

MDF Case Study No. 5 | Part 3



IN SEARCH OF THE SWEET SPOT IN IMPLEMENTING MSD PROGRAMMES

Let Core Principles Guide the Artful Choice between
'Proscriptive Orthodoxy' and 'Anything Goes'

Part 3 of The Messiness Series

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Abbreviations and Acronyms

BAF	Biosecurity Authority of Fiji
CLT	Core Leadership Team
DFAT	Department of Foreign Affairs and Trade
FJD	Fijian Dollar
GDP	Gross Domestic Product
GMP	Good Manufacturing Practice
HACCP	Hazard Analysis and Critical Control Points
ICT	Information and Communication Technology
MT	Mega Tonnes
PMEX	Pakistan Mercantile Exchange
PNG	Papua New Guinea
MDF	Market Development Facility
MSD	Market Systems Development
NZ	New Zealand
TC Winston	Tropical Cyclone Winston

About MDF

The Market Development Facility (MDF) is one of the leading market systems development (MSD) programmes funded by the Australian Department of Foreign Affairs and Trade (DFAT). MDF stimulates investment, business innovation and regulatory reform to create jobs for, and increase the income of, poor women and men in rural and urban areas in the Indo-Pacific region. MDF commenced operations in Fiji in 2011, expanded to Timor-Leste in 2012, to Pakistan in 2013, and to Papua New Guinea (PNG) and Sri Lanka in 2015. MDF commenced a second five-year phase in July 2017.

To achieve its aims, MDF negotiates partnerships with strategically positioned private and public sector organisations in its countries of operations. Each partnership builds on the partner's ownership and leverages their resources to create a tailor-made package of activities that enables them to innovate, invest and/or undertake reforms in such a manner that small farms and firms benefit from better access to production inputs, services and end markets. This makes them more productive.

Each partnership is underpinned by an innovative yet rigorous commercially-sustainable business model that contributes to broad-based, inclusive pro-poor growth. This drives systemic change in the market: innovations propel a new way of working that ultimately transform business practice within the market system.

Each MDF country has its own Country Team on the ground to engage the private sector. A Core Leadership Team (CLT), led by the Chief Executive Officer (CEO), works across all MDF partner countries to ensure uniformity and integration of approach and systems across countries, while at the same time providing sufficient operational flexibility for the Country Team on the ground. MDF can be scaled-up to support further market development activities within a country and activities in additional countries as needed.



This case study draws a comparison between the implementation experience in two MDF countries, **Fiji** and **Pakistan**.



Fiji represents a thin market context. The Fiji experience also applies to PNG and Timor-Leste.



Pakistan represents a mix of thin and thicker, more mature markets. The Pakistan experience comes closest to the dynamics observed in Sri Lanka. Importantly, all countries have thin markets in at least a part of their economy, and thus lessons learned in one thin market in one country are relevant for all other countries.

About the Authors



Harald Bekkers is Chief Executive Officer of Market Development Facility. Having gained his PhD in Political Economy from the University of Amsterdam in The Netherlands, Harald began working on Market Systems Development in the Katalyst program in Bangladesh in 2005. Between 2008 and 2011, he worked as a consultant, first with the Springfield Centre, then independently. He specialises in programme and strategy design, programme management, results measurement and specialised research (e.g. on poverty). He also developed a two-week course on Market Systems Development and Results Measurement together with Hans Posthumus Consultancy. In 2011, he started the Market Development Facility, which 6 years later is active in 5 countries in the Asia-Pacific region and recently got extended until 2022.

Dr. Bekkers has authored a range of studies on the role of business services and markets in the development process: “Bangladesh: Changing Markets in Favour of the Poor”, with Nabanita Sen, *Asia Brief, Swiss Agency for Development and Cooperation*, 2011; “How to Assess if Markets Work Better for the Poor: Experiences and Results from the Katalyst Project in Bangladesh”, with Alexandra Miehlbradt and Peter Roggekamp, *Enterprise Development and Microfinance*, Vol 19. No 1, 2008; “Lowering the Professional Frontier: A Service Market in Development in Ahmedabad, India” In: P.W. Daniels and J.W. Harrington (eds.): *Services and Economic Development in the Asia-Pacific*, Ashgate Publishing, Hampshire & Burlington, 2007; “Between Fixing and Forecasting: Provincial Ahmedabad Brokered into a Bridgehead for Globalization from Below”, PhD thesis. University of Amsterdam, 2005; “The Growing Dependence of Public Banking on Private Consultants for Market Expertise and Risk Management in India”, *Asian Business and Management*, Vol. 3, No. 4, 2004.

He also authored a range of technical documents for Market Systems Development projects: *Poverty Strategy Paper for the Cambodia Agriculture Value Chain Program*, (CAVAC) 2011; *Program PemBangunan Ekonomi Desa (ProPED) Design Document*, (AusAID) 2010; *The Katalyst Income to Jobs Factor: Jobs Created Around Katalyst Sectors due to Additional Growth Within Katalyst Sectors*, (Katalyst) 2009; *Estimating Sector Growth: A Possible Methodology and Indicative Results*, (Katalyst), 2009; *Absorption and Conversion as Urban Pro-Poor Growth Strategies – An Assessment of Labor Mobility in the Furniture Sector in Dhaka*, (Katalyst) 2009; *Opportunities for Market-led Development in Fiji to Support Growth, Employment and Resilient Communities*, (The Springfield Centre with Katalyst) 2008; *Pro-Poor Growth in Practice: Pro-Poor Growth Strategies for Katalyst Phase II, incorporating Gender and Environmentally and Socially Responsible Business*, (Katalyst) 2008; *Katalyst Phase II Project Document*, with Peter Roggekamp and Manish Pandey, 2007.

For the Market Development Facility, Dr. Bekkers has written a number of Strategic Guidance Notes, which represent best practice in Market Systems Development: *MDF Results Estimates for Five Countries 2011-2017*, with Mujaddid Mohsin, 2015; *Achieving Change in Markets: The MDF Framework for Defining and Populating Pathways for Systemic Change*, with Shahroz Jalil, 2015; *How Women Contribute to and Benefit from Growth: Integrating Women’s Economic Empowerment in the MDF Approach*, with Victoria Carter and Linda Jones, 2015; *Managing Quality Amid Messiness: How to Foster Implementation-led Learning and Adaptation for Systemic Outcomes – The MDF MRM System for Researching, Analysing, Learning from and Reporting on Results*, with Samira Saif, 2017.



Marshall Bear is an independent consultant with extensive experience in the research, design, backstopping and evaluation of market system development programmes for inclusive growth. He has specific expertise in industry analysis, curriculum design and delivery of technical courses for staff of private sector development programs and facilitation of group-based strategic planning processes. He co-designed and delivered the core skills curriculum for the Springfield Centre’s Making Markets Work training program from its inception in 2000 through 2012.

Mr. Bear has also co-authored a number of papers on private sector and market systems development:

Think pieces: “From Principles to Practice – Ten Critical Challenges for BDS Market Development,” with Alan Gibson and Rob Hitchins, *Small Enterprise Development Journal*, Vol 14, No. 4, 2003; “Designing BDS Interventions as if Markets Matter” with Mike Field and Rob Hitchins, *Microenterprise Best Practices*, (DAI/USAID) 2000.

Technical guides: “Managing the Process of Change: Useful Frameworks for M4P Implementers” with Michael Field, *EDM Journal* (June 08); “Thai Silk: An Introduction to Subsector Analysis” with S. Haggblade, N. Ritchie and C. Gibbons, (CARE and DAI), video and facilitator’s manual, GEMINI, 1992.

