THE OPERATIONAL GUIDE FOR THE MAKING MARKETS WORK FOR THE POOR (M4P) APPROACH

04 INTERVENTION

ARE YOUR ACTIONS DEVELOPING OR DISTORTING THE SYSTEM?

Second Edition

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INTERVENTION
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04

4.1 KEY PRINCIPLES AND STEPS

"Anyone who has never made a mistake has never tried anything new" Albert Einstein

"The principal task of a conductor is not to put himself in evidence but to disappear behind his functions as much as possible" Franz Liszt

Market systems development programmes should leave behind more efficient and inclusive systems that function and adapt without external support and deliver benefits to large numbers of poor people in the future.

Programme interventions must *develop* systems by transforming the behaviours and practices of market players within them such that change lasts. Care must be taken not to *distort* the way those systems work, through actions that displace or bypass market players and the roles they need to perform, or that cause them to alter their behaviour and practices in ways that aren't appropriate or sustainable.

The way in which programmes engage with and support market players determines how successful they are in stimulating lasting behaviour change. Understanding incentives, and taking them seriously, must precede intervention.

Interventions should support relevant market players to innovate and perform more effective roles, and empower them to maintain and adapt those improvements in the future. To do this, programmes must be adept at engaging with a variety of market players, knowing when to enter and exit partnerships, gauging whether players genuinely 'own' changes promoted, and assessing whether the system is really changing.

Programmes will often work closely with individual market players to understand market dynamics and test whether or not necessary behaviour and practice changes can endure (see *Adopt, Adapt* below). At other times programmes must work with a diversity of players to encourage behaviour and practice changes to deepen and broaden market system responses and improve the functioning of supporting systems (see *Expand, Respond* below).

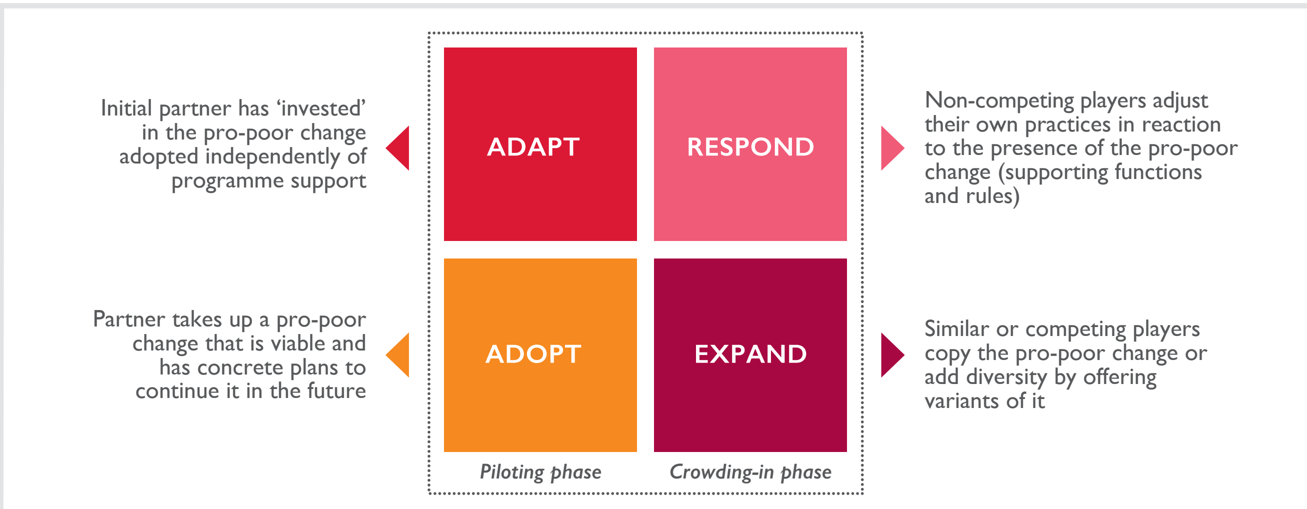

Figure 16: Systemic Change Framework

The Systemic Change Framework helps programmes determine the extent to which market players have reacted to interventions. It helps programmes assess and measure how systems, and the players within them, change over time, and guides them on where and with whom to intervene next. The intervention process can be broken down into two main steps:

Step 1: ***Conduct and review pilot interventions:*** Engage appropriate market players as partners to promote the adoption of innovations and more effective roles that result in pro-poor changes in the market system

Step 2: ***Conduct supplementary interventions that stimulate crowding-in:*** Develop supplementary partnerships to increase the scale of outreach and improve other functions and rules that support the piloted innovations, to enhance responsiveness and sustainability

This chapter provides guidance for practitioners in two ways. *4.2 Essentials of partner engagement and intervention management* considers the essentials of partner engagement and intervention, focusing on how to select partners, agree support, and manage interventions and ongoing partner relations. *4.3 Putting it into practice* applies these essential considerations in more specific guidance to steps 1 and 2 of the intervention process.

