



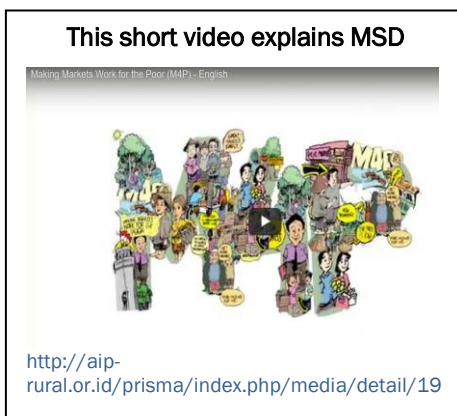
# Market Systems Development

## Operational Guidance Note

November 2017

### Introduction

Economic growth has helped lift hundreds of millions out of poverty. However, many people remain poor, unable to effectively participate in or benefit from economic growth despite being economically active as workers, producers and consumers. Structural inequalities and other constraints – including policy, legal and cultural environments – mean that they lack the inputs, services, skills development and information they need to be competitive and to adapt to the challenges and opportunities economic growth brings.



Australia and other donors internationally have been implementing a number of programs aimed at addressing these issues to make growth more inclusive and sustainable, using a Market Systems Development (MSD) approach, also known as Making Markets Work for the Poor (M4P).

MSD programs reduce poverty by enhancing the ways that the poor interact with markets.

This operational guidance note introduces key features of MSD and shares the lessons of experienced DFAT MSD program managers to help

staff design and manage MSD programs. This guidance responds to a growing demand for information about the approach. It is based on three programs that pioneered the approach within DFAT, noted in the box below, and is applicable to managers of a new set of MSD programs that have emerged recently in response to current policy directions and strategies. The guidance will also be of interest to managers of DFAT's other private sector and value-chain development programs.

#### DFAT's Flagship Market Systems Development Programs

- Australia Indonesia Partnership for Rural Economic Development (AIP-Rural) (\$112 million, 2013-18)
- Market Development Facility (MDF) (Phases 1&2: \$121.8m, 2011-22)
- The Cambodia Agricultural Value Chain (CAVAC) program (Phases 1&2: \$144.7 million, 2010-21)

## Policy relevance

Globally there has been a shift towards development policies and approaches that more explicitly embrace economic growth that is accessible by the poor. This is articulated in the 2030 Agenda for Sustainable Development, which encompasses the **Sustainable Development Goals (SDGs)**. The SDGs call for an end to poverty in all its forms everywhere (SDG 1); for sustained, inclusive and sustainable economic growth, employment and decent work for all (SDG 8); and a (reduction in) inequality within and among countries (SDG 10).

MSD aligns strongly with current policies for Australian aid, including the Ministerial Statement on engaging the private sector in aid and development (*Creating Shared Value through Partnership, August 2015*), and the *Strategy for Australia's Aid Investments in Private Sector Development* (October 2015).

The *Strategy for Australia's Aid Investments in Agriculture, Fisheries and Water*, released in February 2015, identifies three priority areas of engagement, of which Pillar One, '**strengthening markets**', is especially relevant. Its focus is 'to help increase small-scale farmers' and fishers' participation in markets and address constraints to agri-food business, including by leveraging private sector investment and innovation.

The 2016 **Gender Equality and Women's Empowerment Strategy** identifies women's economic empowerment as one of its three priorities. The strategy states that Australian aid programs will integrate gender equality into all of our development work, including our aid for trade, economic diplomacy and trade efforts, recognising that women's economic empowerment is a driver of inclusive and sustainable economic growth and prosperity.

### Market Systems Development and Agriculture

MSD can be applied in any sector. It is particularly relevant to the agriculture sector as so many poor people depend on it for their livelihood. Over seventy-five per cent of the extreme poor live in rural areas and depend heavily on agriculture and fisheries (World Bank, 2015).

### An example of MSD - Changing the fertiliser industry in Cambodia to serve the poor

In Cambodia, poor farmers were traditionally under served by input markets that failed to offer quality products and information that suited their needs. In particular, their limited access to knowledge on how to effectively use fertiliser limited their potential yield, which in turn limited their income-earning opportunities.

Beginning in 2010, the Australian-funded Cambodia Agricultural Value Chain (CAVAC) program took advantage of a rapidly growing market for fertiliser by working with seven fertiliser suppliers to enable farmers to get up to date advice on the use of fertiliser.

By providing technical support to these firms to develop farmer training and outreach programs, CAVAC facilitated a change in commercial working practices in at least one-third of the Cambodian fertiliser market. Over the duration of CAVAC, companies and retailers have become the main external source of information on fertiliser application for poor farmers. CAVAC estimates that almost 200,000 households improved their farming practices due to sustainably increased information services from these fertiliser companies (CAVAC, 2017).

## 1. Market systems approaches

### 1.1 What is a market systems approach to development?

It is important to note MSD is not a mechanism or a modality of aid delivery. It is an international body of knowledge, guidance, good practices and lessons learned from the experience of delivering aid activities (including DFAT's own aid activities).

MSD seeks to *'develop market systems so that they function more effectively, sustainably and beneficially for poor people, building their capacities and offering them the opportunity to enhance their lives'* (The Springfield Centre, 2009).