Technical studies: “Aggregation and its Effects on Kosovo’s Fresh Fruit and Vegetable Market System”, a review of Helvetas/Swiss Inter-cooperation 12-year Involvement in Kosovo Horticulture (2012); “Enhancing Local Sourcing of Fresh Fruit and Vegetables in Uganda’s Domestic Market” with Richard H. Goldman, (ILO) 2005.

Mr. Bear is also a film producer: his latest release in March 2016 was the coming of age drama “Burning Bodhi,” starring Kaley Cuoco (‘Penny’ in *The Big Bang Theory*).





Pushing the 'Orthodox' MSD Practitioner Beyond Their Comfort Zone

The Messiness Series

PART 1

Why and How Embracing Messiness is the Key to Success

This case study outlines the rationale for the series and presents its organizing framework. The central argument is that to create adaptive learning programmes able to manage messiness and embrace complexity, we need to embed 'flexibility contained by principles' in methodologies, programme design and results measurement. It examines why we should avoid overly rigorous, standardized practices and instead, focus on the underlying principles which allow flexibility, but prevent an 'anything goes' approach in which little could effectively be achieved. Use of an Industry Life Cycle tool allows us to compare the small island economy of Fiji with the much larger, mature markets of Pakistan and enables us to examine the reasons why messiness occurs, and how best to leverage different market and partner contexts.

PART 2

Analysing the Causes of Messiness via Two Further Diagnostic Tools

The second part of the Series builds on the Industry Life Cycle tool used in part one and applies two further diagnostic tools to assess and explore messiness at three different levels. An Ansoff Market Matrix is used to analyse the partner context and a Will/Skill matrix is then used to look at partnership deals. By looking at three partners in Fiji and three in Pakistan, the ways in which partnership outcomes affect and are affected by markets and partner dynamics is examined. The change process can be a bumpy ride with many of the challenges faced only emerging during implementation; the effects of these bumps in the road are explored.

PART 3

How to let go of the 'Proscriptive Orthodoxy' Without Ending up with 'Anything Goes'

The final section of the series outlines some of the implications distilled from MDF's experiences as relevant to a range of contributors- from MSD practitioners to donors and consultants. It challenges the reader to accept the messy realities of day-to-day MSD implementation and look closer at how, with better and deeper understanding of that messiness, we can move away from inward-looking methodologies and towards a degree of flexibility that drives economic growth for the people who need it most.

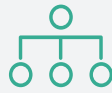


Agility

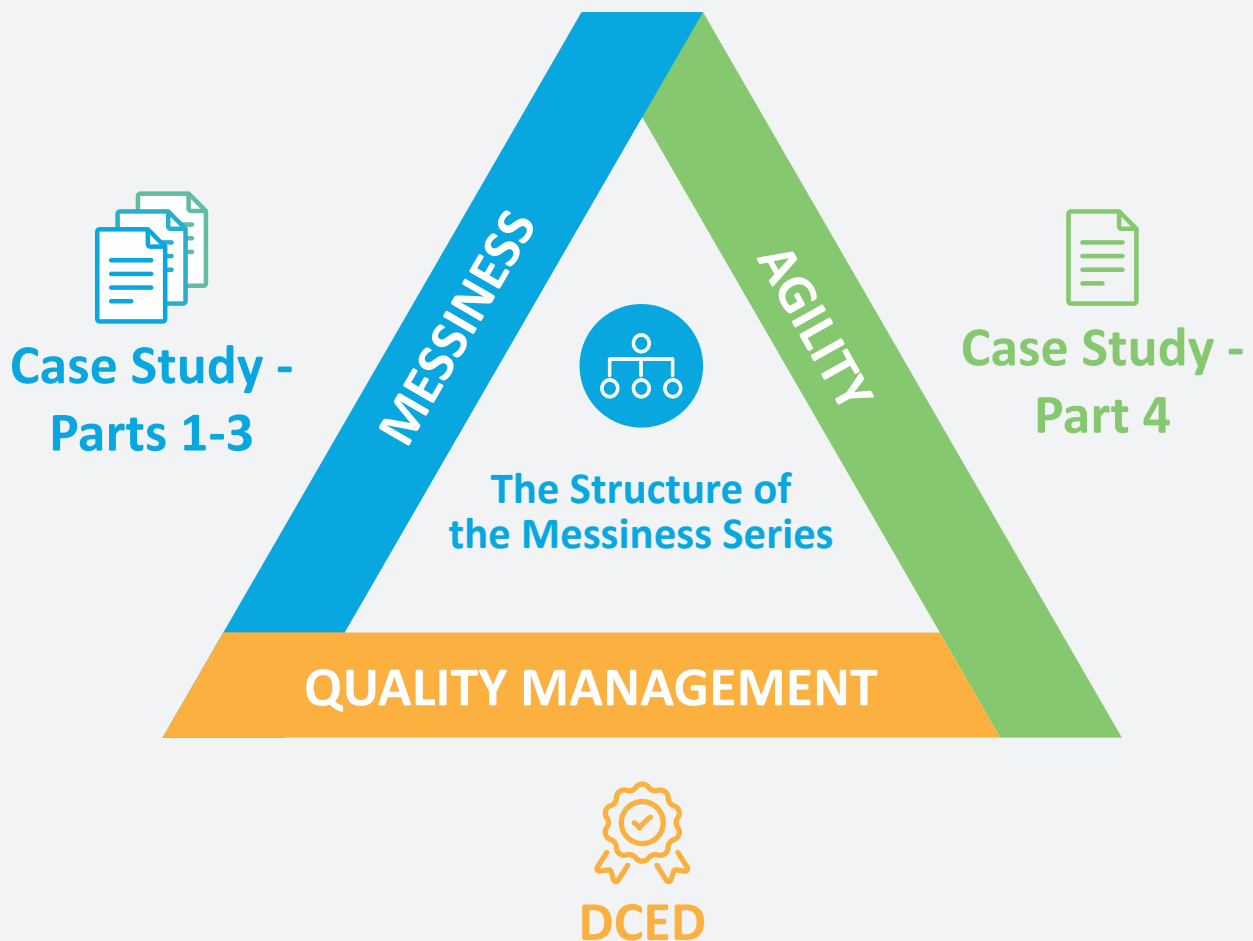
PART 4

Managing Messiness for Success

This case study discusses why an agile learning organization is best suited to manage messiness for success. It will look at what the inter-connected organizational functions are that need to be aligned for programmes to really understand and respond to messiness and outline how they can do that without sacrificing accountability. It is expected to be published later in 2018.



The Structure of the Messiness Series



The principles (control points) that guide a quality management system that stimulates learning from results, are sufficiently covered in the Donor Committee for Enterprise Development (DCED) Standard and are therefore not discussed in detail in this case study series.

Overall, the application of MSD principles for programme design and management, as well as results measurement, need to come together to help programmes manage messiness and embrace complexity. The authors therefore aim to illustrate that the success of a programme cannot hinge on a simple, proscriptive, standard set of practices, nor on an 'anything goes' approach that may be very flexible, but lacks the rigour to create sustainable results.



MDF's Core MSD Principles



Select partners with a shared vision of inclusive and sustained growth through system wide change.



Build on the partner's inclusive growth agenda using local ideas and solutions.



Support the agenda with clear mutual commitments of time and resources.



Strengthen the partner's incentives/capacities for success throughout the partnership.



Stay flexible and responsive in the change process.



Keep informed with continuous learning and a search for scale.



Utilize a rolling exit strategy as success in one area reveals new system-wide opportunities and challenges to address in others.



