the QAC were that:

- The intervention activities should be elaborated in greater detail for the target group.
- Additional text should be added regarding both the intervention anti-corruption work and the application of the resilience perspective.
- The outcome objectives related to productive employment should be revised.
- Conflict sensitivity/do-no-harm should be added as a key dialogue objective.

**Stage 2 Appraisal:** Because of the high value of the project, the final appraisal decision was made at the departmental level by the Head of Department for Asia. This QAC was more familiar with the MSD approach and the appraisal document had

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<sup>201</sup> Sida (2016). WEESMS Appraisal of Intervention, final. Case number: UM2016/05987.

<sup>202</sup> Because it would risk creating time delays and financing gaps in the program which can cause lost momentum with regards to program capacity and staff, built-up dialogue, collaboration and trust with local partners and key stakeholders.

undergone significant development at the 'Plan Appraisal' stage. For these reasons, the Stage 2 Appraisal was approved with no comments from the QAC (which is unusual in Sida).

The decision to approve the contribution identified the main outstanding risks as being related to the willingness of key stakeholders to cooperate, political instability and insecurity, the consortium setup, corruption and conflict sensitivity.<sup>203</sup> It highlighted the mitigation activities were agreed to reduce these risks and expressed assurance that iDE and TAF have demonstrated ownership of mitigating the risks. It acknowledged the well-elaborated rules, routines, systems and structure that the implementing partners have in place to prevent and detect corrupt practices and that the application of a conflict sensitivity approach has been added as a key dialogue objective.

### **Agreements and contracts**

The Grant Agreement<sup>204</sup> was signed on 13 July 2016, five months after the original Call for Proposal was released. It is a relatively brief document with a fairly high-level budget, leaving room for future adaptation. Detailed specification of the project approach was left to be determined in the 'Project Document', which was the key output from the inception phase.

The Grant Agreement specified that before any funds are transferred to third parties (other than TAF), a statement of no-objection is required in writing from Sida. A written agreement with the third party is required and the Cooperation Partner is responsible for the follow-up of funds, including assessments of organisational capacity, internal control and risk, and M&E of activities.

In terms of formal reporting back to Sida, an annual narrative report and annual review meetings are required, plus six-monthly consultations. However, the purpose, agenda and format of these reports and meetings are not specified. The Grant Agreement also specifies that an annual work plan and results-based budget for following year are required to be submitted annually before the release of funds for the following year.

### **Implementation and management**

#### *i. Inception phase*

The purpose of the 10-month inception phase was to undertake analysis to "identify the underlying causes why the market system is not benefitting small and medium-sized women entrepreneurs and women participation in the labour market as well as identifying the business opportunities in the target sectors" and to "identify and select 3–4 target business sectors in rural and peri-urban areas where there are good opportunities for women's entrepreneurship and to increase women's participation in the labor market".<sup>205</sup> The appraisal document specifies that criteria for selecting

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<sup>203</sup> Sida (2016a). WEESMS Decision on Contribution 52170023.

<sup>204</sup> Sida (2016d). Grant Agreement. Women's Economic Empowerment through Strengthening Market Systems.

<sup>205</sup> Sida (2016). WEESMS Appraisal of Intervention, final. Case number: UM2016/05987.

sectors should be based on their **relevance to poverty reduction**, their opportunity for increasing productivity, their potential for job creation and business opportunities and their **feasibility for stimulating systemic change in the market system**.

The appraisal document further justifies the inception phase, saying that

*it is important that the interventions and sectors are not fixed or pre-determined in the project proposal but designed on the basis of the analysis and studies undertaken in the inception phase which will identify bottlenecks, dysfunctions and root causes that hinder women as economic actors.*

The main output from the inception phase was a **Project Document**,<sup>206</sup> which included:

- **Analysis of the context**, including WEE and entrepreneurship in Bangladesh.
- **Project technical strategy**, including emphasis on the need for adaptive management, building on ongoing political economy analysis and appreciative inquiry and that gender equality and WEE principles should guide the strategy and implementation of the project.
- **Theory of change and results framework**, including the specification of three outcomes and two outputs for each outcome at ‘trigger’ and ‘uptake’ levels; and 10 intervention areas.
- **Initial identification of two sectors**: Home Textile and Jute Diversified Products; and Processed and Packaged Foods.
- **Details of project governance**, implementation structure and consortium member roles.
- **Approach to monitoring, evaluation and reporting**.
- **Annual work plan and budget**.
- Risk analysis and mitigation measures.

Following the submission of the Project Document at the end of the inception phase, there was a pause to review the Inception Report. The project officer, controller and regional market development adviser jointly reviewed the Project Document. The initial review highlighted that which the project concept was innovative and dynamic, and the theory of change and high-level results plan were strong, it lacked detail in relation to specific activities and output-level results. This critique from Sida appears to stem in part from a need for reassurance that the project team had the capacity and vision to move beyond conceptual thinking to actually facilitate tangible interventions. From the perspective of the implementing agencies, there was a feeling that Sida had not originally provided adequate clarity on what level of detail was required in the Project Document. Subsequent revisions to the Project Document appear to have addressed this original critique.

#### *ii. Implementation – ongoing review*

The project governance team (made up of the Project Officer, Head of Development Cooperation and regional market development adviser) hold formal quarterly review

<sup>206</sup> iDE and The Asia Foundation (2017). Project Document, Women’s Economic Empowerment through Strengthening Market Systems, 4 October.

meetings with Sida. These meetings are relatively high level and focus on overall project strategy and performance, risks and finances. Team changes and detailed shifts to intervention design do not require sign-off from Sida, although it does like to be kept informed of such changes.

The project officers have been involved in co-creating the project strategy since its inception and continue to play this role to some extent on an ongoing basis – often through informal dialogue with the project team, but also more formally where, for example, significant shifts to the results framework are required.

## **RBM**

From the initial ToR for the project, the application of the DCED Standard has been a requirement of the project. The project is not planning a DCED audit due to the perceived high cost of audit and achieving DCED compliance, but it is planning to bring in DCED consultant to provide an independent review of the MRM system.

The appraisal document and proposal also set out outcome-level results of the project, although these targets underwent some revision during the inception phase as reflected in the Project Document. The following outcome indicators were agreed to:

- Outcome 1: 500 women entrepreneurs will benefit from access to business development services.
- Outcome 2: 10,000 women employees with improved women's access to formal and informal productive employment opportunities in target sectors.
- Outcome 3: 1,000 women employees retained in the labour market in target sectors.

The Project Document also envisages reporting on the following common impact indicators (which draw from DCED guidance):

- **Scale:** Number of women led / oriented SMEs and MSMEs that have increased their incomes.
- **Jobs:** Number of jobs where women are able to earn more. This will include number of new jobs created, number of existing jobs that women are now promoted to, and number of jobs where women have increased retention (i.e. lower absenteeism and turnover).
- **Income increase:** Percentage increase in income of women led SMEs/MSMEs and/or women employees.
- **Gender positive social change:** Number of women experiencing increased levels of economic aspirations, increased agency power, increased safety and security etc. Social change is a qualitative indicator and the program will in the course of implementing identify the areas and types of social change that is created to assess this indicator.

The project has developed an MRM strategy and manual, which envisages the following activities:

- Sector results chains – updated annually.
- Intervention results chain and results assessment plan.
- Bi-annual survey.

- Data quality audit.
- Quarterly review and planning meeting, including updates to results chains.
- The use of the AAER framework for measuring systemic change.<sup>207</sup>

The manual recognises the need to integrate implementation management and results measurement systems

*so that while implementation produces results, the learnings from the results generated again feedback into intervention design and sector strategy. The system ensures that WEESMS' strategies and interventions are based on evidence and learning, that strategies and interventions are periodically reviewed and revised, and that results are reported are credible and believable.*<sup>208</sup>

Results are reported on a quarterly basis. However, there has been no guidance provided by Sida on the design and format of the quarterly implementation reports. And while the measurement of systemic change is envisaged in the MRM manual, the extent to which this is in reality a central objective of the project and an area of focus in dialogue within the project team and with Sida is not yet clear.

### Evaluation

Mid-term and final evaluations are planned with a total budget of SEK 1.2 million. The appraisal document states that the “*evaluation will focus on the outcomes and impacts on beneficiary-level, the effects on the market systems covered ... as well as to collect lessons learned and provide recommendations for a possible continuation of the intervention*”.