There are five important features of MSD:

**A systems perspective.** MSD recognises that market actors such as businesses, functions such as policies and regulations, and rules such as cultural norms do not operate in isolation of each other but are part of an interacting system. It recognises that aid interventions need to understand and respond to this system if they are to be effective and lasting.

**Large scale or systemic change.** Throughout the program cycle of an MSD program, the focus is on the markets surrounding the poor that have potential to improve the lives of many. MSD programs aim to develop a strategic set of interventions that change the way industries and whole sectors of the economy work for the poor. Interventions may start small, grounded in real market issues and targeting specific market actors, but will be part of a broader strategy to make markets work better for a large number of poor people.

**Sustainability.** The focus is on the continuation of market services to the poor rather than just the sustainability of individual market actors within that market system.

**Facilitation.** MSD programs aim to facilitate change that improves the way markets work for the poor rather than directly delivering solutions (see Direct Delivery text box). They aim to stimulate change in the market system without becoming part of it.

**Adaptive Management.** Market systems are complex and do not always respond as expected. MSD programs monitor their interventions closely and measure results frequently. Based on the findings they refine their vision for market system change, improve their strategies and adjust their intervention portfolio. The aim is to be pragmatic, building on what works and changing what does not so that the program maximises long term results with the time and money available.

#### This video introduces MDF and its approach to systemic change



<http://marketdevelopmentfacility.org/content/news-multimedia/video/>

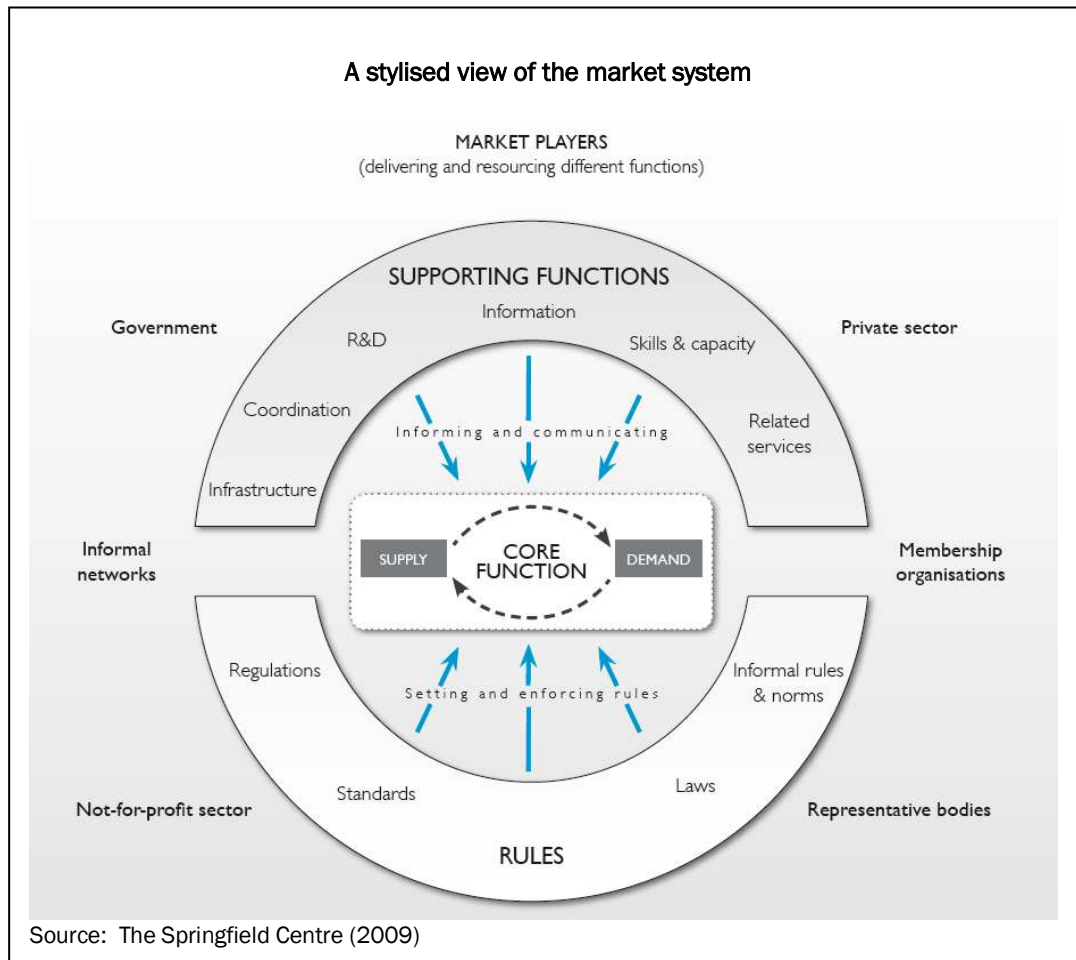
#### What is Direct Delivery?

A direct delivery approach contrasts with an approach that aims to facilitate change.

If there is a gap in the market, for instance smallholder farmers lack the seeds they need, one approach would be to fill the gap by subcontracting a business or an NGO to provide the seeds, paying for it in part or in whole. That is direct delivery. The risk is that by filling the gap in this way it prevents another existing market actor from responding in a commercially sustainable way, and once the donor funding ends, the delivery of seeds ends.