In the previous parts of the Messiness Series, the authors explored the important causes of market messiness, specifically a likely focus on emerging market systems and the range of business expansion strategies needed to operate in these markets. They assessed the will and skill levels of potential partners, the way market messiness varies between thick and thin markets and how these shape the facilitation process. They then highlighted the many bumps in the road that can be encountered along the journey, and the need for a versatile team with 'Swiss pocket knife-like' capabilities to manage it all. The authors worked to illuminate the messiness and acknowledge its importance in the market development process.

This concluding part focusses the discussion on the implications of messiness for practitioners when determining the methodologies to be applied. The differences between market systems (e.g. thick versus thin markets) are so significant that embracing complexity, managing messiness and being accountable for results requires an adequately tailored methodology. The authors

aim to demonstrate that this flexibility can be built into MSD methodologies, but it requires a middle ground between 'proscriptive orthodoxy' and 'anything goes'. The authors also seek to demonstrate that tailored methodologies built from flexible, adaptive approaches do not necessarily represent a move away from the 'ideal' MSD approaches upheld by the proscriptive school of thought. Flexibility contained by core principles circumvents an 'anything goes' approach. But, for some practitioners this deviation from proscriptive orthodoxy can present discomfort and a sense that 'real' MSD is not being undertaken.

To demonstrate how this flexibility can be built in, the authors further draw on the MDF partnerships profiled in this case study to analyse how MDF applied core MSD principles in both thick and thin markets. The report explores the two key elements that underpin MDF's approach to devising and implementing methodologies, in both thick and thin markets. These elements are:

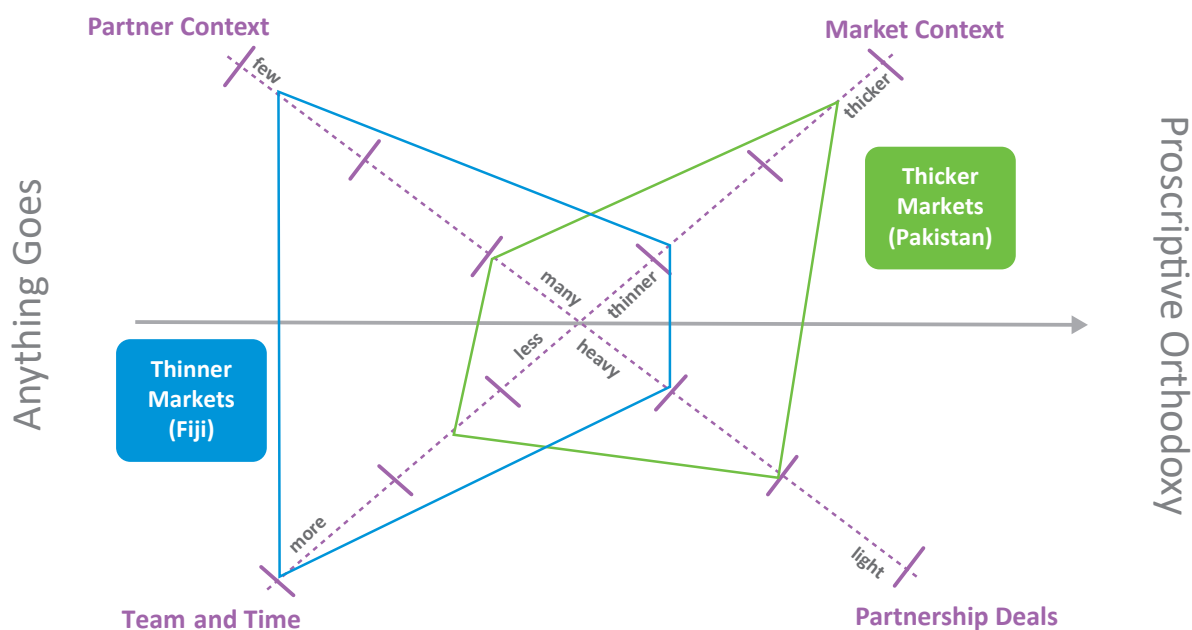
- 1. Maintain a systemic perspective:** From the design to every stage of implementation, the approach should have a clear and evolving picture of the systemic changes required in a particular market system. This will provide the 'pathway' to identify the potential partners and business expansion strategies that need to be supported to achieve inclusive and sustained growth.
- 2. Maintain a rigorous management information system (MIS):** This will act as a guide to all practitioner decisions on strategy and actions. The team will use its MIS to mould a creative partnership deal, adjust as and when required and see partnerships through the inevitable, unpredictable, bumps in the road.



Finding the Practitioner's Sweet Spot

Figure 1 (overleaf) returns to this case study's organising framework as presented in Part 1. It charts the likely sweet spots in Pakistan and Fiji based on the preceding analysis against the four dimensions that influence a practitioner's offer and engagement of time: a thin or thick market context; many or few potential partners; heavy to light touch offers of support; and less or more team and time needed to manage the partnerships towards goal achievement.

Figure 1 The Practitioner's Sweet Spot



The green lines depict the practitioner’s sweet spot in Pakistan’s thicker market with a relatively large pool of prospective partners. The diagram shows that the MDF practitioner’s approach in Pakistan leans more towards a ‘proscriptive orthodoxy’ – a lighter touch, mostly technical assistance offer with less investment of team and time over the course of partnership implementation. By contrast, the blue lines depict the practitioner’s sweet spot in Fiji’s thinner market where partner options are few. The diagram shows that MDF’s approach in Fiji leans more towards ‘anything goes’ – a heavier touch, many-faceted offer of support, with more team and time invested to manage the partnership.

The MSD practitioner from the more orthodox school of thought will find that the MDF Pakistan partnerships conform to the perception of what MSD should be. But in the Fiji context, the orthodox practitioner may look in bewilderment at the types of partnership deals, the duration of MDF’s support and what can appear at first glance, a lack of coherence between partnerships. Below, we will show how MDF manages a program that will, where needed, lean toward the ‘anything goes’ end of the continuum without going overboard and abandoning the MSD approach.



A Best-Case MSD Scenario in Pakistan Versus the More Common Reality

MDF has undertaken work in small-scale corn silage in Pakistan that could be considered a ‘best case MSD scenario’ – one that will ring true for ‘orthodox’ MSD practitioners¹. However, the reality of MDF’s portfolio – in both Pakistan and Fiji – is that this best-case scenario is not the norm and the less ‘orthodox’ partnerships can confuse an ‘orthodox’ practitioner.

The Pakistan silage partnership and six of the horticulture partnerships profiled in this case study are presented below against the backdrop of MDF’s impact logic (refer Annex A). MDF applies its impact logic to link strategy and action with

intent: poverty reduction by means of inclusive economic growth as underpinned by functioning market systems.

Figure 2 uses MDF’s impact logic to illustrate why MDF’s involvement in small bale silage in Pakistan could be considered ‘best-case scenario’ in terms of facilitating market system development for positive impact on marginal and small holder dairy farmers in the Punjab, the agriculture bread basket of Pakistan and its most dynamic and competitive agriculture market.

¹ Market Development Facility (2017) Systemic change in the fodder market for smallholder farmers in Pakistan: A case study on triggering lasting systemic change in silage, available online at <http://marketdevelopmentfacility.org/wp-content/uploads/2017/10/systemic-Change-in-the-Fodder-Market-for-Smallholder-.pdf>

Figure 2 MDF's Impact Logic as Applied to Small Bale Corn Silage in Paksitan.