### Conclusion

The following key conclusions emerge from this case study:

- The competitive process of selecting and implementing partner was relatively innovative for Sida. It enabled the market to be tested and the ‘arranged marriage’ is generally seen in this case as having been a positive way of bringing together complementary strengths of two organisations.
- The main steps in Sida’s appraisal process are generic and focused on minimising risk. This may not in all cases be appropriate for an adaptive program which by design requires some experimentation and risk taking. Some staff in Sida involved in the appraisal felt that some of the criteria may not have added value to the eventual quality of the project. While an important consideration by Sida staff in selecting the right organisation, the formal appraisal criteria played little attention to the capacity of the implementing partners to act as a market development facilitator.

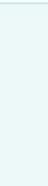
<sup>207</sup> See Nippard, D. et al. (2014). Adopt-Adapt-Expand-Respond: a framework for managing and measuring systemic change processes: Briefing Paper. Retrieved from: <http://www.springfieldcentre.com/wp-content/uploads/2014/06/2014-03-Adopt-Adapt-Expand-Respond-Briefing-Paper1.pdf>

<sup>208</sup> iDE and The Asia Foundation (2017b). WEESMS MRM Manual, August.

- Although there was a thorough upfront due diligence process, Sida has subsequently shown significant flexibility in adapting to evolving thinking on project design and budget.
- Very limited guidance has been provided by Sida to the implementing partners on its requirements in regards, for example, to reporting requirements, governance structures, etc. This has led to the implementing partners having to second-guess Sida's requirements, which has led to higher inefficiencies and transactions costs that might otherwise have been the case. Mutual expectations between Sida and implementing partner could be set out upfront more clearly.
- The capacity of implementing organisations to manage MSD projects and act as facilitators is a common constraint to effective project delivery. While there are clear benefits (in terms of flexibility and autonomy) from Sida's relatively hands-off approach to managing MSD contributions, this may create drawbacks in relation to its ability to manage the performance of implementing partners.
- Technical advice and support to the program officers by Sida's market development advisers in Stockholm is highly valued and has made a strong contribution to the quality of the project.

**Table 12: WEESMS RAG rating analysis**

| Requirements of the MSD approach at each stage of the project cycle  | Our judgement on how well the requirements have been met  | RAG rating  |
|--|---|---|
| <p><b>Design, approval and partner selection</b></p> <ul style="list-style-type: none"> <li>• Emphasis on flexibility, experimentation and adaptation in project design.</li> <li>• In-depth diagnosis required to inform intervention design, although this often occurs after contracting (e.g. during an inception phase) and on an ongoing basis thereafter.</li> <li>• Partner selection should include consideration of organisation's capability as a 'facilitator' and ability to innovate.</li> </ul> | <ul style="list-style-type: none"> <li>• The ToR, appraisal documents and project proposal are all clearly aligned with the MSD approach. While providing a broad strategic framework for the project, significant leeway is provided for experimentation and adaptation in implementation.</li> <li>• In-depth diagnosis to inform intervention design is left until the inception phase.</li> <li>• Partner selection undertaken through a competitive process that selected partners largely on the basis of their track record, capacity and understanding of MSD/WEE in Bangladesh.</li> <li>• However, Sida's standardised appraisal process did at times threaten to de-rail these considerations, due to the focus in the process on due diligence related to fiduciary risk and anti-corruption (minimising risk) rather than assessing the capacity of implementers to pilot, experiment and take managed risks.</li> </ul> |  |
| <p><b>Agreements and contracts</b></p> <ul style="list-style-type: none"> <li>• Emphasis on flexibility, experimentation and adaptation.</li> <li>• Legal agreements should incentivise projects to be responsive and flexible to the market. They should be clear on what is subject to change and what is not, including in relation to activities, results, and budgets.</li> <li>• Budgetary allocation is often heavier on staff time (to enable analysis and facilitation).</li> </ul>                   | <ul style="list-style-type: none"> <li>• The Grant Agreement is brief and high level. It leaves detailed design until the inception phase.</li> <li>• The legal agreement does not explicitly incentivise responsiveness and flexibility to the market and is not clear on what is subject to change and amendment, including in relation to activities, results and budgets. These questions remain unclear now that the project has moved into implementation.</li> <li>• Budgetary allocation is heavier on 'overheads', which was criticised by the Controller during appraisal, but eventually accepted by the QAC.</li> </ul>   |  |

| Requirements of the MSD approach at each stage of the project cycle  | Our judgement on how well the requirements have been met   | RAG rating  |
|--|--|---|
| <p><b>Implementation and management</b></p> <ul style="list-style-type: none"> <li>• Funder oversight of implementation is often more resource intensive than for 'traditional' projects.</li> <li>• Clarity required on degree of flexibility available to implementer.</li> <li>• Funders should support and encourage a learning culture.</li> </ul>  | <ul style="list-style-type: none"> <li>• Oversight of implementation by the project governance team is relatively high level and focused on project strategy and performance, risks and finances.</li> <li>• The Project Officer engages more frequently on an informal basis and 'co-creates' project strategy. Through this, Sida appears to encourage a learning culture.</li> <li>• The capacity of implementing organisations to manage MSD projects and act as facilitators is a common constraint to effective project delivery. While there are clear benefits (in terms of flexibility and autonomy) from Sida's relatively hands-off approach to managing MSD contributions, this may create drawbacks in relation to its ability to manage the performance of implementing partners.</li> </ul>   |    |
| <p><b>RBM</b></p> <ul style="list-style-type: none"> <li>• Results frameworks should avoid arbitrary quantitative indicators which may undermine sustainability and systemic impact.</li> <li>• Detailed target setting can only be established once sufficient analysis has been completed.</li> <li>• Indicators should be subject to change in response to adaptation to project strategy.</li> <li>• As well as being a tool for accountability, RBM should be used to inform ongoing learning and adaptation (e.g. by applying the DCED Standard).</li> </ul> | <ul style="list-style-type: none"> <li>• The results framework is fairly high level, which provides space for adaptation to project strategy. However it is fairly light on indicators of sustainability and systemic change.</li> <li>• High-level indicators were subject to revision during the inception phase. It is not yet clear whether they will be subject to further revision as project strategy adjusts.</li> <li>• Detailed target setting did not take place until after detailed analysis had been undertaken during the inception phase.</li> <li>• The MRM system follows the DCED Standard and has a strong focus on ongoing learning and adaptation.</li> <li>• Little guidance has been provided by Sida on the quarterly reporting requirements of the project and reporting templates have not yet been established.</li> </ul> |  |
| <p><b>Evaluation</b></p> <ul style="list-style-type: none"> <li>• Evaluations should take account of the project's unpredictable, adaptive and non-linear nature; and the long-term trajectory to impact inherent in the MSD approach.</li> </ul>  | <ul style="list-style-type: none"> <li>• The mid-term and final evaluations have not yet been designed.</li> </ul>   |  |

# Promoting Decent Work in Rwanda's Informal Economy (Rwanda)

## Project overview

This project aims to address the problem that the overwhelming majority of workers in Rwanda, most of whom are in the informal economy, cannot exercise their rights. This means that their decent work deficits persist in practice, despite a fairly supportive labour rights legislative environment.<sup>209</sup>

The project has been funded through two separate contributions. The first funded a project development phase (May–September 2017). This provided funds for the ILO to develop the Project Document. The appraisal and decision to fund the second contribution was taken in November 2017, which approved funds for implementation.

The project is currently at the end of a sixth month ‘diagnostic phase’, the findings of which may result in adjustments or revisions to the Project Document developed in the project development phase.

The project is currently structured according to five outcomes:

1. More workers and businesses accessing or adopting strategies for improved working conditions; more income and earnings.
2. Improved capacity and motivation/ willingness of social partners to promote decent work more effectively.
3. Increased number of informal workers with social security coverage.
4. Increased number of informal workers subject to improved and effective legislation.
5. Increased number of informal workers subjected to quality occupational safety and health inspection.

The project’s sector component – outcome 1 – will be implemented using the market systems approach, which seeks to stimulate market changes that can address the root causes to key decent work constraints. In using the approach, the project plans to work with partners that already operate in the market space in a way that addresses their incentives for improving decent working conditions. At the macro level, outcomes 2–5 will be driven by the priorities of Rwanda’s Decent Work Country

**Years:** 2017–20

**Country / Region:** Rwanda

**Implementing organisation:**  
ILO

**Budget:**

SEK 750,000 (project development)

SEK 27.2 million (implementation)

**Co-funders:** None

<sup>209</sup> ILO (2017). Decent Work Project Document, rev. 30 October 2017.