4.2 ESSENTIALS OF PARTNER ENGAGEMENT AND INTERVENTION MANAGEMENT

As an implementer of a market systems development programme you do not fully control impact: you 'facilitate' and hence rely on market players to lead the change process. That's how sustainability is achieved. Catalysing lasting change requires partnerships and success will depend upon who you partner with, what you do with them, and how you do it.

From the very first interaction with a market player, you must carefully manage and assess your relationship with them, and your intervention's progress.

You can expect to need different partnerships at different times in order to see system-level changes not only adopted but also maintained, expanded and supported by other players. This means managing multiple partnerships during implementation, approaching new players and exiting from earlier partnerships as required.

This section focuses on the essentials of partner engagement and intervention management common to both steps of the intervention process, specifically:

- Selecting partners and agreeing support
- Managing interventions and partner relations

Selecting partners and agreeing support

In Chapter 3, the sustainability analysis and 'will-skill' frameworks helped determine:

- The types of player with whom you should engage
- The focus of support needed to align players with functions and rules and improve their performance

You now need to decide which specific player(s) to partner with and how to support them. Making the right choice means understanding each prospective partner's willingness and ability to change. You can use the 'will-skill' framework again to compare them.

From the diagnostic process you may have gained an idea of who the right partner could be, but it is only when you start negotiating each party's specific contributions to, and responsibilities within, a partnership that you can confirm this.

Ideally, you will be able to select a market partner from several options (see **Step 1** in 4.3), though this is not always the case. Some programmes opt to select a partner before negotiating detailed terms; others make a more detailed offer to a number of players to see how they respond before choosing. Either way, deciding and negotiating what support to offer a prospective partner are essential skills.

Approaching prospective partners

Establishing partnerships in keeping with the principles of the market systems development approach is the key to successful intervention and demands due care and attention. Making the wrong choice can prove costly in terms of time and results, and can undermine your credibility.

Reality check: Key principles of engaging market partners

If interventions are to be successful, market players must own the change process you are supporting. This means:

- The pace of activities is driven by the market partners, not the programme
- Market partners must be free to adapt, and to modify interventions accordingly
- Programmes need to be flexible to make changes
- Planning, budgets, time frames and partnership agreements need to reflect this flexibility
- Market partners should not have incentives to please the programme

Example 20: Negotiating partnerships

In one South Asian country, a programme succeeded in getting a processor of maize to invest in transferring improved cultivation and post-harvest practices to women. Women typically managed the crop, while men migrated in search of other work each season. The programme encountered cultural resistance to male staff from the processor training women on the farm. To address this the training was scheduled so that husbands and wives could attend together, before the men migrated.

Assess the time and options available to you. Reflect on how you might get the best out of your partner. Review your team's preparedness for negotiations. Ask the following ***key questions:***

Are you beginning discussions in good time?
Approaching players too late or hastily (eg due to funder pressures or seasonality) leads to rushed negotiations and compromise. Creating sufficient 'space' to negotiate increases the chance of agreeing support that will truly change your partner's behaviour. Think about the player's timeframe. It may be quite different from your own (eg commercial organisations often need faster decisions than development agencies).

Are you keeping your partnership options open?
Programmes are often under funder pressure to establish partnerships quickly, start interventions and deliver some 'quick wins'. Having only one option, and your prospective partner knowing this, can force undesirable compromises.

Try to create a situation where you can politely walk away if negotiations are not progressing as desired. Keep your options open and subtly make these known to your preferred partner.

Do you have persuasive, diligent and personable staff?
You need staff who can listen to, and communicate effectively with, different types of people. They need to be persuasive and able to demonstrate a level of understanding of the market system and incentives that inspires confidence among prospective market partners.

Have you considered how you might gain an ally?
Find the most effective route to decision-makers. It is not always about going straight to the top. Look for sympathetic counterparts within the potential partner organisation. If you think it may be difficult to influence key decision-makers to drive changes, consider other insiders that might have stronger incentives to change, and begin there.

Be careful to avoid bad first impressions in early interactions. They are difficult to reverse later. Starting well means asking a further set of ***key questions:***

How will you manage partner expectations?
Prospective partners may have dealt with other development programmes and hold pre-conceived ideas about the advantages of working with you. They may also have only incorrect understanding of your approach from interactions during diagnosis and vision-building.

Clear up any confusion as early as possible. Emphasise that any partnership will be reciprocal, temporary, based on mutual benefit and without large grants.

Managing your image is also important. Downplaying your developmental agenda and arranging meetings at partners' premises, on their terms, are two simple ways of avoiding inflated expectations.

How will you set up discussions?
Poor preparation undermines your credibility and gives partners more scope to dictate the terms of support, possibly reducing its developmental benefits or making it harder to replicate with others.

Enter talks informed by your analysis (facts and figures to hand) and ideas (future picture of the system), and with realistic proposals to discuss. But keep an open mind and resist presenting a fixed deal: it is better to present a small range of options.

Initial discussions can help to explore why prospective partners are reluctant to change. Shift conversation from problems to solutions by asking *'what if we could..?'* questions.

How will you ensure you have access to the information you need?
You will need access to specific information from the partner during and for a while after engagement to monitor progress, make partnership decisions, and capture evidence of results.