## 1.2 Components of the market system

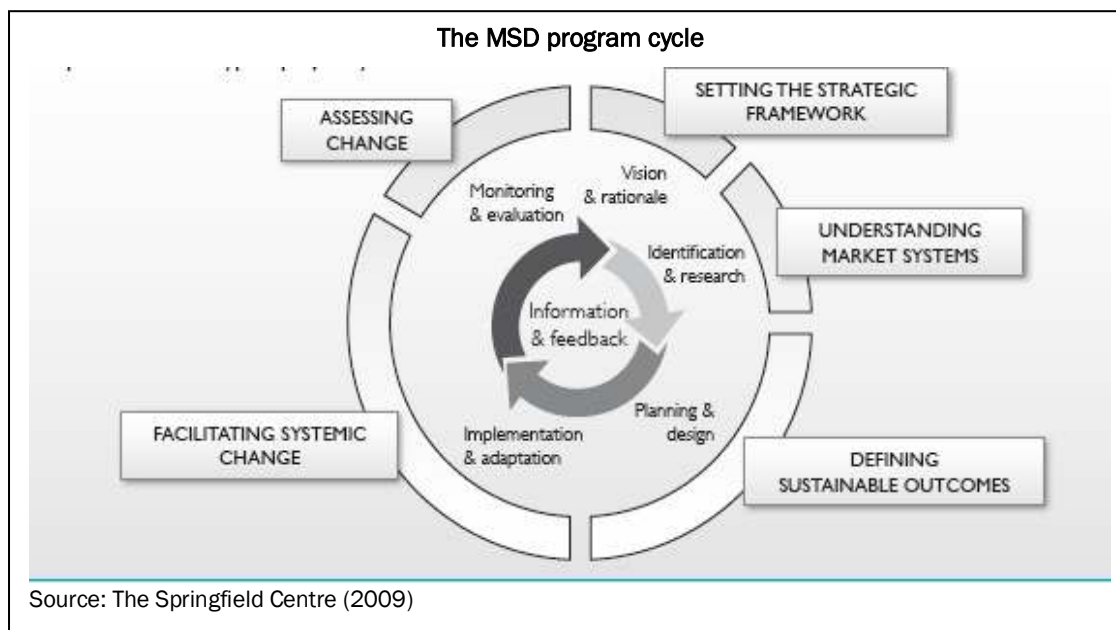
A market system can be broken down as follows:



- › **The 'core'** – The central set of exchanges of goods and services between the providers (supply side) and the consumers (demand-side) at the heart of any market.
- › **The 'rules'** – These are the regulations, standards, laws and cultural norms and practices that act to shape market outcomes and govern participation and behaviour in markets. Formal providers of rules are commonly governments or membership organisations. Informal rules are generally a product of local culture and value systems and practices.
- › **The 'supporting functions'** – The range of functions that support the core exchange and help the market to develop and grow including, for example, research and development, infrastructure, skills and capacity, and supporting services (financial service providers for example).

## 1.3 Market Systems Development programs in action

This section provides an overview of the implementation processes of an MSD program. As the diagram below indicates, the steps in the cycle are continually revisited and revised as experience grows.



### Set the strategic framework

This is where the broad strategic parameters for the program are established. It is the work done during the design, to be revised and elaborated regularly during implementation. The strategic framework will respond to DFAT's Aid Investment Plans.

At this point the target group will be identified. It will be based on broad analysis of where the poor are, what they do and gender dynamics. Smallholder farmers, factory workers or women in remote areas for example may be target groups. It will at the same time broadly identify where the opportunities in the market lie – for example, through meeting women's demands for horticultural products through local supply, or employment from a growing manufacturing sector in the economy. This initial analysis and strategy are continuously revised and refined in the lifetime of an MSD program.

### Understand the market system

Once an implementing team is mobilised, the strategic framework is fleshed out and more specific opportunities can be identified. Implementing teams get out and about in the market place getting to know the players, their incentives and the constraints to inclusive and sustainable growth in the chosen sectors.

DFAT MSD program managers have found that this kind of research is unique and valuable for other programs they manage and for DFAT's broader Economic Diplomacy ambitions. However it is important to note that this research is rarely presented in a polished final statement early in a program, and it is revised regularly based on a program's implementation experience.



## Define the sustainable outcome

The strategy and vision for how things could change to improve the lives of the poor sustainably and at a large scale is defined. A short, clear vision statement of the sustainable change is valuable. A hypothetical example would be: 'Within the dairy sector the focus is domestic market expansion. The dairy industry requires increased formalisation of supply structures so that more dairy producers can enjoy full benefits of the growing market demand.'

## Facilitate change

This is where partnerships and interventions start. The types depend completely on the context – who the market actors are, and what constraints and opportunities they face. The role of the MSD program in the partnership could include, for example:

- › Introducing new business ideas
- › Providing technical assistance to adopt new practices or improve old ones
- › Sharing information about market demand or supply.

Interventions by the program aim to stimulate change in market actors rather than becoming part of the market system. Interventions have to be once off and clearly time bound so that they do not become on-going subsidies.

MSD programs do not work directly with the poor but instead work with market actors that do. The rationale is that greater scale of impact and value for money can be achieved with this approach. In the process of identifying partners and reaching agreements with them, it is important to keep in front of mind that these partnerships are a means to end – to reduce poverty.