Program and the findings of the diagnostics phase (see below for further analysis on the interaction of these components).<sup>210</sup>

## **Design, approval and partner selection**

### *i. Project concept and partner selection*

The embassy identified a gap in its portfolio with respect to Sweden's development cooperation for Rwanda on "improved capacity for actors to promote labour rights". The embassy approached the ILO to submit a proposal to implement a project that would fill this gap. The ILO was assessed to be the only UN organisation that could provide expertise in labour rights in the informal economy as well as a tripartite platform to reach the key stakeholders, i.e. government, employers' and workers' 'organisations'.<sup>211</sup> The project is expected to make significant contributions to the implementation of the planned ILO Rwanda Decent Work Country Program (2017–22)

Sida has several contributions implemented by the ILO and the embassy, "to a large extent, relied on existing assessments of ILO's capacity to deliver the expected results".<sup>212</sup> The ILO were seen to have a satisfactory organisation and management structure; however, the Decision on Contribution for the implementation phase<sup>213</sup> did note that due to the level of complexity of the project, Sida should ensure the ILO manages to recruit the right competencies to the project management team and relevant external expertise for successful implementation. Therefore, while the appraisal focused predominantly on the management capabilities of the ILO, consideration was also given to the eventual technical capabilities of the team.

### *ii. Design*

ILO did not have sufficient resources in Rwanda so Sida issued the first contribution for the project development phase that provided funds for the ILO (approx. USD 100,000) to develop the project design. This consisted of:

- A sector selection report which identified sectoral decent work deficiencies, including gender and youth mapping and a plan for developing a gender and youth strategy in the beginning of the project implementation.
- A brief report regarding deficiencies of the current labour legislation and practice in relation to International Labour Standards.
- A validation workshop report regarding the project design with representatives from the stakeholder organisations.<sup>214</sup>

The market systems development approach was advocated by colleagues at the Swedish Embassy and those involved in the project concept phase at Sida HQ. However, the national stakeholders had clear expectations of the project, including

<sup>210</sup> ILO (2017) Project Document, rev. 30 October 2017.

<sup>211</sup> Sida (2017). Decent Work Decision on Contribution 51160122 (Project Implementation Phase).

<sup>212</sup> Sida (2017). Decent Work Decision on Contribution 11172 (Project Development Phase).

<sup>213</sup> Sida (2017). Decent Work Decision on Contribution 51160122 (Project Implementation Phase).

<sup>214</sup> Sida (2017). Decent Work Decision on Contribution 11172 (Project Development Phase).

which implementation strategies would yield the best results. They were not familiar with the MSD approach and were hesitant that it would deliver the results they expected.<sup>215</sup> A remaining risk for the project is still “stakeholders have to accept that the project takes a systemic approach where ILO acts as a catalyst, facilitating rather than providing solutions.”<sup>216</sup>

In addition, while the consultant who was leading the project development phase had knowledge of the approach, they were not an MSD expert. As a result, and in trying to accommodate national stakeholder views, the first draft of the Project Document did not adhere to the principles of the MSD approach. Sida identified this and asked that it be revised to follow the approach more closely.<sup>217</sup>

Sida’s comments on the ILO developed Project Document clearly demonstrate how Sida has pushed for the MSD approach. They state that it is ...

*... unclear how and to what extent the **market-systems (or a systemic) approach** will be applied to the entire project, and how **adaptive management** evolves over time. In relation to this, the importance of a systematically integrated process of **recurrent/regular review of results, learning and modification** of interventions during the implementation phase, in line with the DCED Standard for Results Measurement, cannot be over-emphasised.*<sup>218</sup>

*The sector-specific **market systems analyses are to guide the design** of the project and the selected interventions to be implemented, but in spite of this, all interventions to promote Outcomes 2–5 have already been specified. This runs the **risk of ‘jumping to solutions’** before the main [decent work] gaps and their root causes have been identified, jeopardising the results achievement.*<sup>219</sup>

Sida took a range of other measures to ensure the project adopted an MSD approach. For example, they allocated budget to the Lab in the implementation phase and enlisted their assistance during the project design phase. Lab staff presented the MSD approach at the stakeholder validation workshop in an attempt to build national stakeholders understanding of the approach.

Sida have also pushed for better integration of outcome 1 and 2–5 and for a more systemic approach to be integrated in the whole project. The product document was subsequently updated by the ILO and with some additional explanation of how the market systems analysis (MSA) (conducted in the implementation phase) would inform the approach to outcome 2–5.<sup>220</sup> However, the document continues to place emphasis on outcome 1 as having the MSD approach and the synergies and links remain limited.

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<sup>215</sup> Key informant interview.

<sup>216</sup> Sida (2017). Decent Work Decision on Contribution 51160122 (Project Implementation Phase).

<sup>217</sup> Key informant interview.

<sup>218</sup> Sida (2018) ILO Project for Promoting Decent Work in Rwanda’s Informal Economy: Sida Comments on Project Document, Feb 2018.

<sup>219</sup> *ibid*

<sup>220</sup> ILO (2017). Decent Work Project Document, rev. 30 October 2017.

### *iii. Sector selection*

The original sector selection criteria, as outlined in the Project Concept Note,<sup>221</sup> specifies that the project will focus on two sectors, where women and youth are particularly represented. The selection of sectors will be based on studies during the project development phase and be based on the following criteria:

- Which sectors are relevant to large numbers of the working poor, both as producers and employees?
- In what ways are these sectors not benefitting the poor – which decent work deficits are most important and prevalent?
- Which of these sectors have growth potential?
- Which of the sectors are feasible to work in, given the available time, budget and scope?

The consultant proposed construction and retail/trade. However, the sector selection was also influenced by competing stakeholder views. While stakeholders agreed on the construction sector, they did not initially agree on retail/trade.<sup>222</sup> Stakeholders had established views and expectations on which sectors were most important and disagreed with the initial sector selection analysis as it did not corroborate their views.<sup>223</sup> For example, the government advocated for the mining sector; however, this sector did not have a sufficient focus on women or youth and therefore failed to meet Sida's selection criteria. Eventually, agreement was reached on both construction and retail trade – with a focus on textiles and tailoring.

This highlights an important consideration for MSD projects. Local ownership and buy-in is crucial for the successful delivery of many development interventions, including MSD interventions. However, it is also important to be led by the market analysis. One informant suggested these stakeholders had been engaged too early in the process and this led the design to focus too much on stakeholder views and too little on the analysis.

### **Agreements and contracts**

There is a lot of flexibility built into the agreement, which is based on Project Document. It is envisaged the Project Document will be updated shortly, based on the MSA. There is scope for some outcomes to be dropped, others added or scaled up – “in an effort to deliver the project with the most impact given its resource allocation.”<sup>224</sup>

While there is no evidence to suggest there will be bottlenecks in this process the true test of flexibility will come in the next few months when Sida, the ILO and government stakeholders respond to the findings of the MSA.

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<sup>221</sup> ILO (2017) Concept note: Promoting Labour Rights and Decent Work for the Informal Economy – Project Development Phase.

<sup>222</sup> Sida / ILO (2017). Email Communication, Decent Work, August 2017.

<sup>223</sup> Key informant interview.

<sup>224</sup> ILO (2017). Decent Work Project Document, rev. 30 October 2017.

Sida is also still in the process of assessing the request from Ministry of Public Service and Labour (Ministere de la Fonction Publique et du Travail – MIFOTRA) for project funds for a coordinator position at the ministry for increased capacity, ownership and sustainability. This falls within the MIFOTRA's existing remit and Sida is assessing how these funds might be used to cover additional activities outside of MIFOTRA's existing role and how funding might contribute to future sustainability of the projects outcomes.<sup>225</sup>

Some justification was required to explain the higher proportion of budget for staff costs; however, this did not pose a challenge for the project:<sup>226</sup>

*The budget was assessed to be both eligible and reasonable in relation to the expected results and the project approach, though with high costs for salary and related costs. The Human Resources (staff costs) constitutes a significant part of the budget (42%), which is common for projects with market systems approach is due to the facilitative role.*<sup>227</sup>

### **Implementation and management**

The project is currently at the end of its six-month diagnostic phase. This was seen as unusual for Sida as projects with inception phases are perceived as risky as it indicates a lack of knowledge within the implementing partner. For this reason, the program officer opted to use the term 'diagnostic phase' instead of 'inception phase' to reduce the possibility of bottlenecks in the appraisal stage and to ensure the project was able to carry out the necessary analysis. This was supported internally as Sida colleagues recognised it was important to carry out additional analysis in order to inform the design of the project.<sup>228</sup>

Sida is an observer on the Project Steering Committee. This body will review reports and "provide guidance, support and entrench sustainability" of the interventions within the project. Other members of the Project Steering Committee include representatives from government, ILO and social partners.<sup>229</sup> The embassy clearly noted they would not want to "provide expertise and have the role as adviser but on the other hand has to be able to approve reports, audits, work plans and budget."<sup>230</sup> However, it is also acknowledged within Sida that their level of their engagement must be proportional to the needs of the project and there is an ongoing discussion on the level of engagement this contribution will require going forward.<sup>231</sup>

As noted above, the embassy specified that they should be involved/consulted in the recruitment of the chief technical adviser and has voiced concerns on the composition

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<sup>225</sup> Key informant interview.