The impact logic captures the process of adoption of this innovation and the crowding-in of other market system players with the introduction of small bale corn silage by a seed company. Over the period of 4 years, this initial intervention by a seed company catalyzed a wider system response that was manifested in:

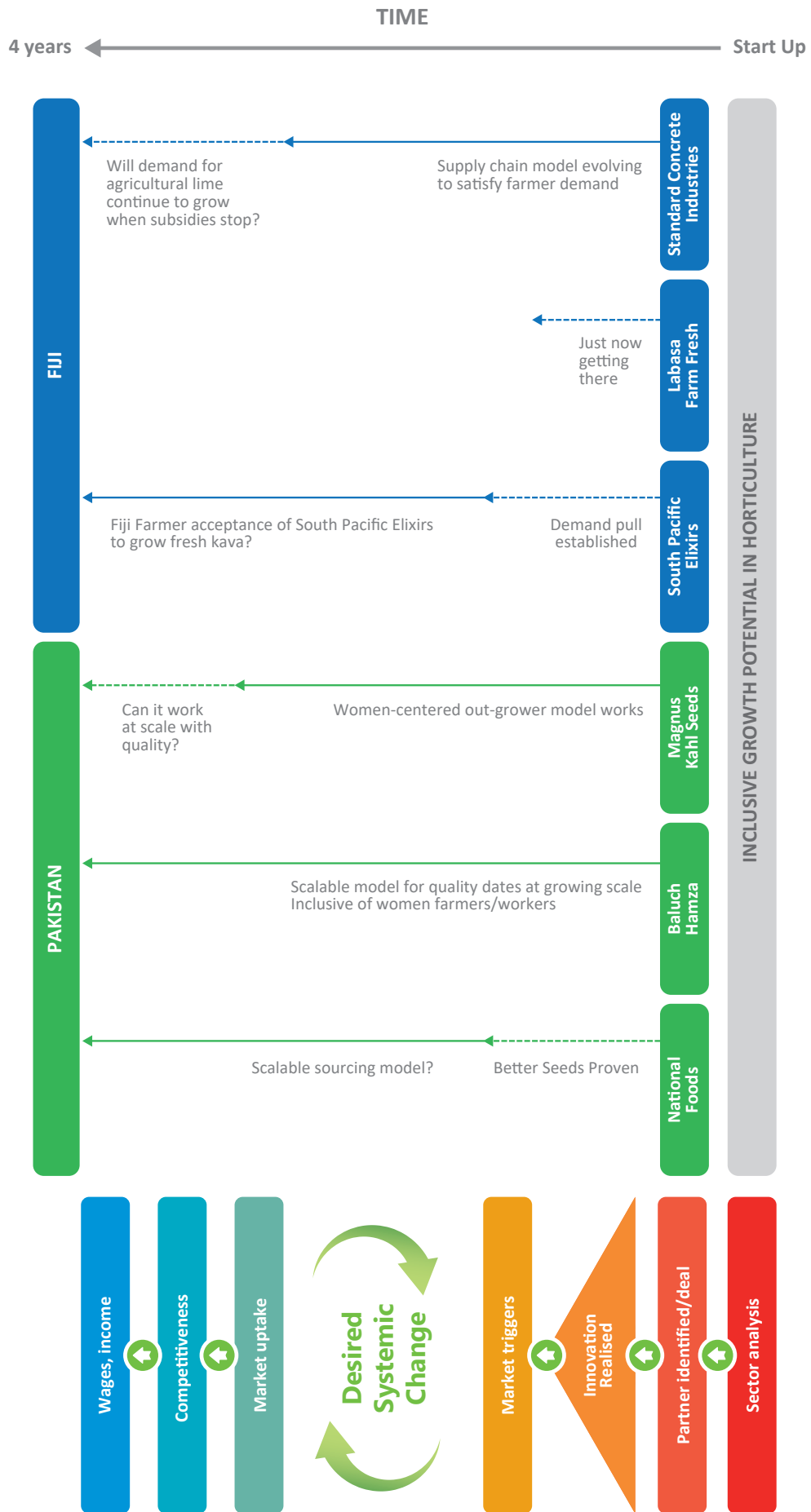
- farmer acceptance of corn silage versus green fodder to retain animal health/nutrition in the dry season
- commercial (small and medium scale) corn production for their own needs and sale of surplus silage in small bales to families with dairy cows but no land to produce their own fodder
- larger farmers with land for corn production outsource a baling service instead of doing it themselves
- the crowding in of key support functions, initially by a large input supply company to produce and sell small bale corn silage at scale, followed by equipment suppliers to fill a growing need for more baling equipment, and, most recently, banks interested in financing firms specialising in small bale corn silage production and sale.

Figure 3 compares the impact logic of the six Pakistan and Fiji horticulture partnerships analysed for their bumpiness in Part 2. Only Baloch Hamza (quality dates) compares favourably against the small bale corn silage work, ticking all the boxes in its impact logic. The adoption of a better supply chain management model in the hands of a very entrepreneurial business owner enabled Baloch Hamza to compete and grow, buy more dates and employ more workers (especially more female workers).

The other five partnerships ticked some but not all boxes. Most demonstrated that the MDF-supported innovation worked, except for Labasa Farm Fresh due to a lengthy gestation period. National Foods (low aflatoxin content chilies) and South Pacific Elixirs (kava infused relaxer drink) continued their search for scalable sourcing models. Magnus Kahl Seeds (HYV onion seeds) realised good market uptake by growers and ready markets for the product, but greater scale at cost and quality is required to ensure competitiveness. Finally, Standard Concrete Industries (agricultural lime) gradually achieved more market uptake through multiple MDF partnerships, but the future remains uncertain.



Figure 3 MDF's Impact Logic: Six Horticulture Partnerships



While there are many factors that could explain the different positions along the impact pathway of MDF's Pakistan partners (e.g. type of innovation, sophistication of partner), the one that stands out is the market context: the small corn bale silage targets dairy farmers in the Punjab. Punjab is the fastest growing and most developed region in the country, whereas the other partners are working in the borderland areas where local conditions are ideally suited for horticulture crops but where markets are much less developed (Baloch Hamza, a borderland agri-business, is the one outlier to this general rule).

In Fiji, MDF supported innovations – agricultural lime (Standard Concrete Industries), quality differentiated kava (South Pacific Elixirs), high quality planting materials (Devesh and Bharos Farms and BioTec Ltd) – all of which have the potential to transform Fiji's agriculture sector. Despite a sound business case and good leadership behind these innovations, the change processes, while moving in the right direction, have been very messy and slow to take root in Fiji's horticulture sector.



Why the Messiness?



The simple answer is the market context.