Information needs may include business plans, budgets, revenue, profit and loss data or minutes (relating to the change in question). Be clear about these requirements from the start. Emphasise that any sensitive information will be treated confidentially, but also ask yourself whether you really need it.

Your offer of support

There are no fixed rules about the type of support you provide in stimulating market systems development. Your offer depends on the context and what you want to achieve.

Your offer needs to be clear, specific and reciprocal. State unambiguously what both parties wish to achieve, what each will contribute, and include any terms and conditions that govern the partnership. The following ***key questions*** should guide your offer:

Are you opening with an offer of 'softer' support?
'Softer' types of support such as research, information, advice or mentoring tend to distort less than 'harder' inputs like training or co-financing. Avoid discussing what funds you may have available during initial partner engagement.

Does your offer have value and relevance beyond the partner you are working with?
Your support must not erode non-partner organisations' incentives to independently adopt the changes being tested.

Be wary of providing support to a partner that gives them an unfair advantage. This is a particular risk when 'harder' support is provided (eg ownership of a milk-chilling machine or the intellectual property of a trading database), which other market players might be unable to acquire in future.

Avoid fixing a series of organisation-specific problems, one after another.

Are you offering to fund or perform functions that will be part of the partner's day-to-day operations?
Avoid paying for or performing activities that are central to a partner's routine operations. You must be confident the partner is willing to pay for and perform all those functions required to continue with behaviour and practice changes in future. Support should focus on one-off activities that 'open doors' and encourage partners to continue; and stimulate non-partners to adopt and invest in new ways of working.

Are you securing a genuine commitment and tangible contribution from your partner?
Effective partnerships are reciprocal, ie they involve a *quid pro quo.* Your support must prompt genuine commitment from your partner. One key sign of partner commitment and ownership is their willingness to invest money or something tangible in kind.

Deals agreed, and any terms attached, must be explicit.

Example 21: An extract of partnership terms

"The programme will identify a technical expert in seed multiplication and post-harvest handling for two weeks in Quarter 1, to train company staff. The company will organise a training-of-trainers event which at least 50% of their full-time technical staff must attend. The company must select and sign up at least 100 prospective seed growers by end of Quarter 1, to be trained by newly-trained company staff.

The training event will be recorded, paid for by the programme, and will be the property of the programme for use elsewhere. The technical expert will be paid for by the company initially and 80% of the costs reimbursed by the programme, if the above targets are met."

Is your offer 'right sized'?
The amount of support you contribute to a partnership must be judged relative to: (a) your partner's contribution and predicted benefit (and any recurrent expenditures), (b) comparable investments made by similar market players, and (c) the anticipated developmental impact (ie X amount of benefit multiplied by Y number of poor people reached).

Too much support undermines sustainability by eroding your partner's ownership and distorting their valuation of the true cost of the initiative. It can also be divisive with other players. Conversely, too little support could result in a partnership failing to change behaviour.

As a rule of thumb, the developmental impact of an intervention should exceed its total costs by a factor of at least three or four times.

Example 22: Seeking value for money

A programme in Latin America established and built the capacity of producer cooperatives across multiple sectors, with the aim that they become self-sustaining mechanisms of direct product marketing for their members. In its first phase, the programme found it took on average eighteen months of intensive capacity building to fully establish each cooperative. A subsequent review calculated a cost-benefit ratio of this support of only 0.52. This intensive support had also built up the cooperative's overheads (staff, equipment etc) to a level that they couldn't finance through their own revenue generation.

In a subsequent phase, the programme identified local service providers and linked them with producers to meet their skills development needs on a more tailored, commercial service basis.

Managing interventions and partner relations

Your support should lead to a lasting transformation in your partner's behaviour. This goal underpins how you design, manage and measure partnerships.

Maintain flexibility in how you work with your partner and regularly assess progress to identify when and where modifications are needed. Ensure that your systems, procedures and documentation allow staff to reflect on the performance of partnerships, and withdraw when needed.

Organising and documenting partnerships

Intervention strategy, results chains and guides

Chapter 3 takes you through setting out a strategic framework to describe your overall vision for system change and defining the focus of intervention(s). As partnership negotiations evolve, the next task is to elaborate your strategy and detailed guidance for each intervention, describing the specific activities and sequencing that will achieve your system-level change objectives. This should be supported by a set of results chains illustrating the rationale or logic of each intervention.

Many programmes use 'intervention guides' to manage interventions, capture learning and document changes in how interventions evolve over time. Typically intervention guides encompass the following:

- *Intervention results chain:* each results chain should illustrate the logic of your intervention strategy, the intermediate changes you expect to see between the different levels of the strategic framework, and the specific sequence of activities required (see Figure 17)
- *Indicators of change and a plan for measuring them:* set qualitative and quantitative indicators of change for each results chain box and create a measurement plan showing when each indicator will be monitored, how (the method) and who is responsible for collecting data. It is also useful to document any assumptions and calculations so that projections of change can be revisited in the context of intervention progress

Reality check: Setting targets

Setting indicators and targets for each intervention is an important discipline, because it allows you to project their likely results and track their progress. However it is important that you don't try to achieve intervention-level targets at all costs, because this can often undermine the change process. In a quest to speed things up, programmes assume more and more responsibility for intervention, displacing their partners' ownership. They take damaging shortcuts.