<sup>226</sup> Key informant interview.

<sup>227</sup> Sida (2017). Decent Work Decision on Contribution 51160122 (Project Implementation Phase).

<sup>228</sup> Key informant interview.

<sup>229</sup> ILO (2017). Decent Work Project Document, rev. 30 October 2017.

<sup>230</sup> Sida / ILO (2017). Email Communication, Decent Work, August 2017.

<sup>231</sup> Key informant interview.

of the project team, stating it was “too small and should have one more person with market systems development expertise.”<sup>232</sup>

Concerns regarding the team’s technical ability and MSD experience were also voiced in key informant interviews.<sup>233</sup> In response to this, this Lab will conduct training for all four ILO staff working on the project. This training has also been extended to 12 Sida staff from the region.

## **RBM**

A preliminary logframe was developed for the Project Document. It outlines the project objectives, indicators, assumptions and risk mitigation measures. The list of outputs and outcomes was developed through a consultative process with many stakeholders and it is subsequently extensive and ambitious. In this logical framework, indicators are not supportive of the MSD approach, in that they do not seek to measure systemic change. However, this version of the logframe was always intended to be revised and updated at the end of the diagnostic phase.<sup>234</sup>

There is a dedicated monitoring and results measurement (MRM) staff member, who will be supported by the Lab to update the logframe and develop the MRM system, setting indicators, baseline information and annual targets. It is specified that the monitoring system should be guided by the Donor Committee for Enterprise Development (DCED) Standard for Results Measurement and the ILO policy for evaluations. The Project Document recognises that this system should “not only monitor progress, but directly inform the project’s intervention design and implementation mechanism through short learning and feedback loops” stating that “these loops will be an important element in the project’s ability to maintain a dynamic and adaptive approach”.<sup>235</sup>

However, the MRM system has not been developed at the time of this review and therefore the application of this ambition cannot be assessed.

## **Evaluation**

The Project Document states the project will be subject to formal evaluations, which will build on the data from the MRM system to ask high-level questions about project relevance, efficiency and strategic direction. It suggests three evaluations:

- Start-up phase review (month 5)
- Mid-term independent evaluation (month 16)
- Final external independent evaluation (month 34)

However, the budget in the Project Document provides USD 55,200 budgeted for an evaluation during the third year of operations but there are no other provisions in other project years. This budget is also comparatively small in proportion to the program budget of USD 3,127,864 (SEK 27.2 million).

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<sup>232</sup> Sida / ILO (2017). Email Communication, Decent Work, August 2017.

<sup>233</sup> Key informant interview.

<sup>234</sup> Key informant interview.

<sup>235</sup> ILO (2017). Decent Work Project Document, rev. 30 October 2017.

## Conclusion

Stakeholder buy-in is important but difficult to achieve when they, and key individuals in the design stage, lack understanding of the MSD approach. Sida took a range of measures to ensure the MSD approach was adopted, not only through enforcing this approach but also through a range of capacity building and backstopping measures for ILO and national stakeholders. However, this raises questions about the way the project design phase was approached. There is a potential that if prior analysis was carried out, these challenges could have been foreseen and mitigated against.

**Table 13: Decent work RAG rating analysis**

| Requirements of the MSD approach at each stage of the project cycle  | Our judgement on how well the requirements have been met   | RAG rating  |
|--|--|---|
| <p><b>Design, approval and partner selection</b></p> <ul style="list-style-type: none"> <li>• Emphasis on flexibility, experimentation and adaptation in project design.</li> <li>• In-depth diagnosis required to inform intervention design, although this often occurs after contracting (e.g. during an inception phase) and on an ongoing basis thereafter.</li> <li>• Partner selection should include consideration of organisation's capability as a 'facilitator' and ability to innovate.</li> </ul> | <ul style="list-style-type: none"> <li>• Embassy led – gap identified in their portfolio and they approached ILO to develop an MSD program.</li> <li>• Prep phase contribution: analysis, consultation, design. Full contribution: starting with diagnostics phase for market systems analysis (The Lab) to inform revisions to Project Document. Emphasis on pilots, flexibility, adapting.</li> <li>• Embassy pushed MSD approach; however, stakeholders, and ILO design staff were unfamiliar with approach – resulting in hybrid design compromising between stakeholders.</li> <li>• Efforts were made to increase capacity and knowledge on MSD – inclusion of Lab and session on MSD for stakeholders.</li> </ul> |   |
| <p><b>Agreements and contracts</b></p> <ul style="list-style-type: none"> <li>• Emphasis on flexibility, experimentation and adaptation.</li> <li>• Legal agreements should incentivise projects to be responsive and flexible to the market. They should be clear on what is subject to change and what is not, including in relation to activities, results, and budgets.</li> <li>• Budgetary allocation is often heavier on staff time (to enable analysis and facilitation).</li> </ul>                   | <ul style="list-style-type: none"> <li>• Some justification was required to explain the higher proportion of budget for staff costs however this did not pose a challenge for the project.</li> <li>• There is a lot of flexibility inbuilt in the agreement and project documents however only one of five components adopts an MSD approach (despite Sida's best efforts to integrate these more).</li> <li>• While there is no evidence to suggest there will be bottlenecks in the revision process based on the MSA, the true test of flexibility will be how Sida, the ILO and government stakeholders respond to the findings of the MSA in the coming months.</li> </ul>   |  |
| <p><b>Implementation and management</b></p> <ul style="list-style-type: none"> <li>• Funder oversight of implementation is often more resource intensive than for 'traditional' projects.</li> <li>• Clarity required on degree of flexibility available to implementer.</li> <li>• Funders should support and encourage a learning culture.</li> </ul>  | <ul style="list-style-type: none"> <li>• The project is still in its diagnostics phase (program officer steered away from calling this an inception phase to avoid potential internal push back).</li> <li>• Ongoing discussion on the level of engagement this contribution will require going forward.</li> <li>• The embassy clearly noted they would not want to provide expertise and have the role as adviser but on the other hand has to be able to approve reports, audits, work plans and budget.</li> <li>• Sida have approved funds for the Lab to provide MSD training for all project staff and Sida staff from the region.</li> </ul>   |  |

| Requirements of the MSD approach at each stage of the project cycle  | Our judgement on how well the requirements have been met   | RAG rating |
|--|--|------------|
| <p><b>RBM</b></p> <ul style="list-style-type: none"> <li>• Results frameworks should avoid arbitrary quantitative indicators which may undermine sustainability and systemic impact.</li> <li>• Detailed target setting can only be established once sufficient analysis has been completed.</li> <li>• Indicators should be subject to change in response to adaptation to project strategy.</li> <li>• As well as being a tool for accountability, RBM should be used to inform ongoing learning and adaptation (e.g. by applying the DCED Standard).</li> </ul> | <ul style="list-style-type: none"> <li>• There is a dedicated MRM staff member, who will be supported by the Lab to develop the MRM system, guided by the DCED. Plans for this to have quick feedback loops, learning, etc. “to maintain a dynamic and adaptive approach”.</li> <li>• RBM system is still in development.</li> </ul> |            |
| <p><b>Evaluation</b></p> <ul style="list-style-type: none"> <li>• Evaluations should take account of the project’s unpredictable, adaptive and non-linear nature; and the long-term trajectory to impact inherent in the MSD approach.</li> </ul>  | <ul style="list-style-type: none"> <li>• There is an evaluation budgeted for Year 3 of the project, however the budget is small in comparison with the total project size.</li> </ul>  |            |

# Livelihood Improvements for Women and Youth (Ethiopia)

## Project overview

Sida is funding the Addis Ababa Livelihood Improvements for Women and Youth (LI-WAY), a five-year project (2017–22) that aims at improving the livelihoods conditions for women and youth in the greater Addis Ababa region. The initiative builds on a well-established approach to pro-poor market systems reform (Making Markets Work for the Poor, M4P). The project is implemented through a coalition comprising four organisations with SNV as lead and Sida’s agreement partner. The other coalition partners – TechnoServe, Mercy Corps and Save the Children – are engaged through sub-agreements with SNV.