## Assess Change

Until there are interventions in the market, the response of the market can only be estimated. The complexity of a market system means that accurately predicting the exact results of an intervention is impossible. That means there needs to be a strong emphasis on monitoring (and commensurate resources) to see how the market responds in reality and

### Information sharing and policy reform in Fiji

Based on experience and feedback from a number of partnerships in Fiji, MDF identified import duty as a common constraint to business growth. Only companies that exported 100% of their production were eligible for duty suspension on imports of inputs necessary for their businesses. MDF supported the Fiji Export Council (FEC) to analyse the revenue and policy implications of broadening these duty exemptions. The FEC, working in collaboration with Customs, engaged a consultant to analyse the impact on Government revenues if companies exporting less than 100% were exempt. The analysis was presented to government and helped to make a case for change that has seen duty removed entirely from most production inputs.

### Doing deals with the private sector

MSD programs have gained a great deal of experience in how to effectively negotiate deals with the private sector aimed at creating sustainable benefits for the poor.

Two principles of private sector development should be considered when identifying partners and negotiating deals with private enterprises:

*Additionality:* Public funds will not finance activities that a business or commercial financier would have financed without the intervention.

*Neutrality:* Collaboration with DFAT will not provide one business with a long-term, unfair advantage over its competitors.

AIP-Rural have produced a comprehensive guide on this specific topic titled Deal Making Guidelines for Private Sector Partners (AIP-PRISMA, 2015).

AIP-PRISMA aims for a cost sharing ratio of 30:70 (program to partner), but will settle for 50:50 if there are compelling reasons (e.g. higher risk). The aim here is for partners to lead and fund change as part of their own revised model. Without genuine cost sharing, there is a risk that partners are simply after easy money and may have little intention to continue the market service after the program support ends.

to what extent that response involves and benefits poor men and women. This information is fed back into the analysis and decision-making process to improve it. In this way, 'Setting the Strategic Framework' and 'Understanding the Market System' are only initial steps in building a detailed picture of the market system. MSD programs continuously build on this initial analysis to refine and improve their understanding of gender, poverty and markets.

Each intervention and the expected market response is mapped out in a results chain linked to the broader sector strategy. Each step in the results chain is accompanied by a commentary on the assumptions made and indicators to measure. Assumptions are tested and results chains are adjusted accordingly. The results chain is the key management tool for program staff.

DFAT's MSD programs use the [Donor Committee for Enterprise Development Results Measurement Standard](#). The Standard is a framework that outlines elements of a successful monitoring system based on proven good practices in private sector development. The DCED Standard also includes an independent auditing process.

## 1.4 MSD and Women's Empowerment

DFAT's Gender Equality and Women's Empowerment Strategy notes that women remain poorer than men do globally and that women's economic participation helps drive inclusive and sustainable economic growth at a national level and reduce poverty within communities and households. Societies that make better use of the skills, talents and time of all members will more likely prosper. Women are often more likely than men to use income to support development outcomes within their families. Increasing women's earnings can strengthen their hand in decision-making in their households.

Thinking on women's empowerment in MSD programs has moved from a 'do no harm approach' through to a recognition that effective programs also need to deliver economic empowerment of women. There are five commonly recognised domains of Women's Economic Empowerment (WEE) that should be considered throughout the program cycle. (Jones, 2012).

The five domains fall under two categories – access and agency. Access and agency are important concepts as they allow us to differentiate between what is or could be available to women (access), and the socio-cultural dimensions that may deter women from taking advantage of opportunities (agency).

### MSD and Women's Economic Empowerment - Day-care in Fiji

MDF's analysis of gender in Fiji discovered that while it is socially acceptable for women to engage in paid work, there are still significant structural and social barriers that mean they are paid less and have worse working conditions. Caring for children is seen as a women's responsibility so work is often casual and irregular. Women have less extended family support than in previous generations. Childcare options are very limited.

In Fiji, MDF is working with business to address this. For example, it has made the business case to apparel producer Mark 1 to provide childcare facilities. The idea gained interest from other employers and MDF is now working with new partners to adopt this and other approaches to improve women's work conditions.

### The importance of both access and agency

MDF's WEE Strategic Guidance Note (MDF, 2015) outlines the importance of addressing access and agency:

It is one thing to increase access to a service, asset or skill, but this must be considered in conjunction with how this fits into a woman's overall workload, or whether she has enough control over the way in which she manages her business, or her control of the money received from this access. Without this, the sustainability of the increased access comes into question; she may not have sufficient incentives to continue to use the service if she has limited control over how she interacts with it or benefits from it. As with any business model, this may well entail undertaking additional activities so that these wider constraints are addressed. For example, if it is found that women retain little control of their income because it is taken back to the family home in cash, it may well be that her level of control is increased if the partner sets up a mechanism for paying this income directly into a bank account that is set up for her.

### The five domains of the Women's Economic Empowerment Framework

The five domains of the Women's Economic Empowerment Framework	
<b>Overall Objective</b>	
1	Economic Advancement
<b>Stronger Agency</b>	
2	Decision-making authority and influence, including household finances and trade
3	Manageable workloads for women
<b>Improved Access</b>	
4	Access to opportunities and life changes such as skills development or job openings
5	Access to assets, services and support to advance economically

These five domains should be considered at every stage of the program cycle:

1. Establish a Strategic Framework – identify explicit WEE objectives
2. Understand the Market System – conduct a gender analysis
3. Define the sustainable change – identify a vision for WEE
4. Facilitating change – identify specific opportunities for achieving WEE
5. Assess change – measure WEE change.

