Restructuring for impact: retrofitting a market systems approach to an MSME programme

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• The presenters are employees of USAID contractor AECOM International Development

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USAID’s Strengthening Entrepreneurship and Enterprise Development (SEED) Project in Egypt

- Part of USAID’s Trade and Investment Promotion in Egypt (TIPE) program, in partnership with the Government of Egypt’s Ministry of Trade and Industry (MTI)
- Focuses on strengthening the development of micro, small and medium enterprises (MSMEs) and entrepreneurship
- Broad, multi-sector project, large urban population
- Base period 2015 – 2018; option for an additional year
- Staff of 60 based in Cairo (41 technical, 19 operations)
- **Objective**: to increase employment and income of MSMEs and entrepreneurs
USAID’s SEED Project Structure

- Entrepreneurship Skills and Opportunities
- Integration of MSMEs into Value Chains
- Financial and Non-Financial Services
- Cross Cutting Support Units
Problem Statement

• Contract mandates Payment by Results (PBR)
• Fixed fee paid against achievement of 39 prescribed “Performance Standards”, primarily inputs and outputs; no room for failure
• While an overall Theory of Change exists, individual interventions lack logic linking them to higher-level program objectives
• Performance implications: While project largely accomplished input/output targets, higher level (outcome/impact) indicators lag
• Context: no precedent for broad-scale market systems development (MSD/M4P) programming in Egypt
Solution

- Retrofit an adaptive MSD/M4P approach to technical interventions with logic tying input to impact
- Adopt DCED standard for results measurement
- This required:
  1. Analysis of intervention logic for ~50 existing interventions, drafting results chain and measurement plan for each
  2. Consideration of Value for Money (VfM as impact/input), then rating interventions by strength of logic and VfM
  3. Design of new, more impactful interventions matching contract scope and objectives
  4. Training staff on MSD/M4P, introducing new process flow and tools, reorienting work approach
  5. Realigning budget
  6. Introducing new Monitoring, Evaluation, and Learning (MEL) plan and M&E interface
<table>
<thead>
<tr>
<th>The Results Chain Cheat Sheet</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>What the Results Chain Says</strong></td>
</tr>
<tr>
<td>Impact</td>
</tr>
<tr>
<td>Outcome</td>
</tr>
<tr>
<td>Output</td>
</tr>
<tr>
<td>Inputs (project activities)</td>
</tr>
</tbody>
</table>
### Intervention Rating

<table>
<thead>
<tr>
<th>Rating</th>
<th>Strength of Logic</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1) Weak</td>
</tr>
<tr>
<td>3) High</td>
<td></td>
</tr>
<tr>
<td>2) Medium</td>
<td>2</td>
</tr>
<tr>
<td>1) Low</td>
<td>1</td>
</tr>
</tbody>
</table>
### Strength of Logic

<table>
<thead>
<tr>
<th></th>
<th>Weak 1</th>
<th>Moderate 2</th>
<th>Strong 3</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Outcome</strong></td>
<td>After more than one year</td>
<td>Under one year</td>
<td>Within 3-6 months</td>
<td></td>
</tr>
<tr>
<td><strong>Impact</strong></td>
<td>After more than 2 years</td>
<td>Under 2 years</td>
<td>Under one year</td>
<td></td>
</tr>
<tr>
<td><strong>Impact</strong></td>
<td>Not linked to intervention</td>
<td>Linked to intervention; 50% or less attribution</td>
<td>Linked to interventions; more than 50% attribution</td>
<td></td>
</tr>
<tr>
<td><strong>Impact</strong></td>
<td>Not evidenced/not measurable</td>
<td>Evidenced/not measurable</td>
<td>Evidenced and measurable</td>
<td></td>
</tr>
<tr>
<td><strong>Impact</strong></td>
<td>No history of similar impact anywhere known</td>
<td>History exists in other countries</td>
<td>History exists in Egypt</td>
<td></td>
</tr>
<tr>
<td><strong>Sustainability</strong></td>
<td>Outcome and impact are one-off; need continuing interventions by donor or government</td>
<td>Outcome is sustainable but impact is one-off or not sustainable due to external factors</td>
<td>Outcome and impact are sustainable and recurring</td>
<td></td>
</tr>
<tr>
<td><strong>Input</strong></td>
<td>Funding only: event organization/commodity procurement</td>
<td>Mix of funding and technical assistance</td>
<td>Technical assistance only (LTTA, STTA, RFP for consultancy)</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>Score ≤ 10</td>
<td>11 ≤ Score ≤ 17</td>
<td>Score ≥ 18</td>
<td></td>
</tr>
</tbody>
</table>
Training, Tools, and Staffing

- Intervention logic workshop and retreat for all technical staff
- Intensive 3-day M4P training for all technical staff
  - 1 day each theory, tools, and application
- New toolkit
  1. Intervention dashboard for management, SharePoint cloud
  2. Intervention process flow
  3. R-I-E-D screening tool (relevance-impact-engagement-do no harm)
  4. Concept note template, including results chain cheat sheet
  5. Measurement plan template
  6. Action plan template
- Reorientation of work flow
  - More reliance on in-house expertise and Egyptian nationals
  - From “hiring consultants” to “being consultants”
Introduction To The Value Chain Component Using The Market System “Doughnut”