**Years:** 2017-22

**Country / Region:** Ethiopia

**Implementing organisation:** SNV as lead for a coalition including TechnoServe (TNS), Mercy Corps and Save the Children

**Budget:** SEK 160 million; later increased to SEK 168.5 million

**Co-funders:** None

Throughout an inception phase from mid-2017 to May 2018 and an implementation phase from June 2018 to June 2022, the consortium partners will undertake a range of facilitation activities to stimulate better performance among stakeholders in the market systems in Addis Ababa, which are important for poor women and youth. From an initial set of assumptions stemming from primary analysis, the exact paths to reaching the overall objectives will evolve gradually in an adaptive management process.

The project is motivated by Addis Ababa’s massive growth and significant and increasing numbers of poor women and young people in the city. LI-WAY is a pioneering poverty reduction program that aims to improve the incomes of at least 200,000 women and youth in Addis Ababa. It will do so through sustainably improving the functioning of systems in which poor women and young people can engage more productively.

As part of the inception phase, to be finalised in May 2018, LI-WAY has engaged in an in-depth process of diagnosis and development of pilot interventions. The first stage in this process was to obtain clarity in the different objectives of LI-WAY. This included setting primary and secondary objective levels and establishing the theory of change. Clarity was also sought about the definition of the target group and the geographies for the LI-WAY operation. As a result of this process it was determined that LI-WAY would aim to improve the incomes of poor women and youth (15–29-years old) in the greater Addis Ababa area through engagement in employment and enterprise development activities. In doing so, LI-WAY anticipates to contribute to

social stability, positive environmental impact, gender equality, food security and reduced land pressure.

To achieve these objectives, LI-WAY made sector selections during the inception phase based on the criteria relevance, feasibility and opportunity for impact for poor women and youth. From an initial shortlist of 14 sectors, the preliminary areas of work were narrowed to three cross-cutting areas (labour markets, micro-enterprise, and growth sectors). In addition, two more cross-cutting sectors will be analysed further during implementation. Across these sectors, as opposed to focusing on constraints affecting individual industries in the complex economy and rapidly changing economy of Addis Ababa, LI-WAY will focus on the constraints that are common across segments of the economy in order to achieve greater scale of impact.<sup>236</sup>

### **Design, approval and partner selection**

#### *i. Project initiation*

Several steps were taken before finally arriving at the current design and content of the LI-WAY project.<sup>237</sup> These included:

1. An internal Sida analysis of the strategy directly after its adoption by the government, aiming at a more precise operationalisation of the country strategy.
2. A portfolio analysis by Springfield Centre of ongoing and planned private sector development projects from a systems perspective, which took place during 2016.
3. A program outline by the embassy of what later became LI-WAY, dated February 2017.
4. A search process to find possible implementation partners during spring 2017.
5. An agreement from mid-2017 with a consortium of four partners to implement the project in two phases: an inception phase for eight months and an implementation phase to be ended in 2022.

The previous Sida country cooperation portfolio reflected remains of a long history of cooperation, largely through agricultural and education programs, an uncertainty of direction, partly due to repeated extensions of the 2003–07 strategy, and increasing problems to support civil society organisations during later years, while at the same time cooperation with government institutions was not possible.

As part of preparatory work for the new country strategy and continuing after the decision of the new strategy, the embassy made a thorough analysis of the set of ongoing projects with a view to establish what would work well or less well in a context with a reduction of direct support and traditional approach to development.

In particular, the embassy looked at what would be possible to support in what used to be labelled private sector development and what could be done with a more pronounced market-oriented profile for projects. Important here were analyses by

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<sup>236</sup> The overview is largely based on the summary of the LI-WAY “Programme Design Working Document” submitted to Sida and dated 28 February 2018.

<sup>237</sup> See also the tentative timeline at the end of this report.

other international actors, e.g. by the World Bank, about the character and social and economic changes in Ethiopia. Emphasised in that analysis, and later reflected in the operationalisation of the Swedish strategy, was the low potential for increased productivity in agriculture and the relatively high rate of urbanisation, which could only be met to a limited degree by more jobs in manufacturing and service industries. A generally low education and skills level among the new and young urban population exacerbates the problem.

An early step for narrowing down alternatives was to ask Springfield Centre to make a portfolio analysis of Sweden's private sector development projects. Also, in the discussions at the embassy the idea was agreed on to include urban areas, in particular Addis Ababa, in Swedish support with a market systems approach. That would be in line with Ethiopia's second Growth and Transformation Plan (GTP II, 2016–20). It was also obvious that an emphasis in such projects on women and young persons would be well motivated and fit with explicit aims in the Swedish strategy.<sup>238</sup>

A factor that influenced the embassy's decision on market systems support was that the bigger donors in Ethiopia – USAID, DFID, European Commission etc. – were, according to an interview, “following their separate tracks” and were into industrial development at a grand scale, for example industrial parks, which was less suitable for a small donor. Efforts into market systems development were seen as a more modest and suitable niche for Sweden, also being more agile and having a good relationship for many years with Ethiopia.

Another factor was that Sweden “already had bits of the approach” through the support to chambers of commerce and there was other project that could create synergies, e.g. Enat bank, and Sida could be said to already be into innovative ways to support poverty alleviation.<sup>239</sup>

## *ii. Selection of implementing partners*

At the beginning of 2017 the embassy produced two documents as a basis for inviting implementation partners for a project with a market system approach aimed at urban women and youth and made a tentative list of possible implementation organisations: an outline for the project and ToR for a facilitator (i.e. the implementation partner).<sup>240</sup> During early spring 2017 the responsible program officer and the head of cooperation at the embassy had meetings with a number of interested organisations. All of them had relevant qualifications but it was concluded that none had all the necessary

<sup>238</sup> The urban angle is not explicitly mentioned in the country strategy or the operationalisation plan due to final editing of the plan but was nevertheless an early idea for the focus on the project. (Interview with E Carlsson.)

<sup>239</sup> Other examples in Sida's portfolio in Ethiopia that are relevant to inspire and learn from are IFC Investment Climate Trust Fund, Access to Finance Trust Fund, UNIDO Selam Volvo vocational training, ILO/H&M decent work and BZbusiness Membership Organizations through the AWEA-program. (Mail communication from E Carlsson, May 2018).

<sup>240</sup> Embassy of Sweden, Addis Ababa (2017). Program Outline Document. Program for Improved Livelihoods for Women and Youth in Urban Ethiopia. Final. 8 February 2017; Embassy of Sweden, Addis Ababa (no date). Terms of Reference for a Facilitator to Design and Implement a Program for Improved Livelihoods for Women and Youth in Urban Ethiopia.

experience. Instead the embassy selected four organisations that seemed to complement each other and suggested they form a coalition for the project.

What followed were thorough discussions between the potential coalition partners about how the task could be divided. It was, however, clear from quite early on that SNV should be the lead partner. One argument for this was that SNV is a solid organisation with a long experience in Ethiopia. Other arguments for selecting SNV as lead were that they have market development as a core part of their institutional strategy, their good relations with Ethiopian authorities, and the fact that they were not reliant on expatriate staff.

For the coalition partners the size of this potential contract had different weights. SNV has a substantial portfolio in Ethiopia with emphasis on private sector and value chain development, and Sida would become a strategic partner, although in budget terms LI-WAY would be the sixth largest in budgetary terms. Mercy Corps has a big project going for USAID but LI-WAY together with other Sida projects, would anyway become their third biggest Cooperation Partner. For TechnoServe the project would be substantial and important. For Save the Children, LI-WAY would be just a small piece in relation to its heavy involvement with humanitarian aid in Ethiopia.

### *iii. Proposal*

In April 2017, the coalition submitted a project proposal to the embassy and Sida.<sup>241</sup> The proposal begins with a short presentation of the four coalition partners, which is followed in a later chapter by more detailed descriptions of the organisations and the intended division of labour between the coalition partners. The subsequent chapter presents the background for the project – rapid urban development in the country, especially the growth of Addis Ababa – and the increasing problems for women and young persons to find adequate employment. The proposed program strategy and approach and core themes are outlined in four chapters, and the issues of ‘stakeholders and ownership’ and ‘sustainability and ownership’ are briefly commented upon. The system for follow-up (M&E), risk management and the exit strategy are presented in the chapter on program organisation.

It is proposed that the program be divided into two phases: an eight month inception phase and an implementation phase running from spring 2017 to mid-2022. The inception would be used for investigating further what areas (‘sectors’ or ‘markets’) the project should concentrate on, for establishing connections with potential stakeholders and ways to cooperate, and for running a few pilot interventions to gain experience about what are feasible and likely ways to put the project forward.