## 1.5 MSD in relation to other private sector development approaches

DFAT implements a variety of programs supporting private sector development for different circumstances. Situating the different programs in relation to each other is a commonly expressed challenge among DFAT staff. The table below outlines some characteristics of a selection of DFAT-funded programs that DFAT staff often ask about. The key distinction made here is whether they adopt a 'light touch' or 'close engagement' approach. This distinction is determined by the level of personnel cost in the program and how much of the decision-making, analysis, monitoring and choice of beneficiaries is left to the market.



Light touch approach	Brief Description	Characteristics
<b>Competitive Partnering</b> <i>The Business Partnership Program</i>	A call for proposals is issued to the market, inviting businesses to make the case to DFAT to either co-fund new pro-poor business activities or scale up existing activities.	
<b>Enterprise Challenge Funds</b> <i>Asia Pacific Enterprise Challenge Fund</i> <i>African Enterprise Challenge Fund</i>	Enterprise challenge funds provide cash incentives for businesses to meet a development need that is not being met by the market. They reward businesses that respond to a specific challenge with cash.	
<b>Global Challenges</b> <i>AgResults</i>	A 'pull' mechanisms that offers a cash prize for businesses that find solutions for specific development challenges (eg quality seed supply or on-farm storage).	Personnel costs are low Large-scale results are possible Challenges in measuring attribution and impact
<b>Close engagement</b>		
<b>Markets Systems Development</b> <i>AIP-Rural</i> <i>MDF</i> <i>CAVAC</i>	Aim to create pro-poor inclusive and sustainable growth by changing the way whole sectors of the economy or industries operate using a mix of methods in partnership with local market actors.	Personnel costs are high compared to total program spend Aim to change how markets serve the poor Relatively long time horizons for impacts Large in-country management teams Adaptable to a range of contexts and able to succeed even where business capacity is low Partner with diverse market actors including small local and large international businesses Will consider proposals from businesses but will also make proposals to businesses making the business case for inclusion of the poor and marginalised
<b>Livelihoods Development</b> TOMAK in Timor-Leste (in this case, within an MSD framework)	Build the resources and capabilities of the poor and often involve working more directly with the poor than other approaches. Livelihoods Development has been popular among NGOs.	Good at targeting the poor including the extreme poor Often geographically based Work well in areas where agriculture is transitioning from subsistence to commercial Often entail collective organisation among the poor to deliver goods or services at consistent quality and quantity, helping the poor to become 'market ready'

### **What about Business Enabling Environment Reform?**

Business enabling environment (BEE) reforms include land tenure reform, trade liberalising policies, revenue reforms, and business licensing for example. These reforms, when agreed with governments and then implemented successfully by the partner government, can have large-scale impacts.

Market systems development programs will ideally include BEE reform and can work well alongside BEE reform programs. Typically, MSD programs target sector-specific policies, regulations and government practices, whereas BEE programs tend to focus on crosscutting economic policies. MSD programs approach BEE reform by operating in the business environment, with business partners identifying practical, realistic and workable reforms that impact the poor. They can then support businesses and business representative bodies such as chambers of commerce, industry associations, producer groups and peak bodies to advocate for BEE reforms themselves. They operate on the basis that enabling environment reforms are more likely to garner buy-in and move much faster when they are led by the private sector according to their needs and priorities.

## 2. The role of DFAT Managers

DFAT managers of MSD programs have identified a number of distinctive features and important management considerations for successful MSD programs. Particular risks and uncertainties will require careful handling. Some of the more notable features, commonly expressed challenges and DFAT manager responses are detailed in this section.

DFAT managers should also refer to the [Aid Programming Guide](#) for additional information and to identify DFAT's mandatory design, monitoring and evaluation requirements. Chapter 4 (Investment management, Evaluation and Quality Reporting) and Chapter 5 (Investment Design) are especially relevant.

### 2.1 Managing flexibility and responsiveness in MSD programs

During their design and in their early stages of implementation, MSD programs offer a general idea of the kinds of interventions that may occur rather than a prescriptive blueprint of interventions. Interventions are determined after a relatively long period of analysis during the implementation phase to determine who is in the market place, opportunities in the market place and the willingness of market actors to partner with our programs to do things differently. Since markets and market opportunities are rapidly changing, attempting to nail down details in the design and early stages of implementation can be a waste of time and can raise false expectations.



This makes it challenging for DFAT managers faced with government partners, peer reviewers and DFAT financial delegates asked to approve these programs without the kind of details and certainty they may be used to. Similar challenges arise in the tendering and contracting stage and early stages of implementation. During tendering and contacting, DFAT procurement managers and then managing contractors may want to pin down details so that milestones are more predictable and budget forecasting is easier. Then in the early stages of implementation, stakeholders may expect details of what the program will do, yet those are only beginning to emerge.

DFAT program managers play an important role in managing this uncertainty and maintaining flexibility and market responsiveness in MSD programs. Current and former DFAT managers have identified the following strategies for doing this:

- › Use other DFAT MSD programs as examples to illustrate the types of specific interventions and partnerships that are possible.
- › During the design and early stages of implementation, keep the program accountable by focusing on methodology and on process milestones rather than specific interventions.
- › Seek out learning and development opportunities on MSD so that you can explain the disadvantages of prescribing interventions too early and can explain why flexibility and responsiveness are important.

- › Build stop-go decision points and regular reporting requirements into the program to reassure delegates that risks will be limited and managed.