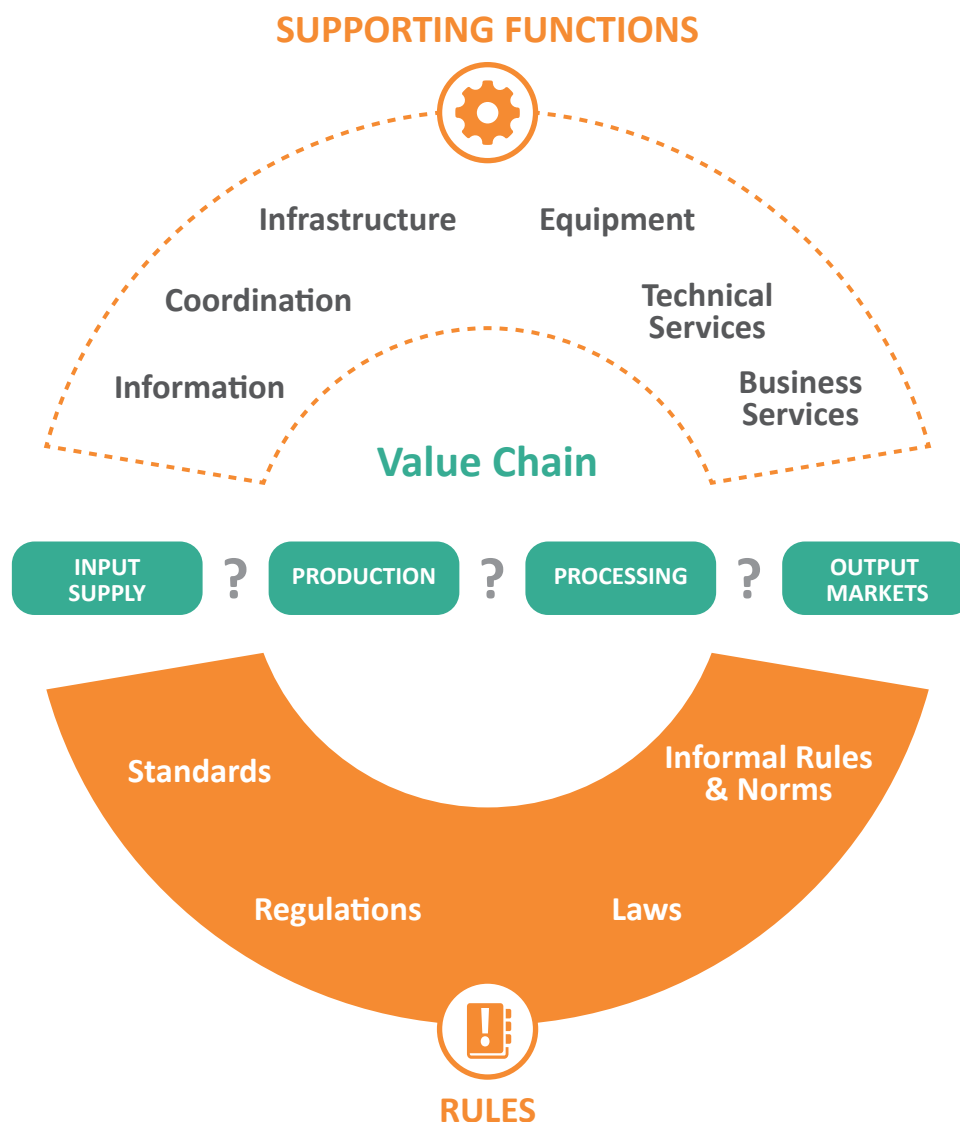
The context dictates what practitioners must work with and the degree of messiness they will likely face in facilitating inclusive, sustained sector growth.

A sceptic of this flexible, context-driven approach might ask *'Can a market system development approach work in a weak market context?'* The advocate for this approach would respond *'the weaker the market system, the stronger the case to take a market development approach.'*

The competitiveness of a sector to deliver sustained economic value at scale hinges on an effective multi-function (core, support and rules), multi-player system organised around the purpose of inclusive growth.

The implication of this case study is a call to MSD practitioners – implementers, donors, consultants – to acknowledge the core challenge of addressing and understanding the messiness when facilitating inclusive growth.

Figure 4 When Support Functions are Missing



Different Market Systems Require Different Entry Points and Different Pathways to Systemic Change

WHEN THE TOP OF THE DOUGHNUT IS MISSING (MORE AKIN TO THIN MARKETS)?

What if the top of the market system diagram (aka the 'Doughnut'), the supporting functions, is missing (see Figure 4)? How would this affect an MSD practitioner's

strategy and actions? The horticulture market in Fiji is missing the necessary supporting functions, evidenced by:

- 👍 Individual firms performing different functions in the value chain with little awareness they are part of a larger system (represented in Figure 4 by question marks rather than arrows between the links in the chain);
- 👍 Absence of any support functions – weak market infrastructure, no specialised services, limited availability of market information, weak labour markets – to support horticulture development;
- 👍 Formal rules that are either weighted in favour of a few key market actors or impose more licensing and tax burdens on value chain actors, and informal rules/norms which can undermine entrepreneurship in favour of traditional risk aversion in Pacific Island cultures.

In theory, when the top of the doughnut is missing, MSD practitioners have two possible system entry options for new innovations:

- 1. Focus primarily on fostering a more enabling environment:** Realign government functions away from service delivery to more policy/regulatory roles to avoid crowding out private sector initiatives (e.g. Fiji's state owned Agro Marketing Board paid farmers double the market price for virgin coconuts which forced Fijika Natural Products to drop its line of virgin coconut oil for export because of the artificially high cost of inputs). Formulate more pro-business government policies to reduce the high cost burdens on businesses (e.g. an exporter in Fiji must pay a government registration fee on every farmer and for every crop purchased for export).
- 2. Focus primarily on working with entrepreneurial firms strategically positioned in the value chain:** Actualise their innovations and growth strategies, build partners' system awareness and strengthen partner capacity to influence other sector stakeholders in favour of inclusive business growth strategies.

MDF has focused on working with strategically positioned value chain players to put in place business models and inter-firm relationships that can deliver value to smallholder households at scale.² The case of agricultural lime is a good example of this strategy in practice. When Standard Concrete Industries faced marketing problems with agricultural lime, MDF linked Standard Concrete Industries to firms with distribution networks into the farming economy. Agricultural lime also illustrates a case where an enabling government policy and related subsidies intended to solve a nationwide problem of overly acidic soils didn't 'crowd-in' a private sector response by itself - it needed anudge/prompt from a third party market facilitator.

South Pacific Elixirs' innovation of export products based on fresh 'kava' root is hampered by the absence of a South Pacific regional standard designed to differentiate kava root by quality. MDF might have invested more team and time³ by engaging in the kava standards policy setting arena (as it

did for agricultural lime) but a change in policy would not directly solve South Pacific Elixirs' main constraint, which is the need for farmers to see kava as a commercial crop and not just something they can store and convert into cash when needed.

When the top of the doughnut is missing, MSD practitioners should not artificially 'create' the support functions through direct service delivery, either from in-house technical resources or outsourcing (paying for) the necessary technical services. MDF avoided this temptation, choosing instead to find creative ways to link market actors who don't always realise the opportunities to work in cooperation with other firms.

In this market system context, there are more risky business expansion strategies (notably the diversification quadrant in the Ansoff Market Matrix) and more bumps in the road.

