

MSD Procurement Papers an overview

September 2020

Resolving the procurement dilemma

Development projects and activities typically involve a collaboration between donors (who pay) and implementers (who do). These parties' interests overlap but are not identical.

Procurement and contracting are used to reconcile different interests in a formal and transparent manner, but it can become an adversarial process. Antagonism, if it arises, discourages constructive relationships of trust. This, in turn, hinders the flexible, adaptive management needed if programmes that use the Market Systems Development (MSD) approach are to be effective in reducing poverty.

The MSD Procurement series grew out of informal conversations between donors and implementers seeking to resolve this essential dilemma. They capture their insights in this set of four papers:

Paper 1: [Decisive Structures](#): procurement format options for MSD programmes and their different implications

Paper 2: [Deepening the Relationship](#): a stage-by-stage guide to strengthening partnerships between donors and implementers in MSD programmes

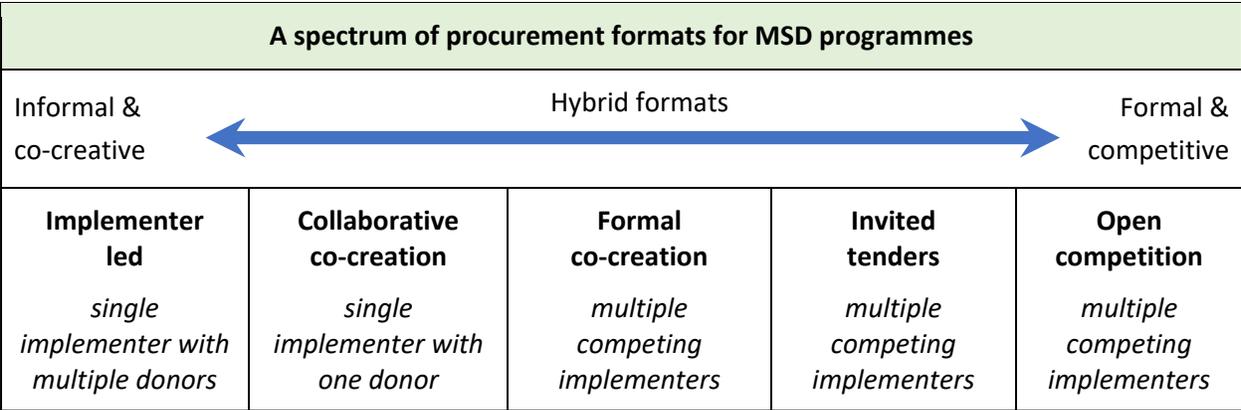
Paper 3: [Getting off the Ground](#): practical lessons for the launch phase of MSD programmes

Paper 4: [Fit for Business](#): modifying internal procurement processes for adaptive MSD programmes

The papers were written by four volunteer groups of MSD practitioners and donors who worked together over four months in early 2020 to synthesise their accumulated knowledge and experience of procurement arrangements for MSD programmes. With the support of a BEAM Exchange facilitator, each group met on a bi-weekly basis to examine a particular aspect of MSD procurement based on common interests and collective experience.

[Paper 1: Decisive Structures](#) examines the different procurement formats that are available to donors when creating an MSD programme. It explores how this choice influences both the design of programmes and the shape of the implementation consortia that bid for them.

The paper proposes a typology of procurement formats, representing a spectrum from co-creative processes to formal competitive bidding.



Donors, by expanding their repertoire, can select procurement formats that better match their in-country MSD capacity, available time and knowledge of local implementers. The paper’s insights can contribute to improved trust and better alignment with implementers, and this should lead to more optimal project design that improves prospects for sustainable results at scale.

[Paper 2: Deepening the Relationship](#) explores how donors and implementers can work together better to tackle the typical challenges that arise during the procurement and launch of a new MSD programme. Its guidance is structured around the spectrum of procurement formats used in Paper 1, but it also breaks the overall procurement process down into four discrete stages:

Stage	Examples of guidance
1. Preparation and scoping	How to choose a procurement format that is a good fit for in-country donor staff capacity, ensures relevant implementers can participate in the procurement process and can start assembling teams with the right capabilities.
2. Tendering and bidding	How revised evaluation criteria can send helpful signals to implementers so that they focus proposals on aspects of the MSD process most likely to result in a systemic, scalable and sustainable approach.
3. Bid evaluation	How to set up an interactive assessment process that probes the capabilities and mindset of the key personnel.
4. Inception phase	How to clarify expectations and create an environment for focused learning that sets up the programme for success.

For each stage, the paper offers ideas to help donors and implementers reconcile the legitimate needs of administrative bureaucracy with the complexities of market system facilitation. Its insights should increase donors’ confidence to broaden the criteria used to assess implementers capabilities in bidding processes. They also encourage implementers to focus on strengthening the underlying processes that create effective management, high-performing teams and sustainable results.

[Paper 3: Getting off the Ground](#) addresses the typical procurement and contacting challenges of early implementation of an MSD programme by focussing on five common problem scenarios:

Scenario	Examples of guidance
Quick wins are needed	What to do when project approval delays put pressure on programme managers to meet ambitious targets in the early phase of a programme.
Due diligence is an obstacle to partnership	What to do when strong prospective SME partners lack the systems and procedures to be compliant with procurement rules.
Delays in establishing contracting systems	How to deal with time lags in setting up internal procurement and contracting systems that delay early partnerships with market actors and prompt disbursement of funding.
Structuring payment terms to reduce risks	How to structure payment terms to reduce risks and keep incentives aligned in partnerships that involve significant financial resources.
Difficulty with non-traditional partnership agreements	Adaptive management often leads MSD programmes to develop non-traditional partnership agreements. This deviation from familiar contract templates requires careful navigation.

The paper can help MSD programme managers judiciously balance formal requirements with the opportunities in front of them in the market system. Learning to make such judgments is an iterative process, which is supported by the experience captured in examples. The paper also examines the wide range of funding arrangements that MSD programmes employ to intervene effectively in market systems and gives examples from practice.

[Paper 4: Fit for Business](#) addresses the challenges of devising appropriate forms of contracts or partnership agreements between MSD programmes and local businesses in the market system. The focus is on practical ways to design contracts that ensure market actors are self-selecting to work with MSD programmes, while minimising approvals when the terms of engagement change.

The guidance is broken down into four areas:

1. **Modifying internal procurement and contracting processes:** the rationale for deviating from 'conventional' format; with practical experience-based principles and examples from MSD implementing organisations.
2. **Integrating technical and operations teams:** emphasising the benefits and challenges of integrating operations staff with technical MSD programme staff, so that each better understand the other's roles and requirements. The paper offers some real-life examples.
3. **Programmes' relationships with head-offices:** with examples and advice about building trust, better relationships and organisational policies through in-country exchanges and communication.
4. **Implementers' relationships with their donors:** which explores donor staff incentives, constraints and risk tolerance as they aspire to replace transactional relationships with partnership.