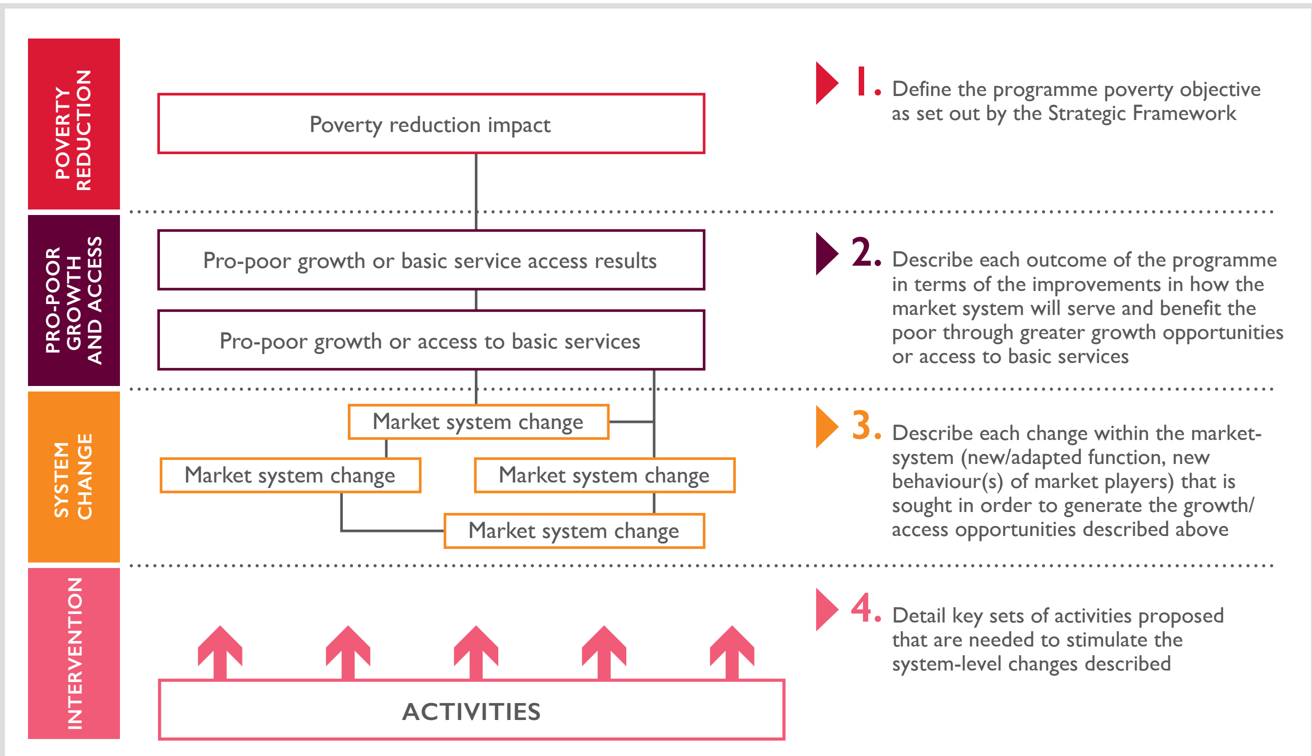

Figure 17: Intervention results chain

- *Work plan:* a detailed schedule of sub-tasks for each activity and an assessment of the risks associated with the execution of each activity
- *Budget:* a budget estimating the human and other resource requirements for the intervention
- *Partnership terms:* as partnerships are finalised, a summary of terms agreed between the programme and partners and any conditions attached to them, including a statement of the tasks each party is responsible for. An estimate of the future cost to your partner of maintaining any new practices introduced (ie activities that require recurrent performance) is helpful
- *Learning narrative:* a mechanism for capturing learning and filling gaps in the programme team's understanding of the market system, and for feeding that knowledge back to inform decision-making

Reality check: Make intervention guides user friendly

An intervention guide is for internal management use, not reporting. It doesn't need to be perfect. It should be a 'living' accompaniment that guides staff throughout the intervention. Staff must invest time to update them and keep them relevant. Intervention guides are often better documented in tabbed spreadsheets than text-heavy documents, which staff may be reluctant to update once written.

Partnership agreements

Formal agreements stating partnership terms and conditions may be necessary. Whether these are signed or legally binding partly depends on how comfortable you and your partner are working with one another. Written agreements are wise if a partnership involves significant investment or if the programme will require access to sensitive partner information.