The proposal largely follows the program outline by the embassy. The most apparent difference is that the proposal is more detailed regarding suggested sectors/markets to be targeted and, of course, regarding the organisation and work mode for the coalition and its partners.

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<sup>241</sup> SNV (2017) LI-WAY Livelihoods Improvement for Women and Youth in Addis Ababa (Revised), 10 April 2017.

The issue of *exit* is in the proposal (and in the appraisal) discussed only briefly and in rather general terms without going into concrete ways to establish criteria for withdrawal.

#### *iv. Appraisal*

The appraisal<sup>242</sup> of the original project proposal, submitted in April 2017, follows the standard Sida procedure.

It begins by discussing the problem of how the project is supposed to improve, the general approach proposed and the competence for the coalition partners to handle this. The conclusions about those issues are all positive but adds that although experience from other programs of similar kind supports the facilitative approach “the complexity and time commitment involved in reforming pro-poor market systems should not be underestimated”. On the time factor the appraisal concludes that in the case of LI-WAY a fairly long implementation period was chosen, and breaking the project down in smaller parts and using an adaptive way for managing it will increase the likelihood to succeed.

The appraisal further concludes that the project is highly relevant for the current situation in Ethiopia, is well aligned with ideas in Ethiopia’s long-term development plan, GTP II, as well as with objectives in Sweden’s Ethiopia country strategy. There is potential to harmonise the project with other urban improvement initiatives and it also fits with the Sustainable Development Goals (SDGs). In relation to what international donors support in Ethiopia, LI-WAY is seen as complementing rather than competing with other initiatives, which in the private sector and market development are geared towards relatively large-scale interventions.

Regarding cross-cutting issues, a rights perspective is clearly expressed, environmental issues have been taken into account, and the gender dimension is a major feature in the design.

The appraisal concludes that the budget “appears to be eligible and reasonable” while at the same time acknowledging that it is impossible to be specific in an adaptive management approach. To handle this, the project will use a Concept Note system where the coalition members from time to time submit partial budgets for various segments to be consolidated during annual planning meetings.

The results framework largely meets the appraisal’s approval but it points out that there are no baseline values to measure indicators against, and there are no explicit critical assumptions identified that constitute conditions for achieving the targets. The appraisal mentions, however, that baseline values will not be looked into until the end of the proposed inception phase.

Regarding capacity of the coalition partners and risks, the conclusion is that there is enough information to find that the partners are competent for the task.

About other risks, the appraisal mentions change of government’s attitude to the private sector, and poor availability of people with understanding of market systems

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<sup>242</sup> Embassy of Sweden, Addis Ababa (2017). Appraisal of intervention – Livelihoods Improvement for Women and Youth in Addis Ababa. Final. 2017-05-24.

development. Both are considered as high risks but they have to be accepted. Risks related to management of funds for the project are considered low while there is a medium risk that there is inadequate quality control in the monitoring system. The appraisal suggests that both should be accepted and the assessment is that the latter is mitigated through the setup of the program (without elaborating).

The summary risk conclusion is that “it is likely that the objectives will be achieved, given the assessment of the intervention logic and the risks”.

Before the decision on the project was taken, the proposal was subject to scrutiny by the QAC at the embassy in Addis Ababa and by a reviewer and the controller in the Africa Department at Sida in Stockholm. (Notes are available for both occasions.) No major objections were put forward but a few items for clarification were suggested. For instance, the embassy committee asked for more discussion on conflict and do-no-harm issues and on ownership/accountability. The reviewer and controller wished to have financial issues somewhat better explained and were not entirely satisfied with having all risks set to ‘accept’.

The internal Sida finalisation process became somewhat complicated and rushed for various reasons. According to interviews, the positive comment during the quality assurance process, both in the local embassy committee and in Stockholm, were very helpful.

### **Agreements and contracts**

The Grant Agreement<sup>243</sup> was signed in June 2017. It sets out in a fairly normal way the division into an inception and an implementation period, in general terms the activities and results expected in the respective period, the financing and disbursement schedule, the reporting requirements and the framework for monitoring and reporting as well as for auditing. The activity period is 1 July 2017 – 30 June 2022 with the agreement valid until 31 December 2022.

Narrative and financial reports will be submitted after the inception phase and then every sixth month. There will also be annual narrative and financial reports, indicating results and resources spent during the preceding calendar year, to be submitted every year on 30 April at the latest.

The agreement further states that there will be annual as well as mid-year meetings between the partners and Sida and the annual meetings should include sessions with a wider group of stakeholders, “which go beyond the Cooperation Partner and other partners implementing the project through separate Agreements with the Cooperation Partner”.<sup>244</sup>

Annual and mid-term meetings shall take place within 30 days after the date for delivery of the respective reports.

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<sup>243</sup> Sida (2017) LI-WAY Grant Agreement.

<sup>244</sup> Sida (2017) LI-WAY Grant Agreement.

## Implementation and management

### *i. Inception phase*

The purpose with the inception phase was to further develop the approach, define sectors/markets to target, clarify more in detail the division of labour within the coalition and the partners' respective tasks, and identify stakeholders and prospective additional local partners for involvement with individual markets.

A preliminary inception phase report<sup>245</sup> was submitted at the end of February 2018, in accordance with the original length of the inception period. Following Embassy comments on the preliminary report, a final report<sup>246</sup> was submitted in April, which is now (beginning of May 2018) being assessed by the embassy.

As part of this inception phase, the coalition engaged in an in-depth process of diagnosis and development of pilot interventions. The first stage in this process was to obtain clarity in the different objectives of LI-WAY. This included setting levels – which ones were primary, which ones were secondary objectives, and what was the theory of change to get from intervention to the achievement of different objectives.

To achieve these objectives, LI-WAY has made sector selection based on three criteria:

- The relevance of the sector to poor women and youth.
- The opportunity for positive impact – whether there were any clear drivers of change.
- The feasibility of intervention – whether there were any clear blockers of change.

From an initial shortlist of 14 sectors, the preliminary areas of work were narrowed to three cross-cutting areas:

- Informal labour markets.
- Micro-enterprise.
- Growth sectors – a note is necessary here to say that in the diverse and complex economy of Addis Ababa, scale of impact would likely come from focusing on issues shared by a range of growth sector industries (leather, textiles, food and beverages, and ICT among them).

In addition, two sectors have been identified for ongoing investigation in which interventions are likely to emerge over time:

- Solid waste management – this was felt to have limited scale potential at present but would be viewed as a cross-cutting sector of interest for micro-enterprise, labour, and growth sectors, for its potential to contribute to the higher order impact of environmental benefits from LI-WAY interventions.
- Small enterprise – while it appears too complex to envisage scale of impact, common issues for small enterprise growth and their potential as creators of employment will continue to be examined.

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<sup>245</sup> SNV (2018) Program Design Working Document, 28 February 2018.

<sup>246</sup> SNV (2018) Program Design Document, 12 April 2018.

In *labour markets*, LI-WAY will aim to address the frictions that affect women and youth in accessing more and better paying jobs, from informal jobs and day labouring, right through to formal employment. Here, LI-WAY is aiming to improve the exchange function in the labour market.

In *micro-enterprise*, LI-WAY is aiming to address the constraints that prevent formal and informal female and young entrepreneurs from starting and growing their businesses, in whichever sector those businesses might be. Here, LI-WAY will work on constraints affecting supply, demand, and exchange of the goods and services which are or could be provided by micro-enterprises.

Finally, in *growth sectors*, LI-WAY will aim to address the constraints that are impeding the growth of high potential industries which present the opportunity to create more and higher-paying jobs for women and youth. The theory of change here is very different and relates to improving the competitiveness of large businesses so that they can grow and employ more people, primarily women and youth.

During the inception phase, LI-WAY engages in pilots that are aimed at both generating further learning, in testing models and innovations in the way systems work better which have the potential to generate impact.

### **Country visit**

Three countries – Ethiopia, Guatemala and Zambia – were visited by members of the evaluation team in order to better understand the context for some of the case studies. The country selection was made in consultation with the evaluation Steering Group and the main selection criteria were that Sida is supporting several MSD projects in those countries and that MSD is firmly established as a viable approach in the Sida portfolio.

Apart from interviews directly related to the country case study (LI-WAY) the evaluation team had opportunity to interview implementing partners (WFP and Farm Africa) in two other MSD projects supported by Sida<sup>247</sup> and representatives for the Ethiopian Chamber of Commerce, which has been supported by Sida for many years as part of a long-standing Swedish support to private sector development in the country.