WHAT IF THE SYSTEM IS THERE, BUT IT NEEDS TO WORK BETTER FOR INCLUSIVITY (MORE AKIN TO THICK MARKETS)? —

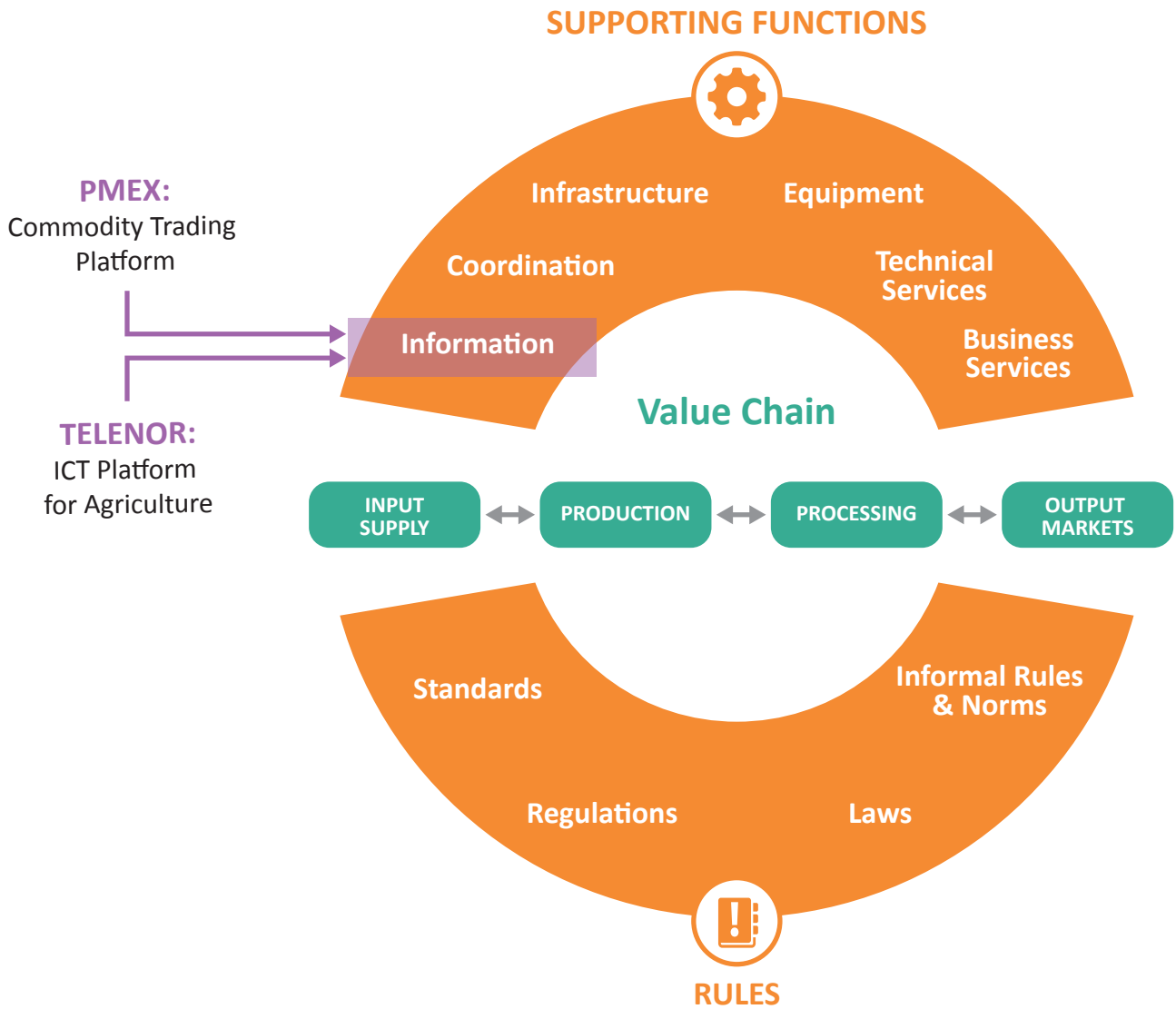
What if the market system is in place but it needs to function better for competitive growth, inclusive of disadvantaged groups? Figure 5 shows that Pakistan's increasingly competitive horticulture market system is complemented by supporting markets systems whose players also are seeking ways to differentiate themselves from their competitors. When National Foods lacked the technical know-how (e.g. seed research) they could turn to Pakistan's labour market (head hunters, job portals, etc) to find qualified people. National Foods can also turn to ICT markets and find players – such as PMEX's trading platform – interested in helping them find a scalable sourcing system for chilies. When Magnus Kahl Seeds'

model for onion seed multiplication shifted to more distant female outgrowers with kitchen gardens, the firm could turn to Telenor to deliver critical information services (e.g. weather alerts, planting information) at scale or search for a training organisation with a feasible offer to train more female instructors and extension workers. Baloch Hamza dates created a separate female-only production line for packaged dates, without any prompting from MDF, as women workers were a better fit for the task. Baloch Hamza's entrepreneurial owners were prepared to push back against social norms and customs to create new pathways for women into the workplace.

² Inder, B. and Cornwall, K. (2016) Private Sector-Driven Development in an Infant Economy, Centre for Development Economics and Sustainability, Monash University, Melbourne, Australia.

³ Readers are encouraged to refer to the second part of the Messiness Series, pages 47-67, for an in-depth discussion of why time and team matter.

Figure 5 When the Systems are There, but Need to Function Better.



MDF Pakistan decided that its inclusive growth agenda could be best achieved in horticulture commodities by finding partners in the value chain with promising innovations (especially in the thinner ‘borderland’ markets) and linking them with specialised service providers when ready and where available. Tactically, MDF chose to leverage the skill and will of value chain players with a view to strengthening the interconnectedness between

horticulture and other key market systems, and its players with cost-effective solutions to advance inclusive business models for innovations in horticulture.

In this market system context, stronger partners can take less risky business expansion strategies (notably the market penetration quadrant in the Ansoff Market Matrix) and encounter fewer, or at least, smaller bumps in the road.



WHAT ABOUT SYSTEMIC CHANGE AND SCALE WHATEVER THE MARKET SYSTEM CONTEXT? ---

MDF uses another pathway – a Systemic Change Pathway (refer to Annex B for an overview of MDF’s Systemic Change Framework) – to track desired changes in partner behaviours (varying degrees of will to promote an inclusive growth innovation) and related practices (skills to implement a new business model and manage new relationships) from the start of a partnership to a desired ‘end state’ where the supported innovation becomes the market norm without continued MDF support. MDF chooses specific partners to advance a shared future vision of a better functioning, more inclusive, market: what functions need to perform better, or be created entirely, and which players are best positioned to fill these system gaps in terms of a business expansion strategy and a will/skill profile.

In Pakistan, systemic change and scale-up has taken on many different forms: assisting a partner to expand a proven business model to another geographic location (e.g. Ali Akbar Group from Punjab to Balochistan); linking a partner with another system player with the capacity to scale up an innovation (e.g. National Foods with PMEX

and Magnus Kahl Seeds with Telenor); applying a proven business in one crop to another crop in the same region (e.g. Zia Garden from floriculture to horticulture) or a different region (e.g. National Foods from chillies to ginger). In these cases, the system change process has been driven by market dynamics in which businesses crowd into new markets or at least show interest to enter these – the small bale corn silage case is the best case of this in MDF’s Pakistan portfolio.

In the thinner borderland markets of Pakistan and in the whole of Fiji, more of the doughnut is missing and the process of systemic change and scale looks very different. In these contexts, it is a search for one suitable partner after another with MDF, and not market dynamics, creating awareness about the bigger system of which they are a part. Standard Concrete Industries, with its agricultural lime innovation, is a good example of MDF’s efforts with multiple partnerships and the team and time needed to build a functioning market system with the services and rules to take this innovation to scale, sustainably.



What if Light Touch, Short-Duration Technical Assistance Doesn't Cut it?

The authors have established that in different market systems, the practitioner needs to work with different partners, on different business expansion strategies, all to coalesce on different pathways for systemic change for pro-poor impact. The choice of partners and their business expansion strategies is not random, but is informed by the vision for systemic change (even though it may take time before it is evident how the different pieces of the puzzle connect). Equally so, the choice of the practitioner's strategies and actions is not random, but rather guided by finding the sweet spot on the continuum from proscriptive orthodoxy to anything goes.

If the choice of partners and their business expansion strategy is informed by market realities (including its business case/feasibility), then the logical next step is to work out how the practitioner should engage with the potential partner: what kind of support should be considered, over how much time, how much informal business advice should be set aside, and indeed, how many bumps in the road should be anticipated.

Thus, a future picture of a better performing, more inclusive market system informs the choice of partners, partners inform the riskiness of the necessary business expansion strategy (which quadrant of the Ansoff Market Matrix) and their relative will/skill profiles (which quadrant in the Will/Skill Matrix), and this MUST inform what the practitioner offers. For example, consider the case of establishing a commercial nursery to ensure the timely supply of export variety seedlings to farmers so that they can capture margins in seasonal market niches. The most feasible potential partner to take up this project may be high on will and reasonable on skill. However, if the banks are unwilling to lend to agricultural businesses, let alone to start up, and the partner does not have the means to invest in a professional nursery, then MDF cannot show up with a technical assistance-only offer. It would be irrelevant.