Be careful that such agreements are not misinterpreted. Their primary aim is to encourage behavioural change rather than to simply mitigate the risk of fraud. Ensuring development funds are not misappropriated is important, but legalistic contracts can turn partners into 'sub-contractors' and erode their ownership. A better balance can be struck if programmes:

- Remain in direct control of spending programme funds on activities, rather than transferring resources or making accountable grants
- Use annexes, rather than the main document, to house legal aspects of the agreement (eg pertaining to fiduciary responsibility, arbitration, audits, etc)

If it makes sense for funds to pass through partners, use the terms 'investments' or 'contribution' instead of 'grant' or 'transfer', and:

- Structure contributions in arrears as reimbursement on completion of defined milestones
- Pay in tranches so you can withhold instalments if partnerships falter or do not work out as planned

Some partners may be more comfortable to take action when they have written assurances, but not all partnerships require a high degree of formality. Using a non-binding memorandum of understanding is common, as is using simple 'statements of intent' that define purpose and areas of collaboration.

Reality check: Flexibility in partnership agreements

Market systems of a more dynamic nature or those susceptible to shock events present a challenge for partnership agreements and how tightly bound each party is to the terms agreed in advance. It is useful to insert a clause proposing that both parties are able to convene to mutually adjust terms of support and contributions within the partnership in the event of significant changes to context. This also applies to agreeing the timelines that parties are working to, remembering that the pace of change should be driven by what the partner is able to do, not what the programme wants it to do.

Executing partnerships

This is not a sub-contract. You are not commissioning a partner and then leaving them to get on with business as usual. Partner roles have to be overseen and supported through an appropriate level of contact with counterparts. Arranging routine, but non-intrusive site visits helps maintain momentum. Programme staff must be active relationship managers, close and trusted enough by partners to influence and troubleshoot, but detached enough to take tough decisions if necessary.

Be cautious about embedding programme staff in partner organisations (eg to initiate, manage or monitor change processes). Doing so creates a false impression that new behaviours have been internalised when in fact they are driven by you.

Make sure your offer (eg advisory services, training, financial inputs) is not readily available elsewhere. In any activity performed by the programme it is important that valid relationships between market players are not displaced (eg technical service providers or banks who might support your partner in future).

The exception is where your input is a one-time only activity, ie purely a facilitation task. But even for one-off activities undertaken by your programme, it is vital partners are engaged and fully aware of the inputs you make. This familiarises them with the true costs associated with the change.

Reflecting on the effectiveness of intervention

Different interventions involving different partners may be expected during implementation to see system-level changes taken up and sustained.

Reflecting on the contribution of specific interventions or partnerships in stimulating the system-level changes is essential. Allocate sufficient time and resources to do this.

Whether successful or unsuccessful, you have a decision to make. The following ***key questions*** will help you:

Is the partnership yielding the system-level outputs expected? Are poor women and men benefiting?

Is the partner showing signs of independent activity, ie able to continue the change without further support?

Is further collaboration likely to be distortionary? If not, can failures be rescued or successes be strengthened?

Is it time to move on; to work with competitors or other types of player?

Assessing progress means monitoring the behaviour changes of non-partners as well as partners. This requires internal procedures to track and document market system dynamics.

Using learning to adjust interventions and partnerships as necessary
Regular review (eg monthly or quarterly) of partnership progress and wider developments in the system is invaluable, to inform decision-making about intervention and to adjust activities and results chain boxes (and indicators) where necessary.

If a partner is failing to meet your expectations, renegotiate or dissolve the partnership and reassess your vision of the future. Do not simply pump more resources into a weak partnership to 'make it work' or to meet a deadline. The result of such intensive input is rarely sustainable.

4.3 PUTTING IT INTO PRACTICE

The process of changing how market systems work to the benefit of the poor usually involves two main steps:

- Pilot activities that test and re-test an innovation with a partner with the will and skill to invest in and maintain the innovation independently of programme support (ie 'adopt' and 'adapt')
- Supplementary activities that increase the size and improve the sustainability of the pilot's impact. These activities may involve partnership with new players and/ or further engagement with your initial partners (ie 'expand' and 'respond')

The essentials of partner engagement and intervention management set out in 4.2 are applicable throughout the intervention process. Their specific implications for each step of the intervention process are explored in more detail below.

Step 1: Conduct and review pilot interventions

A common mistake is to see pilot interventions as a set of activities to be replicated. Pilot interventions initiate and test a behaviour or practice innovation with one or a small number of partners.

The aim is to establish whether partners are willing and able to '*adopt*' and '*adapt*' lasting solutions to the root causes of why a market system is not working for the poor. You should be confident that these solutions will be continued and improved upon in the programme's absence.

Adopt: A market player has successfully adopted a behaviour/ practice change to the ultimate benefit of the poor producer/ worker/consumer, recognises the value of continuing with these changes irrespective of programme inputs, and has accordingly made plans to invest in upholding these changes and covering associated recurrent costs.

Adapt: The market player that adopted the behaviour/practice changes pioneered during the pilot has made qualitative and/ or quantitative investments that allow them to continue with or augment changed practices, without programme support. These actions, independent of the programme, constitute an 'acid test' for whether pro-poor outcomes will be sustained.