#### *ii. Country context*

A common thread in the interviews with implementation partners in Li-WAY and partners in the other Sida-supported projects as well as interviews with embassy staff was that the government attitude towards private enterprise is gradually becoming more positive. As mentioned above, GTP II, the economic development plan, aims at increasing the role of the private sector, especially for export industries. The impression is that regulations and their application are being eased and entrepreneurs are encouraged. The political atmosphere is seen as more liberal and less keen on

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<sup>247</sup> WFP “From humanitarian assistance to resilience” and Farm Africa “Growth for the Future: Harnessing small-holder productivity, adapting to climate change and protecting environments”. Both projects are still in their inception phases.

economic and social control and recent changes in government seem to confirm this trend.

This should increase the potential for projects aimed at market systems development and the (up to now) welcoming attitude towards LI-WAY among local and national authorities bears this out. Also, using the MSD approach in a project like the one implemented by WFP indicates the increasing knowledge about and acceptance of its possibilities.

A number of international civil society organisations with experience from MSD projects are established in Ethiopia and they work in various parts of the country, so far mainly in projects related to agriculture and forestry. The organisations seem firmly integrated in the Ethiopian society with Ethiopian staff in management, which should ensure that knowledge about the approach and is retained within the country and facilitate ownership of the MSD processes among stakeholders in private and government institutions.

### *iii. LI-WAY, the country case*

The visit made it possible to obtain information about the background and process for developing LI-WAY more thoroughly than describing and analysing the case based on documentation and relatively short phone or Skype interviews.

In short, those discussions confirmed the tentative conclusions from the documentation previously received and interviews carried out before the visit. Particularly valuable was the possibility to separately interview the four LI-WAY partner organisations and note the positive, common understanding of the project and what seems to be a genuine collaboration regarding empirical research during the inception period. The constructive process to formulate the direction and the concrete measures for implementation as well as the involvement by stakeholders were also confirmed through these interviews in Addis Ababa.

## **Conclusion**

The following key conclusions emerge from this case study:

1. Forming a coalition for the implementation with as many as for members was rather new for Sida, although, according to SNV, this is not at all unusual in Ethiopia.
2. It is obvious that the initiative and the general design of the project as well as the process to arrive at a proposal were very much depending on having a program officer at the embassy with unusually good experience from M4P and private sector development. An additional factor may have been that the head of development section at the embassy had a solid background from Sida and was able to positively judge this kind of approach in relation to a wide range of interventions, which included a firm conviction that Sida has always been flexible.
3. The new kind of cooperation strategy opened up for an innovative approach.
4. The involvement of Springfield Centre, both with the portfolio analysis, and as advisers to the coalition helped considerably to define the intervention and find a design that could fit with an MSD approach.

5. The ownership issue in MSD approaches is different from the more concrete view of ownership in traditional development cooperation projects.
6. Exit is discussed only in a superficial way.

**Table 14: LI-WAY RAG rating analysis**

| Requirements of the MSD approach at each stage of the project cycle  | How well the requirements have been met   | RAG rating  |
|--|---|---|
| <p><b>Design, approval and partner selection</b></p> <ul style="list-style-type: none"> <li>• Emphasis on flexibility, experimentation and adaptation in project design.</li> <li>• In-depth diagnosis required to inform intervention design, although this often occurs after contracting (e.g. during an inception phase) and on an ongoing basis thereafter.</li> <li>• Partner selection should include consideration of organisation’s capability as a ‘facilitator’ and ability to innovate.</li> </ul> | <ul style="list-style-type: none"> <li>• The ToR, appraisal documents and project proposal are all clearly aligned with the MSD approach. While providing a broad strategic framework for the project, significant leeway is provided for experimentation and adaptation in implementation.</li> <li>• In-depth diagnosis to inform intervention design is left until the inception phase.</li> <li>• Early in the partner selection process it was concluded that it was not possible to find one partner organisation that would fit all requirements.</li> <li>• Partner selection undertaken through a process that selected partners largely on the basis of their track record, capacity and experience from different aspects of the assumed design, where the comparative advantage of the respective partner was important.</li> <li>• The decision to initiate an MSD project was strongly influenced by the current development context in Ethiopia with strong urban growth and heavy unemployment among youth which traditional support seemed unable to cope with in the short term.</li> </ul> |   |
| <p><b>Agreements and contracts</b></p> <ul style="list-style-type: none"> <li>• Emphasis on flexibility, experimentation and adaptation.</li> <li>• Legal agreements should incentivise projects to be responsive and flexible to the market. They should be clear on what is subject to change and what is not, including in relation to activities, results, and budgets.</li> <li>• Budgetary allocation is often heavier on staff time (to enable analysis and facilitation).</li> </ul>                   | <ul style="list-style-type: none"> <li>• The Grant Agreement is a normal one, but with fairly detailed specifications regarding handling of funds and reporting.</li> <li>• The legal agreement does acknowledge that a flexible approach to budgeting is necessary.</li> <li>• The composition of the budget had to take into account the Ethiopian government’s strong limit of implementing organisations’ “overhead” (to 30%), and the difficulties to have facilitation seen as part of the actual implementation budget and not as administration.</li> </ul>   |  |

| Requirements of the MSD approach at each stage of the project cycle  | How well the requirements have been met   | RAG rating  |
|--|---|---|
| <p><b>Implementation and management</b></p> <ul style="list-style-type: none"> <li>• Funder oversight of implementation is often more resource intensive than for ‘traditional’ projects.</li> <li>• Clarity required on degree of flexibility available to implementer.</li> <li>• Funders should support and encourage a learning culture.</li> </ul>  | <ul style="list-style-type: none"> <li>• The project officer engages more frequently on an informal basis and ‘co-creates’ project strategy. Through this, Sida appears to encourage a learning culture.</li> <li>• The capacity of implementing organisations to manage MSD projects and act as facilitators was during the inception phase enhanced through support by a program officer with a strong M4P background and ‘coaching’ by Springfield Centre. This may be an asset also during the implementation phase but Springfield’s role is not yet defined or renewed (subject to a new procurement process).</li> </ul> |    |
| <p><b>RBM</b></p> <ul style="list-style-type: none"> <li>• Results frameworks should avoid arbitrary quantitative indicators which may undermine sustainability and systemic impact.</li> <li>• Detailed target setting can only be established once sufficient analysis has been completed.</li> <li>• Indicators should be subject to change in response to adaptation to project strategy.</li> <li>• As well as being a tool for accountability, RBM should be used to inform ongoing learning and adaptation (e.g. by applying the DCED Standard).</li> </ul> | <ul style="list-style-type: none"> <li>• The results framework has not established baseline values, which makes it difficult to clearly ascertain progress.</li> <li>• The MRM system follows the DCED Standard and has a strong focus on ongoing learning and adaptation.</li> <li>• Critical assumptions for achieving target are not well identified in the proposal.</li> <li>• The Grant Agreement requires a wide stakeholder meeting in connection to each annual review, which should promote accountability as well as learning well outside the immediate implementing partners.</li> </ul>                           |  |
| <p><b>Evaluation</b></p> <ul style="list-style-type: none"> <li>• Evaluations should take account of the project’s unpredictable, adaptive and non-linear nature; and the long-term trajectory to impact inherent in the MSD approach.</li> </ul>  | <ul style="list-style-type: none"> <li>• The project has just finalised the inception phase.</li> </ul>   |   |

# Annexes

1. Bibliography
2. List of people consulted

## ANNEX 1: BIBLIOGRAPHY

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## ANNEX 2: LIST OF PEOPLE CONSULTED IN THE CASE STUDIES

| Name                             | Role  | Organisation  |
|----------------------------------|---|---|
| <b>Aime Molina</b>               | M&E Officer, PRODERT  | HELVETAS Swiss Inter-cooperation                                |
| <b>Alexander Kucharski</b>       | Senior Program & Technical Manager  | ASI GROW  |
| <b>Ama Nettey</b>                | Donor relations Officer   | WFP, Ethiopia   |
| <b>Angela Kalambo</b>            | Acting Manager  | Catholic Relief Services  |
| <b>Anja Koenig</b>               | Entrepreneurship Coordinator (based in Zurich)  | SwissContact  |
| <b>Anna Rahm</b>                 | Former Musika Program Officer   | Sida  |
| <b>Annika Lysén</b>              | Economist/Analyst   | Sida  |
| <b>Annika Nordin Jayawardena</b> | Head of Development Cooperation Section   | Sida/Embassy of Sweden, Addis Ababa                             |
| <b>Åsa Heijne</b>                | Senior Adviser Market Development, Department for Asia, Middle East and Humanitarian Assistance | Sida  |
| <b>Asaye N</b>                   | Senior program officer  | Farm Africa, Addis Ababa  |
| <b>Åse Bjällås</b>               | Adviser Agriculture and Rural Development   | African Department, Sida  |
| <b>Aseged Assefa</b>             | Manager, Private Sector Development Hub   | Ethiopian Chamber of Commerce and Sectoral Associations (ECCSA) |
| <b>Awol Adem</b>                 | Program policy officer climate service  | WFP, Ethiopia   |
| <b>Betty Wilkinson</b>           | Chief Executive Officer, FSDZ   | FSDZ  |
| <b>Brasio Msugu</b>              | Program Officer   | Embassy of Sweden, Dar es Salaam                                |
| <b>Cecilia Brumér</b>            | Program Officer   | Sida  |
| <b>Deepak Khadka</b>             | Country Director  | iDE   |
| <b>Eliane Herrman</b>            | Program Officer Partner Programs (based in Zurich)  | SwissContact  |