A suggestion that the practitioner should work through banks to make finance available for the nursery would be relevant, but entirely premature. If, in time, and with support from a practitioner, several successful agribusinesses will emerge, with synergetic business models that reduce risk (the nursery thrives because exporters grow and vice versa, exporters grow because a more consistent supply of seedlings allows them to source more), then, and only then, banks might start to see agribusiness in a different light.

When these pre-conditions are in place, the practitioner can support a move to open markets for agricultural credit.

Does this violate any of the principles listed in the text box at the start of this chapter? The answer is an emphatic NO! The principles are about genuine local will/ownership to drive an inclusive change/innovation process and a realistic assessment of the feasibility of the change plan, both in relation to the partner's skill and the plan's sustainability. These principles also ask the market development practitioner to take the partner through a legitimate learning process (to simulate market realities) by being flexible and responsive in the process, and based on continuous learning and a search for scale and systemic change.

A practitioner's offer of partner support for facilities and equipment potentially could create a stronger, more perverse incentive than only offering consultation. On the other hand, a practitioner's offer of more support, over a longer period, and with more informal advice/handholding could potentially create dependency. These are risks associated with any type of development support. But, are they informed risks:

- Is the prospective partner sincere about her/his agenda or does s/he say what I want to hear to get the 'free' donor money?
- Can the partner execute the plan and is the plan comprehensive enough to open up markets and ensure sustained pro-poor impact?
- What do I as a market development practitioner need to do throughout the process to ensure that I am as effective as I can be without undermining ownership and sustainability?

The MSD practitioner can only adequately answer these questions by 'knowing' the market system structure and dynamics (industry life cycle), 'knowing' the partner (Will/Skill profile), being able to vet the business plan (Ansoff Market Matrix), 'knowing' how to monitor a partner's plan and be responsive by adjusting along the journey (internal learning mechanisms). All this enables a practitioner to artfully move between 'proscriptive orthodoxy' and 'anything goes' in the practitioner's approach. This is flexibility contained by principles.



A Set of Best Practices to Take a Less Orthodox, More Flexible Facilitation Approach

It is understandable that concerns over perverse incentives and aid dependency make practitioners think about conservative aid offers. However, the intention of this case study is to demonstrate the following:

1

Proscriptive orthodoxy is unlikely to realise development aid's full potential in the places that need it the most. This would be in the weak, emerging market systems that offer good potential for innovation and inclusive growth but are too disjointed to stimulate dynamism on their own.

2

A more sophisticated, tailored methodology is feasible in which development offers are not dictated by simple rules (such as only providing technical assistance), but by principles and the insight to apply these principles truthfully. Supporting a first-of-its-kind agriculture processor in building a factory and procuring machinery (in addition to marketing and setting up a sourcing mechanism) should not be seen by the orthodox MSD practitioner as outdated development, but as a sophisticated pre-market development investment, the first starting point for what eventually will coalesce into an emergent, but functioning, market without continued donor support – if the key principles are upheld.

MDF uses the following practices to apply MSD principles in a more sophisticated manner in the mostly thin markets in its programme portfolio:



- 1 Build country teams with 'Swiss pocket knife-like' capabilities and ensure the organisational culture and procedures match and support such a flexible, informed way of operating.
- 2 Broadly define the sub-sectors of the economy in which it operates. When operating in often very nascent, 'unformed' market systems in thin markets, it may not be clear beforehand what market functions should be influenced, or formed and what kind of systemic change pathway for more inclusive growth is feasible. A more orthodox approach may narrow the pool of partners too much and/or exclude entities that should be drawn into the system.
- 3 Define systemic change not in terms of autonomous market responses to innovation, but as system actor-functions that need to be put in place to make the system competitive and inclusive. Instead of artificially narrowing the scope of work upfront, MDF works on very precise systemic change pathways that become more concrete in time and narrow down what is needed to make a system work.
- 4 Accept that 'how much change by whom for how long' cannot be dictated by the practitioner's administrative needs, but must be informed by the context in which the practitioner operates. Change only sticks if it is locally owned and can be locally managed.
- 5 Accept that, with an initial, often somewhat 'vague' picture of a system in mind, systemic development may start in the value chain as other parts of the system are largely missing. Accept that building up a system may take multiple discrete partnerships/investments that only in time start to add up to a coherent whole, and may eventually include strategically-positioned actors elsewhere in the economy.
- 6 Define very comprehensive, multi-step intervention plans 'with all that is needed' to introduce innovation in such a manner that the endeavour becomes commercially sustainable and scalable for greater impact.
- 7 Accept that the deal, the support offer, must be informed by what the partner needs AND must be compliant with core principles of good development practice. Offers should not be limited to technical assistance only. MDF's offers include investments in hardware, technical assistance and (limited, short-term) working capital finance. MDF expects the partner to cost-share on a 50% or more basis.
- 8 Accept that initially, the practitioner may need to perform system functions (e.g. bringing potential system members together in the absence of a functioning/existing association). Be mindful that if these functions are critical to the future functioning of the system, the practitioner must have an exit plan before taking on these functions or risk violating the core principle of not undermining local ownership and creating dependency.
- 9 Accept that change steps within these comprehensive plans can take a long time to implement, and that comprehensive plans need to be frequently changed to incorporate new learning. Be firm on the commitments in the deal, yet patient and adaptive in its execution.
- 10 Monitor rigorously and have a field presence to learn about what works and what does not, respond to this and always know who could be potentially interested in and suitable for fulfilling a function in the system.
- 11 Consistently search for leads to help partners link up with other partners (to support synergetic business models, reduce risks) and ways of disseminating, insituionalised learning into the system.



Postscript: The Informed, Creative Practitioner in a Learning Organisation

This paper is a not-so-thinly veiled pitch for a development process that is not only guided by administrative compliance criteria, or ‘paint-by-number’ implementation guides or simple orthodox rules on the ‘do’s and ‘do not’s.’ While compliance is important and has a place in the allocation of (often public) resources, the driver of best development practice is something else: it is an understanding and informed interpretation of good development principles.

In Part 4 of The Messiness Series, the authors will discuss how to build a learning organisation with the right teams/ systems and with Swiss pocket knife-like capabilities, to deal with varying circumstances and gather and digest the information needed to make informed, creative decisions for sustained, inclusive development impact.

Looking Forward

1

PART 1 applied an Industry Life Cycle tool to analyse how differences in the horticulture sector influence sector choices and MDF's strategic positioning in the sector. It has concluded that the sweet spot for good MSD practice is shaped by four different dimensions of messiness. It has also examined the reasons behind the messiness of implementing the MSD approach via the use of an Industry Life Cycle analysis to compare the partner and market contexts within horticulture in Fiji and Pakistan.

2

PART 2 will continue the narrative by applying the Ansoff Market Matrix to analyse how the partner context influences partner options. It goes on to use a Will/Skill Matrix to determine the benefits, costs and risks of partnership engagements to advance MDF's and its partners' inclusive growth objectives. The road towards that is long, bumpy and certainly not linear, but it produces a lot of valuable information and learning opportunities, from which MSD practitioners can certainly benefit and apply to their programmes.

3

In **PART 3**, the authors argue that creativity, flexibility and pragmatism are fundamental to finding that Sweet Spot, and urge their MSD peers and other development experts to engage with them on this crucial journey towards poverty eradication.