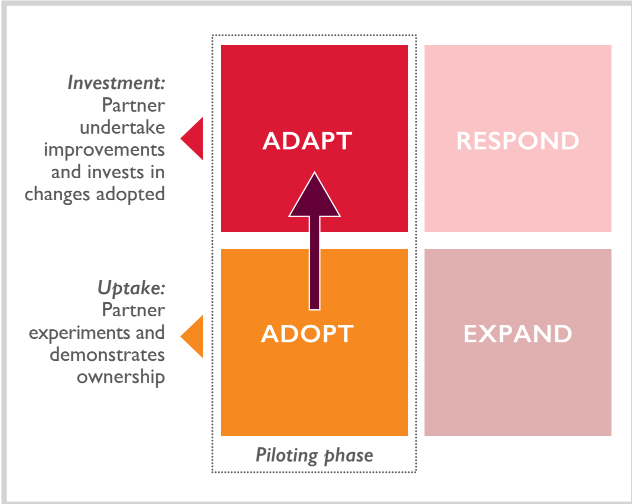

Figure 18: Systemic change: adopt and adapt

Selecting partners and agreeing support

Approaching prospective partners
Consider whether your pilot activity partner is representative of its peers.

Testing innovations only with the 'highest common denominator' (ie the most able, best resourced player) is not a fair trial. Other market players may lack the will and skill to adopt the same innovation, especially if they can expect, as a feature of your exit strategy, to receive reduced or no programme support.

This doesn't mean that you work only with the 'lowest common denominator' in the system. Your partner should be comparable to many of their direct competitors or peers.

Example 23: Identifying plausible partners

A programme in East Africa used a lead farmer model to promote better farming practices. The 'best' farmers were identified and selected to take part in pilot interventions. These tended to be farmers with access to more resources, including finance and information. The programme found that the influence of these farmers was limited. The wider community felt these farmers were 'not like them' and that they were therefore unable to farm like them.

Reality check: Partner representativeness and leadership

The representativeness of prospective partners is less of a consideration in systems where you need to engage with government, or where there is a paucity of prospective partners in the first instance.

Similarly, some market systems lend themselves to trend-setting more than others, eg the media, technology or education industries. Here, working with a market leader may not be distortionary. Instead it reflects how change is likely to happen in a system of that nature: it is a smart way of influencing other players.

Many programmes work in 'thin' market systems, characterised by low or diffuse levels of activity. Here your choice of partner can be limited. Consider the following options:

- Look beyond the principal market system for players who might be supported to expand into your targeted system. For instance, traders looking to buy new commodities, franchisers wishing to expand their product to new areas, or players from similar or adjacent systems looking to diversify
- When faced with a single, dominant player (eg a monopoly or monopsony) you might attempt to lower barriers to entry in order to create competition. If this isn't realistic, you will need to focus on strengthening supporting functions or rules that restrain anti-competitive behaviour and protect disadvantaged groups from exploitation (eg consumer protection regulation, representation, ombudsmen or media scrutiny)

Example 24: Stimulating organisation in a system

In one country in the Caucasus, the system for veterinary services was highly fragmented with vets focused primarily on retailing animal medicines, making weekly trips to numerous suppliers in the capital. Vets had little access to up-to-date information, research and advice other than through occasional development agency projects.

A programme approached several pharmaceutical firms to see if any were interested in building closer commercial relations with the vets. One firm committed to co-investing with the programme to develop an extensive network of 'branded' vets. Vets benefitted from regular training and access to information, higher quality medicines and improved storage facilities, and from the lower transaction costs of securing medicines. Farmers benefited from using the 'branded' vets because they provided better quality and more reliable services and medicines, at affordable prices.

Your offer of support

The type of support you provide should be determined by your analysis and future vision, and an assessment of your partner's will and skill to make the change(s) required (ie the support necessary to encourage them to take on a new way of working).

Support will typically seek to encourage your partner to:

- Develop a new product or service, or improve an existing one, targeting poor women and men
- Re-orient operations (ie supply chains, service provision) to respond to opportunities in lower income market segments
- Expand or customise existing operations in order to enter a new market system or geographic area

In deciding on the level of support for your pilot activity partner(s), ask yourself the following ***key questions:***

Are you leading with your analysis?

When concepts have yet to be tested, you are unlikely to have definitive evidence to convince partners that a change is worth the effort or risk. Evidence from other contexts is useful but not always sufficient.

Insights from your market analyses make the most compelling case to convince a partner to recognise a missed opportunity (or threat) and experiment with a new way of working. Presented well, this information can go a long way to securing partner commitment. It is often your most important offer.

Have you communicated your 'no go' areas clearly?

Be clear on what you cannot do or fund during the pilot. Think what might be distortionary and what is more likely to be developmental. Communicate these limits to prospective partners early to guide negotiations.

One tactic is to 'hide' behind your programme's mandate. If a prospective partner asks for a level of support you feel is too intense or exclusive, you might respond that *'the programme is not permitted to fund X'* and/or *'your investment committee is likely to say no'*.

Alternatively, make clear the requested support falls within the partner's own area of responsibility or core operations as defined by the partnership agreement.

Will the level and terms of support leave the door open for future partnerships?

Whatever support is agreed for 'partner A' to adopt an innovation should not jeopardise your ability to engage with 'partners B, C, and D' at a later date, in a different or less intensive way.

The support you provide to 'partner A' should ideally encourage other players, prompting them to consider investing their own resources without the promise of programme support.