## Differentiating the New Market Systems Approach

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Conventional Development Approach</th>
<th>New Market Systems Approach</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Beneficiaries</strong></td>
<td>Passive beneficiaries needing outside help</td>
<td>Active market participants needing knowledge</td>
</tr>
<tr>
<td><strong>Private sector engagement</strong></td>
<td>Large corporates don’t have clear initiatives to support the development of SMEs</td>
<td>Engagement of large buyers in the development of SME suppliers (e.g. GM, Nissan, Telcom Egypt, Clorox)</td>
</tr>
<tr>
<td><strong>Sustainability</strong></td>
<td>Secondary to impact</td>
<td>Mandatory during intervention design</td>
</tr>
<tr>
<td><strong>Assistance provided</strong></td>
<td>Money (cash grants, paying partner’s bills)</td>
<td>Technical Assistance (TA) – matchmaking, exhibitions, sales &amp; marketing training</td>
</tr>
<tr>
<td><strong>Impact &amp; scale</strong></td>
<td>Short term – limited unsustainable Impact</td>
<td>Permanent and scalable as effects can be replicated</td>
</tr>
</tbody>
</table>
Challenges

• Market players resistance to change

• Re-design the intervention model (more time!)

• Plan B scenarios

• Engagement & commitment

• Budget re-allocation
Solutions

• Partner engagement

• Develop non-cash incentives

• Sustainable portfolio creation

• Let them see the future! (Setting objectives, targets, etc.)

• Eliminate non-impactful activities
Case Example

- **Business to Business (B2B) Matchmaking Program and Market Information System development at the Plastics Chamber – Federation of Egyptian Industries**
  - The overall objective of the intervention is to create impactful and sustainable business linkages that integrate qualified MSME suppliers into large buyers’ supply chains
  - One-to-One business matchmaking, introducing large buyer’s requirements to plastic suppliers, giving direct access to market opportunities
  - Improved information dissemination and better usage of available technology through online database serving both supply and demand sides
  - The new market systems approach guarantees partner engagement, active market participants, upgrades the services provided by a key institutional stakeholder and creates rapid, high impact, sustainable results
Lessons Learned

- Market analysis for needs identification
- Areas with little or no donor involvement are attractive for the commercial private sector, and in many cases, rich with opportunities
- Stakeholder engagement is a key for high impact interventions
- Development of integrated solutions create better impact
M&E System/ Plan Before and After;

Key Before Features:
- No solid theory of change, no clear methodologies on data collection and reporting, no logical framework, no definitions to performance standards nor performance indicators, no emphasis on learning, not enough tools to measure ongoing progress and no clear vision on attribution or project additionality

Key After Features:
- Development of MEL Plan to include:
  - New Theory of Change linked to performance standards and higher level indicators, revision of all project methodologies, development of a logical framework in accordance with key project assumptions, defining all performance standards and performance indicators, embedding learning into the MEL plan, in addition to introducing the DCED standard, attribution calculation, and additionality
Challenges and Gaps

- No link between performance standards (input/output) and higher level indicators (outcome/impact)
- No emphasis on outcome (market change) or impact related areas
- Theory of change was not linked to impact areas (increased revenue and employment)
- No base lines
- Most SEED interventions were on the output level (especially deliverables)
- Lack of clear definitions for deliverables and indicators
- Stakeholder relationships: reluctant to share data
Solutions and Methodologies

- Developing measurement plans and interventions logics
- Updating the theory of change approaches
- Conducting in-depth technical meetings with components
- Coming up with an M&E/component interface: engaging M&E in all phases starting with planning interventions
- Reviewing deliverables against higher indicators on a quarterly basis
- Developing the MEL plan to function as reference point for definitions, methodologies, and amended theory of change
- Applying learning and accountability on different project activities
- Agreeing with stakeholders and partners on data to be collected in MoUs and agreements
Adaptive Learning & DCED Standard Application

Interface of M&E
- Defining the role of M&E with project components and stakeholders: PDCA Cycle (Plan – Do – Check – Act) all the way from engaging M&E in the planning phase, to concept note drafting, to scopes of work, to RFPs, to implementation, follow up, evidence check up, learning, acting/adapting

Learning
- Document feedback from learnings sessions, share with teams and incorporate in future implementation

DCED Standard
- Articulating the results chain and programme logic
- Measuring changes in indicators, applying good practice
- Capturing wider changes in the system or market
- Tracking associated programme costs and measuring value for money on a regular basis
- Reporting results in a reasonable, attributable manner
Lessons Learned

• When focusing on linking deliverables with outcomes, market change occurs (ex: establishment of networks, incubators, establishment/improvement of One Stop Shops)

• When engaging with teams from the planning phase, better results are guaranteed in terms of deliverables as contracted and better reporting of indicators in terms of targets

• When applying DCED standard and learning, better technical ownership takes place
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