## 2.2 Managing budgets

DFAT Activity Managers note that getting consistent budget forecasts is a management challenge for MSD programs. This experience can be stressful for Activity Managers and damage the reputation of the programs among DFAT budget managers and financial delegates. The difficulty in providing accurate forecasts is a reflection of the need for flexibility and responsiveness and because MSD programs attempt to influence change in market actors rather than deliver goods and services directly, which means there is less control over the value and timing of payments.

The following strategies are suggested for managing this:

- › Expect to spend more time monitoring expenditure that you would in an alternative program.
- › Structure contracts to allow movement of funds from areas under-spending to areas over-spending.
- › Make implementing organisations aware of the budget management challenges MSD programs present to DFAT, and suggest they should expect to spend more time monitoring expenditure than they would for alternative programs.
- › Communicate budget management challenges of MSD program to DFAT budget managers and identify contingencies for under- or over-spends.

## 2.3 Managing partner government relationships

Partner government dialogue in the developing countries where we work is always the starting point for any aid activity. Often there are expectations among our partner governments that they will be the implementing partner of these activities too. Partner government engagement is essential in MSD – governments provide an opportunity for business to inform government rules, regulation and policies, and MSD programs will also provide opportunities for government to communicate their work, policies and regulations with business. But it is not appropriate for government to be the implementing partner. The primary focus of MSD on private sector partnerships would present conflicts of interest in countries where public officials often have related business interests. It is also the case that market development programs require business-brokering experience, fast response times and an entrepreneurial culture not typically found within government.

This can present a challenge to Activity Managers who need partner government approval and ongoing support during implementation of MSD programs, especially where there is a history and expectation of being the implementing partner.

DFAT managers have used the following strategies to manage this:

- › Become well versed and trained in how MSD programs work and the benefits they have before talking with government. Being able to provide a clear explanation of the approach and what it can offer to the country is the starting point in a constructive government dialogue.

- › Engage partner governments during the planning, design and implementation process but maintain clarity throughout this process on where the role of government should begin and end.
- › Consider establishing reference groups that include government, that do not have roles in approving activities, but can allow governments to provide advice on the strategic direction and political economy. Experience from DFAT's MSD programs is that reference groups are best when they are sector focused and include various programs in DFAT's portfolio.
- › Align MSD program objectives and sectors with partner government policies
  - Package MSD programs and their approvals along with other inclusive growth programs that work more directly with governments.
  - Allow partner governments to enjoy the benefits of program success by inviting them to public launches of program partnerships.

## 2.4 Managing expectations for results

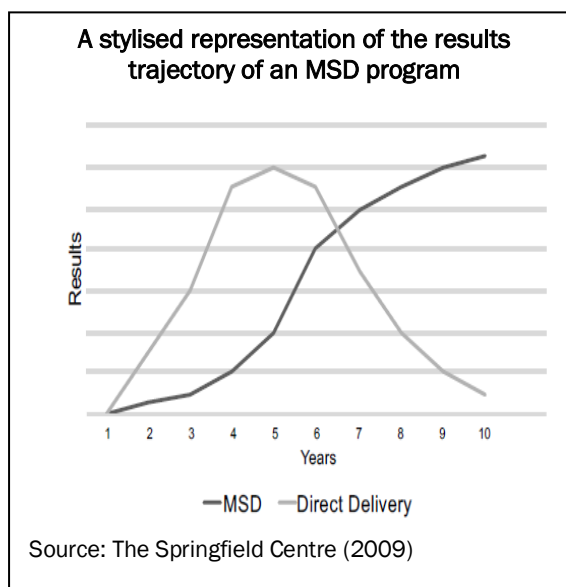
Having maintained the flexibility of the program in its early stages, attention will soon turn to the delivery of results. Most DFAT MSD programs use income and employment as their quantitative high-level indicators. Such high-level impacts take a long time to deliver – there can be a year or more of analysis before partnerships are signed, then pilots or demonstrations of new business models can take a full business cycle or agricultural cycle to prove themselves and it is often another cycle after that before impact level results begin to emerge.

DFAT's markets systems programs generally use a number of intermediate indicators that show progress towards achieving these high-level indicators and deliver results earlier. Examples of intermediate indicators include:

- › Number of partnerships signed
- › Funds invested by partners in new business models
- › Value of additional market transactions attributable to the program
- › Changes in knowledge, attitudes and practices of target groups.

However, results for even these intermediate indicators can take a year or more to emerge. By this time confidence in the approach can become an issue.

DFAT managers have identified the following strategies to allow programs the space to deliver results while ensuring accountability:





- › Spend time with the implementing team to work out what process steps are going to be delivered in the first year, how those steps are important to achieving impact level results, and how their delivery will be monitored and reported on.
- › Encourage programs to identify and announce early wins, for example through public launches of partnerships that demonstrate how the program works.
- › Consider carefully the use of results targets. The benefit in establishing targets is that progress can be monitored against expectations over time, allowing activity managers to gauge if programs are on track. This can be especially useful in addressing the 'Effectiveness' criteria of annual Aid Quality Check reports. The disadvantage of establishing targets too early is that they could undermine good practice by putting pressure on programs to adopt a direct delivery approach and 'buy' unsustainable results rather than facilitating sustainable results. A good compromise might be to agree to establish targets 18 months after the program commences, by which time a much more informed basis for the targets will have been established.
- › As interventions and partnerships start, ask to see intervention results chains and associated calculation sheets and have team members explain the logic of the steps in achieving expected intermediate and high level results, so that you can communicate the process to DFAT managers.
- › Agree with the program what communications pieces will be available when, for sharing with others in DFAT, partner government, development partners and other stakeholders to help manage their understanding of and expectations about the program. For example, the program may be able to produce a brief 'country strategy' paper within the first 6-9 months which outlines the broad approach, identifies the target sectors in the country and gives an example of an intervention from another MSD program.