Does your partner understand that programme support is temporary?

To reduce the risk of distortion your support should not be long term and ideally should reduce over time. This will test whether partner ownership is growing.

It is prudent to think of piloting as a process which has at least two iterations, where space is left for reviewing and adjusting your activities (ie test 1 → review and adjust → test 2). You don't need to tell your partner this and should avoid committing formally to a two-phase pilot.

Example 25: Iterative partnership engagement

Initial engagement with the Department of Education saw a programme in Africa focus on constraints which were most immediately relevant to the Department and most 'do-able' in terms of departmental capacity, eg regulatory amendment and oversight, and grading.

Further engagement followed, with the partnership between the programme and the Department evolving to work on a wider range of educational functions beyond regulation, all with a strong 'public' orientation where government was, practically, the only potential provider. As the Department's horizons and capacities grew, it became possible to look at information on school performance, teaching methods and even demand-side finance.

Partnership, though with the same player, was broken down into iterative stages, to work on different public roles, as the programme progressed and the Department's capacity and commitment increased.

Managing interventions and partner relations

Organising and documenting partnerships

Update intervention guides regularly, as and when your strategy evolves and in line with decisions made during quarterly reviews. Results chains, indicators and measurement plans should always reflect current intervention strategy and understanding of the system:

- Remind yourself regularly of partnership terms, intervention strategy, and the anticipated step changes in the intervention results chain. Be alert to 'mission creep' or signs that you are being talked into providing more support than you should
- Look for incremental changes in your partner's behaviour that might indicate momentum towards the overall change desired. Change rarely happens in one swift movement
- If interventions are failing to progress, ask yourself whether it is your vision or your strategy for realising it that needs to change

A feature of all pilot interventions is uncertainty. The innovation you are aiming to introduce is untested, as are your partner's capacity and incentives. Make clear that both parties are free to exit after (or during) the first cycle if the partnership does not work out. It is wise for agreements to contain a review clause (in case terms need to be re-negotiated mid-pilot) and an 'escape clause' (triggered if partner responsibilities are not fulfilled).

Executing partnerships

The intensity of contact between you and the partner will vary depending on your partner's commitment and capability. Pilot interventions tend to require closer supervision than supplementary interventions, to enable timely learning, reflection and adaptation.

Try not to take up too much partner time. Meet only for specific purposes and when there is a mutual benefit for doing so. Where possible plan meetings around key decisions that need to be made.

Reflecting on the effectiveness of intervention

Pilot interventions involve trial and error. Embrace this. Be prepared to make adjustments. Use lessons to inform whether to maintain or alter partnerships, or to end them altogether. Assess whether:

- There has been a tangible behaviour or practice change that is being continued without programme support
- The partner-level change is leading to a change at the target group-level (either in terms of improved participation in growth markets or use of basic services by the poor)
- There has been a reaction beyond your initial partner(s) (eg evidence of autonomous changes by non-partners inspired by your pilot)

The transition from pilot (**Step 1**) to supplementary (**Step 2**) interventions aimed at scaling up impact should only begin once you are certain your initial partner(s) has adopted and integrated the behaviour and practice changes into their core operations. This integration might be reflected in a partner's staff or budget allocations, formal documents and procedures or investments.

Ideally, you should also see signs that the innovation can be feasibly adopted by other players. Resist any temptation to scale up an innovation until its value and sustainability are proven.

Reality check: Short-term programmes and risk management

Programmes commissioned for less than three years or those that have suffered delays or setbacks may have to move to **Step 2** before refining the innovation and before seeing it fully adopted by pilot partners. This will entail working with both initial partners and new partners simultaneously, but using different approaches and working at different levels of intensity.

Shorter-term programmes face a higher degree of risk of intervention failure and have an even greater imperative to learn from and adapt interventions quickly.

If you are not seeing a change being adopted and adapted independently by your initial partner(s), revisit your analysis to see if other options exist outside of the partnership. It may simply be a partner problem.

Conversely, if your partner is progressing beyond expectations, assess whether your support is still needed.

After pilot interventions, you usually have three options:

- Cease intervention because your pilots have proven your theory of change to be incorrect or unfeasible. It is time for you to go back to the drawing board
- Make corrections to the innovation introduced, either with existing or new partners, with a revised offer of support
- Design and implement supplementary interventions and form new partnerships aimed at stimulating system-wide change, ie **Step 2**

Reality check: Knowing when to go

It is a good discipline to develop verifiable criteria to establish when exit is warranted. Sometimes programmes, having achieved a level of success during a pilot, find it difficult to walk away from a partner. Reasons are invented for continued intervention, often in pursuit of illusory perfection or guaranteed results. Remember, the longer you engage with a partner the greater the risk of distortion or dependency.

Step 2: Conduct supplementary interventions that stimulate crowding-in

Once satisfied that your initial partners are continuing and investing in the change piloted, your focus must shift to stimulating other market players to adopt that change and/or adapt their way of working in repsonse to the change.

The aim is to make pro-poor changes widespread in the system: the normal way in which the system will continue to operate in the future. This entails undertaking supplementary interventions, working with new and similar types of players, under a second wave of programme-player partnerships. This is known as 'crowding-in'.