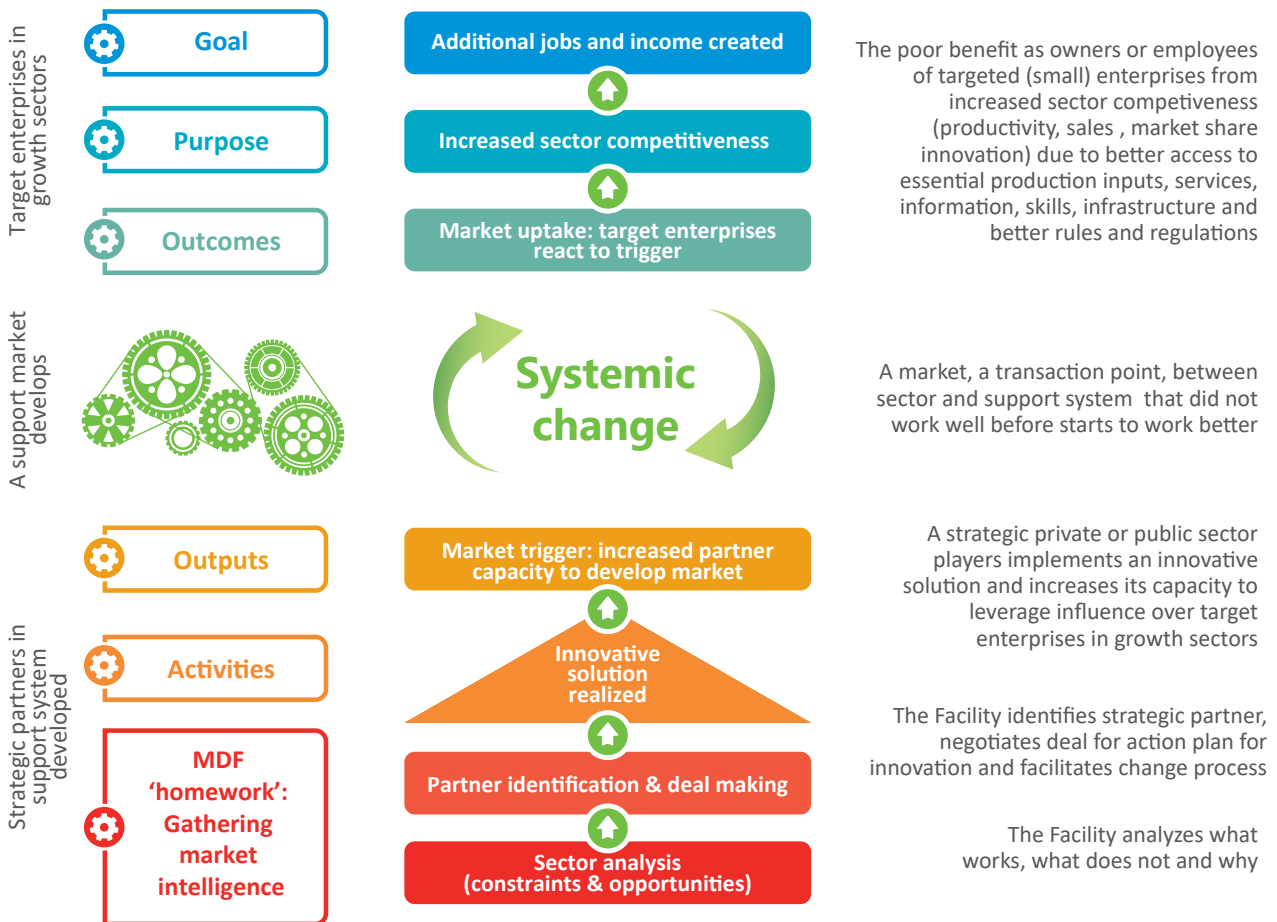
4

PART 4 discusses why an agile learning organization is best suited to manage messiness for success. It will look at what the inter-connected organizational functions are that need to be aligned for programmes to really understand and respond to messiness and outline how they can do that without sacrificing accountability. It is expected to be published later in 2018.

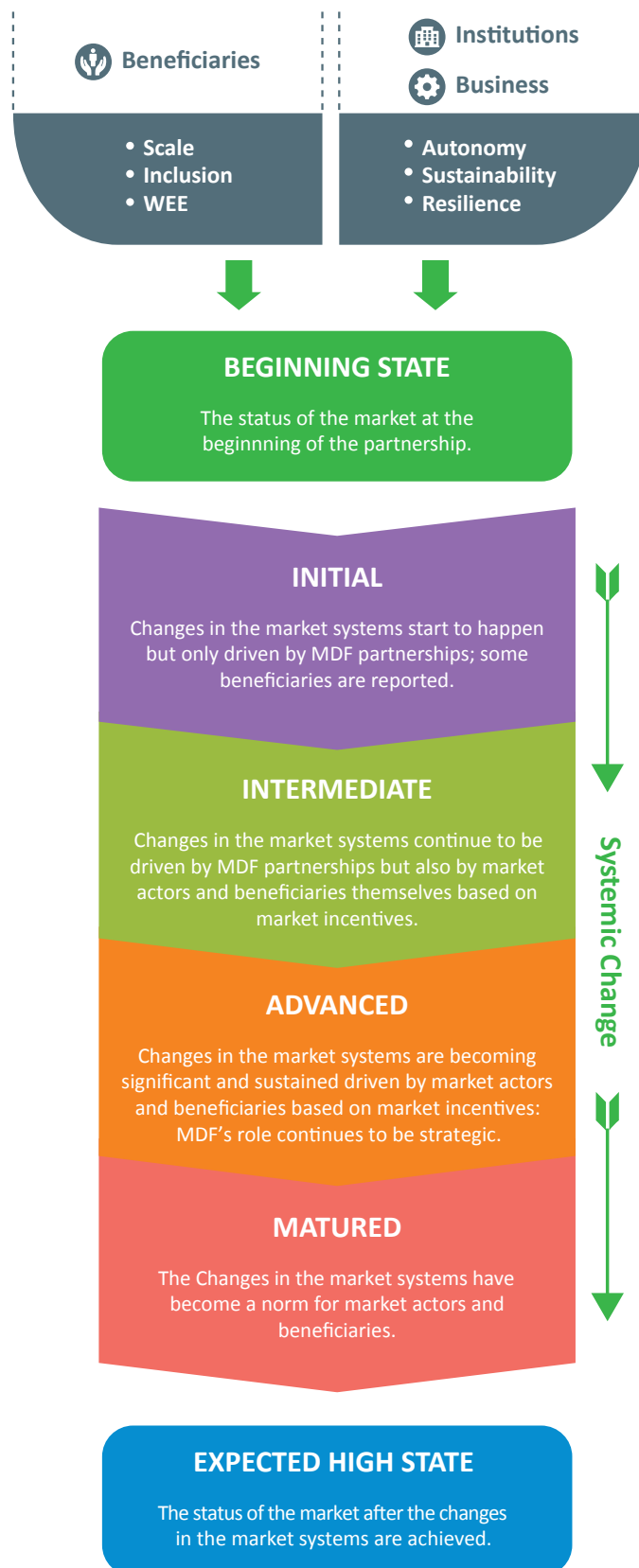
Annexes

Annex A. MDF Impact Logic

MDF Impact Logic



MDF Systemic Change Pathway





- **Fiji:** Level 5, Fiji Development Bank Building, 360 Victoria Parade, Suva, Fiji Islands
- **Timor-Leste:** 2nd Street, Palm Business & Trade Centre, Surik Mas, Dili
- **Pakistan:** 95-E/1, Syed Shamshad Haider Road, Hali Road, Gulberg III, Lahore, Pakistan
- **Sri Lanka:** No 18 Police Park Avenue, Colombo 5, Colombo, Sri Lanka
- **Papua New Guinea:** Level 6, PwC Haus, Harbour City, Port Moresby, Papua New Guinea

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