#### **What to expect in the first year**

High-level impact results cannot be expected in the first year or two. However, programs should deliver a number of outputs that show progress is being made. These include:

- ✓ Recruitment of staff who are analytical, curious and have a good understanding of economics
- ✓ Development of a culture of critical analysis, teamwork and honest enquiry
- ✓ Preliminary sector analysis that is contested and debated, covering markets, poverty and gender, and based on considerable fieldwork
- ✓ A team that is beginning to provide DFAT with insights on realities of doing business in the country and the constraints women and the poor face
- ✓ A small number of initial partnerships and interventions to test the analysis and gain more knowledge of the relevant markets
- ✓ An emerging vision of systemic change in chosen sectors.

## 2.5 Managing a portfolio approach

MSD programs manage a portfolio of partnerships and interventions. While some partnerships fail or are put on hold, others succeed and the portfolio as a whole is successful. The portfolio will include some low risk and high-risk activities, some that will deliver results early and some that will deliver results after a much longer period and it will include some partnerships that are not intended to deliver results but are strategic steps in a bigger change.

DFAT managers have a role in supporting this portfolio approach. DFAT managers have identified the following ways of doing this:

- › Be proactive in communicating the program, its approach and its progress to colleagues and managers so that you do not let an isolated partnership failure become the first news colleagues and managers get of the program.
- › Monitor health and diversity of the portfolio and ask questions about how each partnership is contributing to the program's vision for systemic change.
- › Support the program's efforts to foster a culture of tolerance of failure, acknowledging that it is part of engaging risk and innovation.
- › Ask questions to ensure that the program is learning from the failures and feeding those lessons back into other interventions and the development of the portfolio as a whole.

## 2.6 Managing staffing

Locally and internationally, there are few personnel with MSD experience along with a good understanding of poverty, development and markets, and technical skills to develop monitoring and results measurement systems and processes. Those that do have these skills and experience are in high demand.

Finding appropriate staff and retaining them has been a challenge for DFAT's MSD programs. The programs have found that they have to build the capacity of staff, rather than being able to hire staff that already have the necessary skills and knowledge.

DFAT managers have identified the following approaches for managing these issues:

- › Allow programs to allocate time and resources for program staff capacity to be built during program implementation and accept that there will be a lot of on-the-job learning.
- › In the early stages, support programs to bring in staff from other countries with a background in the MSD approach to shape the culture of the program.
- › Encourage actions and incentives within the program to retain staff, such as a promotional structure and staff development opportunities.

MSD program staff need to spend a large amount of time getting to know the market actors, developing relationships, negotiating deals and managing partnerships. This requires a large number of staff compared to other types of program.

DFAT managers have managed this by reporting staff numbers in DFAT's advisor stocktakes but otherwise considering non-managerial staff to be part of intervention (activity) costs.

## Annex 1. Resources

The following are some useful resources including those used in drafting this document:

Resource	Description and Comments
<b>Market Systems Development documents</b>	
The Springfield Centre (2009) A Synthesis of the Making Markets Work for the Poor (M4P) Approach, funded by DFID and SDC <a href="https://beamexchange.org/resources/103/">https://beamexchange.org/resources/103/</a>	This document is aimed at a broad audience and provides a historical context, the evidence, the rationale and an overview of implementation.
The Springfield Centre (2015) The Operational Guide for the Making Markets Work for the Poor (M4P) Approach, 2nd edition funded by SDC & DFID, <a href="https://beamexchange.org/resources/167/">https://beamexchange.org/resources/167/</a>	This document is aimed for implementers (rather than donors) of the MSD approach. It provides tools and techniques. For donors it can offer insights to the daily activities of implementers.
Bekkers, Harald et al. (2014). Guidelines for Good Market Development Program design – A manager’s perspective	Contact AFS for a copy. This document presents the experience of five MSD program managers on six management topics. It is aimed at design but offers insights on the management of all stages of implementation
AIP-PRISMA (2015) Deal Making Guidelines for Private Sector Partners, <a href="http://foodsystemsinnovation.org.au/resource/prisma-dealmaking-guidelines-private-sector-partners">http://foodsystemsinnovation.org.au/resource/prisma-dealmaking-guidelines-private-sector-partners</a>	A comprehensive guide for identifying partners and negotiating deals. The advice and guidance is highly relevant for other PSD programs.
Action for Enterprise (2013) A Short Guide to Pro-Poor Value Chain Development, <a href="http://www.actionforenterprise.org/resources.php">http://www.actionforenterprise.org/resources.php</a>	This is good starting point for those who are new to MSD or those after a different perspective on the subject. A concise document provides some useful tips and insights focused on the partnership process. It does not however engage on systemic change.
<b>Market Systems Development Websites</b>	
<a href="#">The BEAM Exchange</a>	BEAM Exchange is an online community of knowledge and learning about how MSD can be used to reduce poverty. It has a range of documents and blogs on numerous topics related to MSD. It also hosts webinars and events for the MSD community.
<a href="#">The Donor Committee for Enterprise Development</a>	The DCED is a forum for learning about the most effective ways to fulfil the SDGs by creating economic opportunities and jobs for the poor – based on practical experience in Private Sector Development as well as on domestic policy innovations worldwide. It has sections dedicated to MSD and of course the DCED Results Measurement Standard. Australia is a paid member of the DCED.
<a href="#">Microlinks.org</a>	A USAID supported online community that shares good practice in inclusive market development. It helps users access and contribute content along a spectrum of issues, from pathways out of poverty to mobilising private capital; and from market facilitation to models for reaching scale.
<a href="#">Action for Enterprise</a>	A US based NGO that implements programs and provides training on good practice private sector development from a value chains perspective.

