

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



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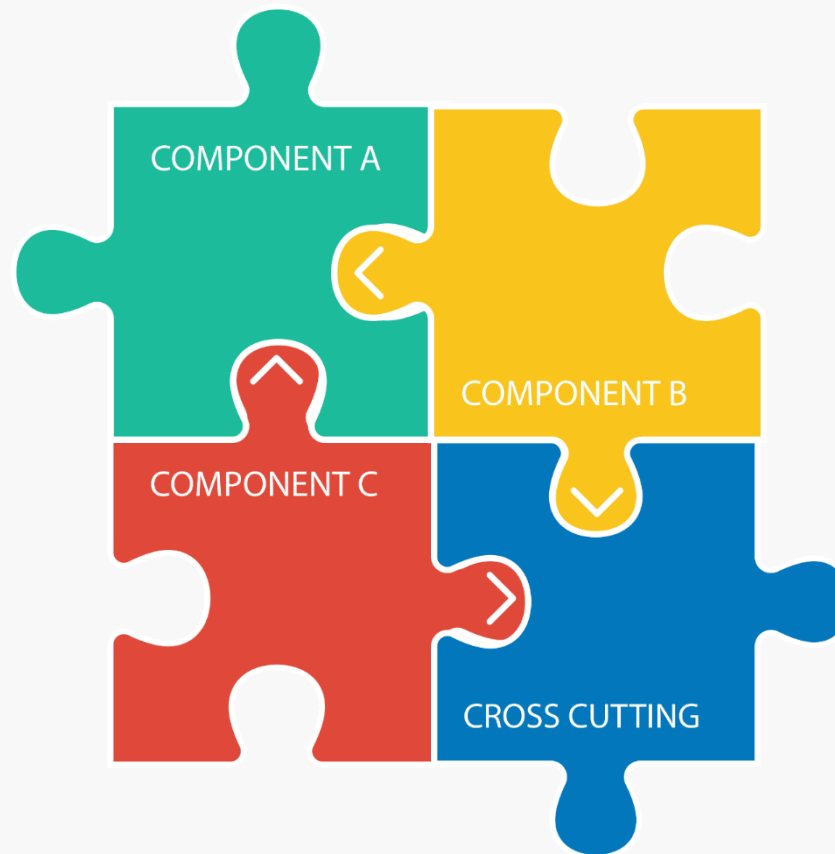
> USAID's Strengthening Entrepreneurship and Enterprise Development (SEED) Project in Egypt

- 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

> The Results Chain Cheat Sheet

What the Results Chain Says	What It Means	What is the Logic For This Intervention?	How Will We Measure It?
Impact	What is the economic result for our target group in terms of employment and income growth?		
Outcome	What behavior changes happen in the marketplace that can be attributed to our assistance?		
Output	What capacity has the partner gained? What is the partner able to do because of our intervention that couldn't be done before?		
Inputs (project activities)	What does the project do for the partner?		

➤ Intervention Rating

Rating		Strength of Logic		
		1) Weak	2) Moderate	3) Strong
Value for Money	3) High	3	6	9
	2) Medium	2	4	6
	1) Low	1	2	3

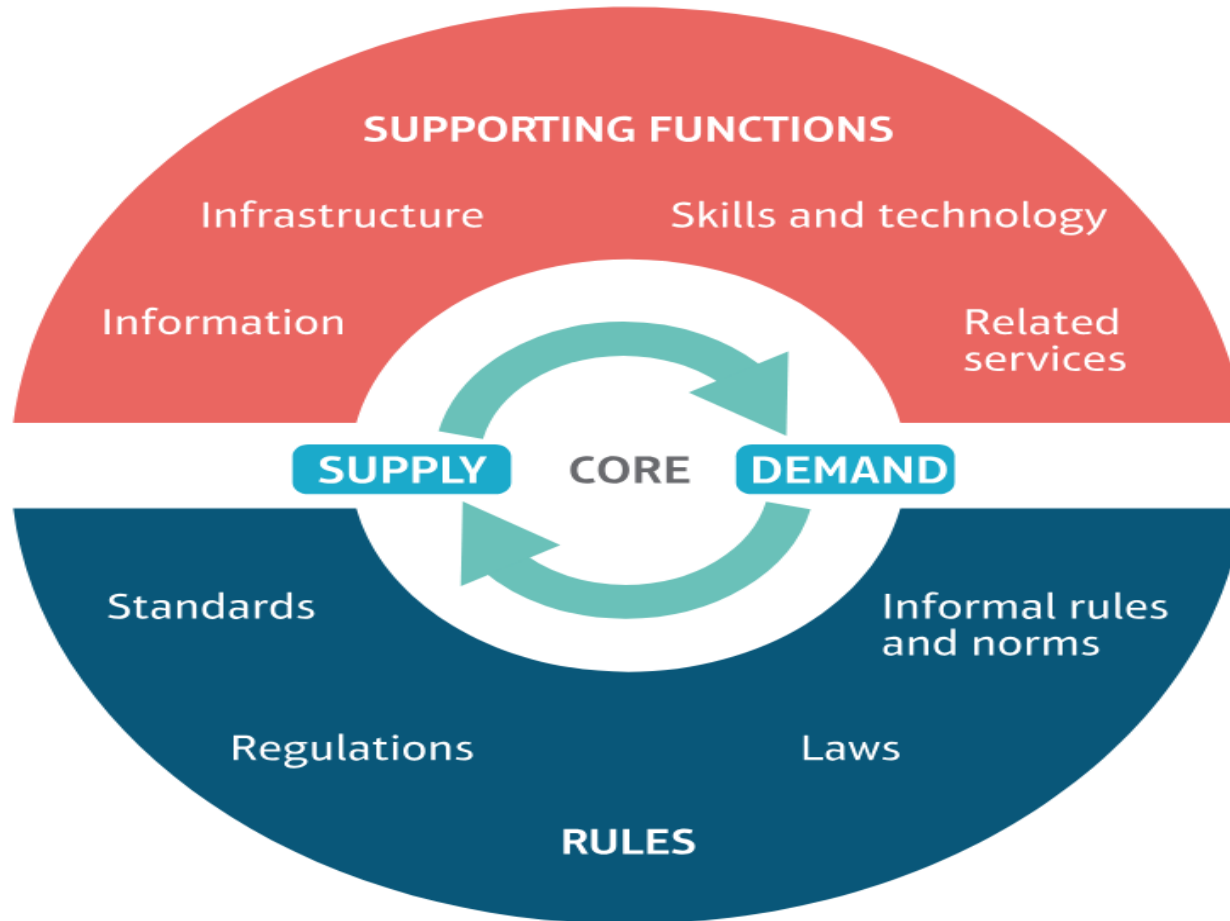
> Strength of Logic

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

> 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”



Source: M4P Operational Guide (2015)



> Differentiating the New Market Systems Approach

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



> 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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