| Name                               | Role  | Organisation                        |
|------------------------------------|---|-------------------------------------|
| <b>Elin Carlsson</b>               | Program Officer   | Swedish Embassy Addis Ababa         |
| <b>Elisabet Montgomery</b>         | Program Officer   | Embassy of Sweden, Kigali           |
| <b>Elisabeth Hårleman</b>          | Head of Development Cooperation                             | Swedish Embassy Monrovia            |
| <b>Elmi Nure</b>                   | Program Officer, Climate and Environment                    | Sida/Embassy of Sweden, Addis Ababa |
| <b>Emma Nilenfors</b>              | Head of Afghanistan Unit                                    | Sida                                |
| <b>Eva Ohlsson</b>                 | Program Officer GROW  | Swedish Embassy Monrovia            |
| <b>Fazal Ahmad</b>                 | Regional Manager, Market Development Program                | AKF                                 |
| <b>Frerik Kampmann</b>             | Case officer, development cooperation and trade             | Embassy of the Netherlands          |
| <b>Grace Bwanali</b>               | Chair of the Board  | Musika                              |
| <b>Gun Eriksson Skoog</b>          | Senior Research and Policy Analyst, Nordic Africa Institute | Secondment from Sida                |
| <b>Heather Oh</b>                  | Deputy country director                                     | TechnoServe, Addis Ababa            |
| <b>Helen Samuelsson Dahlstrand</b> | Controller  | Embassy of Sweden, Kigali           |
| <b>Henrik Riby</b>                 | Senior Adviser Market Development, Euro-Latin Dept          | Sida HQ                             |
| <b>Jan Vloet</b>                   | Country Director  | HELVETAS Swiss Inter-cooperation    |
| <b>Jasper Hatwiinda</b>            | Head – Measuring and Communicating Results                  | FSDZ                                |
| <b>Jessica MacArthur</b>           | Program Director  | iDE                                 |
| <b>Joanna Ledgerwood</b>           | Previous Chief Executive Officer, FSDZ                      | FSDZ                                |
| <b>Jorge Mario Chiquin,</b>        | Coordinator PRODERT   | HELVETAS Swiss Inter-cooperation    |
| <b>Junayed Jamal</b>               | Deputy Team Leader  | The Asia Foundation                 |
| <b>Karin Brataas</b>               | Controller  | Sida                                |
| <b>Kurt Schneider</b>              | Country Director  | SwissContact                        |

| Name                       | Role   | Organisation  |
|----------------------------|--|---|
| <b>Mahlet Seifu</b>        | Deputy country director  | Mercy Corps, Addis Ababa  |
| <b>Majeda Haq</b>          | WEESMS Program Officer   | Sida  |
| <b>Malena Rosman</b>       | Coordinator Portfolio Management, Deputy Head Loans and Guarantees   | Sida, Department for Partnership and Innovation                 |
| <b>Mark Thomas</b>         | Managing Director  | Nathan Associates   |
| <b>Martin Clemensson</b>   | Consultant   | Independent   |
| <b>Martin Hessel</b>       | Head of Development Cooperation  | Swedish Embassy Guatemala City                                  |
| <b>Mattias Lindström</b>   | First Secretary  | Embassy of Sweden, Kabul  |
| <b>Melaknesh Ayele</b>     | Market Facilitation Specialist LI-WAY (MA)   | Save the Children International (SCI), Ethiopia                 |
| <b>Melkiory Ngido</b>      | Associate director   | Deloitte  |
| <b>Michael Jackson</b>     | Chief of party for PRIME   | Mercy Corps, Addis Ababa  |
| <b>Michael K. Kairumba</b> | Technical Director,  | AMDT  |
| <b>Mr Reazul Islam</b>     | National Controller  | Sida  |
| <b>Mr Getachew</b>         | Responsible for the Empowerment of Women Entrepreneurs (EWESDA) project by Amhara Women Entrapreneurs Association (AWEA) | Ethiopian Chamber of Commerce and Sectoral Associations (ECCSA) |
| <b>Mulugeta Lemeneh</b>    | Country director   | Farm Africa, Addis Ababa  |
| <b>Mutale Mukuka</b>       | Senior Program Coordinator   | Restless Development  |
| <b>Niklas Eklund</b>       | program officer  | Sida  |
| <b>Odilia Lopez</b>        | Program Officer  | Swedish Embassy Guatemala City                                  |
| <b>Olof Sandkull</b>       | Adviser / Former WEESMS Program Officer  | Sida  |
| <b>Per Dans</b>            | Counsellor Development Cooperation   | Embassy of Sweden in Beirut & Damascus                          |
| <b>Philippe Schneuwly</b>  | Regional Director Central America (based in Mexico City)   | SwissContact  |

| Name                       | Role  | Organisation                                    |
|----------------------------|---|---|
| <b>Raylaura Cantave</b>    | Strategic Partnership Officer                                 | WFP, Ethiopia                                   |
| <b>Rob Munro</b>           | Strategy Director   | Musika  |
| <b>Roel Hakemulder</b>     | Independent Consultant  | ILO   |
| <b>Saleem Naseri</b>       | National Manager SME Development and SPEDA II Project Manager | AKF   |
| <b>Sara Tailor</b>         | Country Representative  | The Asia Foundation                             |
| <b>Sara Ulväng Flygare</b> | program officer   | Sida  |
| <b>Saroja Thapa</b>        | Team Leader   | iDE   |
| <b>Steve Hartrich</b>      | Technical Officer, Market Systems Development                 | The Lab at ILO                                  |
| <b>Susanna Nyström</b>     | Program Officer   | Swedish Embassy Guatemala City                  |
| <b>Tesfu Kahsay</b>        | Thematic Team Leader  | Save the Children International (SCI), Ethiopia |
| <b>Timoteos Hayessu</b>    | SNV team  | SNV, Addis Ababa                                |
| <b>Worku Behonegne</b>     | SNV team  | SNV, Addis Ababa                                |
| <b>Yeshiwork Tewodros</b>  | SNV team  | SNV, Addis Ababa                                |
| <b>Tinbit Daniel</b>       | Senior program officer  | TechnoServe, Addis Ababa                        |
| <b>Tonderai Manoto</b>     | Chief Technical Adviser                                       | ILO   |
| <b>Veryl Adell</b>         | Head – WIN program  | FSDZ  |
| <b>Yohannes Dest</b>       | Program policy officer, refugees                              | WFP, Ethiopia                                   |
| <b>YoQuai Lavala</b>       | Team Leader   | ASI GROW  |
| <b>Zawadi Balaile</b>      | Controller  | Sida  |
| <b>Zukir Elmi</b>          | Senior Program Manager LI-WAY (ZE)                            | Save the Children International (SCI), Ethiopia |

# Evaluation of the market systems development approach

Lessons for expanded use and adaptive management at Sida

Volume II: Case studies

This report presents the case studies for the evaluation of Sida's management of the market systems development (MSD) approach. The case studies assessed eleven MSD projects funded by Sida in order to draw lessons on how Sida can best manage its growing MSD portfolio and provide insights relevant to Sida's wider support to complex and adaptive programs. The evaluation identified several factors that affect Sida's ability to ensure that conducive conditions are in place for effective MSD programs and good development programming more generally. Sida's relatively flexible framework of rules, guidelines and systems for project management provide the space needed for staff to innovate and manage adaptively. But for this to happen consistently and effectively, Sida needs to invest more deliberately in building the capacity of its staff in relevant areas. In addition, leadership and incentives are key to shaping a culture of active experimentation and learning. This needs to be supported with clearer guidance for those involved in the design and appraisal; and strengthened oversight of project performance, including through adjustments to Sida's contracts and funding agreements.

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