<b>WEE and enterprise development</b>	
Jones, Linda (2012). Discussion Paper for an M4P WEE Framework: How can the Making Markets Work for the Poor Framework work for poor women and for poor men? The Springfield Centre for Business in Development <a href="https://beamexchange.org/resources/655/">https://beamexchange.org/resources/655/</a>	This paper laid the foundation for designing, implementing and measuring WEE in MSD programs – particularly those involved in agricultural development. Through analysis of donor gender priorities and MSD approaches, the paper identifies the main domains for WEE: economic advancement, access to opportunities, access to assets and services, decision-making authority and manageable workloads.
Jones, Linda (2016). Women's Empowerment and Market Systems: Concepts, practical guidance and tools (WEAMS Framework.) The BEAM Exchange, accessed from <a href="https://beamexchange.org/resources/794/">https://beamexchange.org/resources/794/</a>	A resource for practitioners, policy makers, donors and other stakeholders. It is both an update of her 2012 paper (the M4P WEE Framework) and a standalone paper. It refines concepts, shares experiences and offers practical advice. It highlights the paradigm shift required for market systems initiatives to fully embed women's empowerment and to create sustainable and equitable systems change.
Markel, Erin (2014). Measuring Women's Economic Empowerment in Private Sector Development. The Donor Committee for Enterprise Development (DCED) <a href="http://www.enterprise-development.org/dced-webinar-measuring-womens-economic-empowerment/">http://www.enterprise-development.org/dced-webinar-measuring-womens-economic-empowerment/</a>	This guideline specifically aims to provide practical advice to practitioners seeking to measure WEE in private sector development (PSD). It looks at how to make the impact pathway (results chain) more gender responsive and highlights issues for practitioners in how to measure results including household level changes.
Bradbury, Helen (2016). How to put Gender and WEE into Practice in M4P, A Description of the Ethos, Systems and Tools used in the Alliances Programme in Georgia <a href="http://alcp.ge/pdfs/d0648bfde19c8bf890fefe42ed9af47b.pdf">http://alcp.ge/pdfs/d0648bfde19c8bf890fefe42ed9af47b.pdf</a>	The paper focuses on how the impact from development programming can be equitably distributed amongst male and female beneficiaries. It is based on the Alliances Lesser Caucasus Programme (ALCP) in Georgia and examines how to put gender and Women's Economic Empowerment (WEE) into practice in M4P. It emphasizes the management issues for WEE and focuses on how to structure and motivate teams.
<b>Monitoring and Results Measurement – The DCED Standard</b>	
DCED (2016). DCED Standard for Results Measurement: A summary <a href="http://www.enterprise-development.org/measuring-results-the-dced-standard/">http://www.enterprise-development.org/measuring-results-the-dced-standard/</a>	A quick introduction to the DCED Results Measurement Standard including the eight elements of the standard.
Swiss Agency for Development and Cooperation (SDC) (2016). Monitoring and Measuring Results in Private Sector Development. <a href="http://www.enterprise-development.org/measuring-results-the-dced-standard/">http://www.enterprise-development.org/measuring-results-the-dced-standard/</a>	The document is aimed at SDC (donor) employees that manage programs rather than implement them – just like us. It provides advice on the role and tasks of the manager of programs using the DCED Results Measurement Standard.
Ripley, M and Nippard, D (2014), Making Sense of 'Messiness': Monitoring and measuring change in market systems: a practitioner's perspective. <a href="http://www.enterprise-development.org/wp-content/uploads/Samarth-Bangkok-5Mar14.pdf">http://www.enterprise-development.org/wp-content/uploads/Samarth-Bangkok-5Mar14.pdf</a>	A short document that sets out tools and processes that a DFID-funded programme in Nepal, Samarth-NMDP, uses to help deal with market system 'messiness', building on existing good practice in monitoring and results measurement from the DCED Standard. The second part of the paper details experiences of using these tools and processes during the programme's first eighteen months of implementation.

## Text citations

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- MDF. (2015). *Women's Economic Empowerment: How Women Contribute to and Benefit from Growth*. [http://marketdevelopmentfacility.org/?type=publication&posting\\_id=5118](http://marketdevelopmentfacility.org/?type=publication&posting_id=5118).
- The Springfield Centre. (2009). *A Synthesis of the Making Markets Work for the Poor (M4P) Approach*. Funded by DFID and SDC.
- World Bank. (2015). *Ending poverty and hunger by 2030: An agenda for the global food system*. Washington DC.