Crowding-in: The process of stimulating a number of (diverse) market players to react to the (nascent) system-level changes instigated during the piloting process. It results in greater 'breadth' (eg more and improved growth or basic service benefits for the poor) and 'depth' (eg supporting functions/ rules that respond to the new market system context).

First, check whether or not crowding-in is already happening. Monitoring indicators of wider system change and crowding-in will be part of your measurement plan (see Chapter 5). Depending on whether or not signs of crowding-in can be seen, and the level and pace at which it is happening, supplementary intervention should follow.

Your task should shift from testing innovations and improved roles to seeking to 'expand' their application and encouraging other market players to 'respond' to the changes taking place.

Expand: A number of market players similar to those that pioneered the pro-poor behaviour/practice changes have adopted comparable changes – either direct copies or variants on the original innovation – that are upheld without programme support.

Respond: The emergence and continued presence of the pro-poor changes lead market players in supporting systems to react by re-organising, assuming new/improved roles, developing their own offers, or repositioning to take advantage of opportunities that have been created. This response enables pro-poor behaviour/practice changes to further evolve. It indicates a new capability within the system and suggests it can support pro-poor solutions to emerge and grow in future.

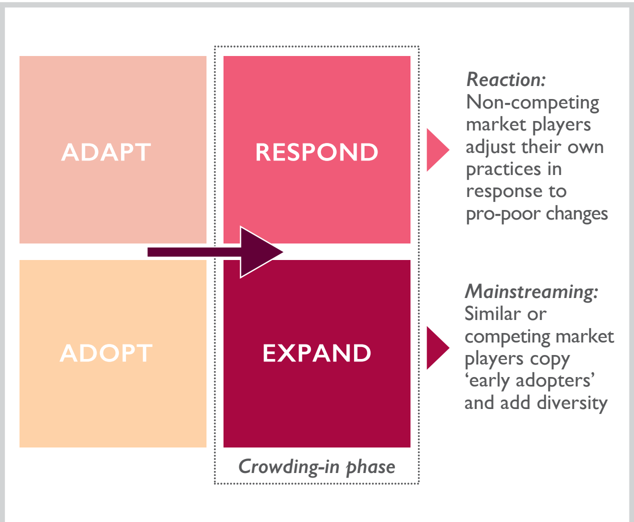

Figure 19: Systemic change: expand and respond

Selecting partners and agreeing support

Approaching prospective partners

The shift in focus toward crowding-in interventions often means exiting initial partnerships through which you tested innovations, and forming new partnerships. These should promote wider system-level change, scaling up innovations (or variants of) and stimulating a diverse set of market players to support the change you have initiated.

Normally you will partner with other market players similar to your initial partner(s), who are motivated to replicate the successes of the early adopter(s).

You will also need to partner with different types of market players who, whilst having less direct impact on your target group, nevertheless perform or pay for important functions or rules that support the innovation you have initiated. Such as:

- Business service providers
- Research organisations
- Educational establishments
- Large investors
- Representative or industry associations
- Standards-setting and regulatory organisations
- Government agencies and public bodies

Example 26: New priorities, new partners

A programme sought to improve the vocational training system for healthcare professionals. It first partnered with private universities and colleges and with regulators. It then engaged with a financial services provider to promote a credit product designed to improve the likelihood that students from poorer backgrounds would be able to finance their studies in paramedic training.

Reality check: Thin markets

If your programme worked with the sole supplier of a product or service during pilot interventions, increased impact is only likely to occur as a result of the supplier rolling out the innovation at scale. In such situations, you should focus on encouraging other types of player to respond to the innovation in order to mitigate the risks associated with a monopoly supplier, eg an oversight body or consumer protection group.

A good place to start is to identify whether there have been any autonomous reactions from other market players and to build on that momentum, for instance:

- If a commercial model was piloted, assess whether competitor firms have reacted to it by making similar changes in their operations
- If a socio-political model was piloted, assess whether the change (eg in service delivery or policy consultation processes) has been responded to by other government agencies and other types of player

If such responses are not evident, you will need to engage more actively with other market players, following the principles outlined in 4.2.

Autonomous reactions may have been inhibited if:

- Pilot phase partners were unrepresentative of their peers, ie they had higher levels of 'will' or 'skill' than other players
- Support to pilot partners gave them too much advantage, making it hard for others to catch up
- The pilot's demonstration effect was not sufficient to stimulate a reaction from other players, ie they might not be aware of the innovation and its benefits, or they might not understand what they need to do to change
- New constraining factors or root causes that were previously deemed less of a priority are inhibiting crowding-in, eg market entry regulations constrict expansion

Example 27: Emergence of 'new' constraining factors

A programme in South Asia established hub and satellite centres for milk collection, linking producers with a milk cooperative. Whilst semi-functional during the first dry season, these centres soon ceased collection in the rainy season as roads became unusable for long durations.

Trading relations did not resume when the roads became passable again. Disputes over whether the milk was to be transported on public transport at the farmers' own expense or collected by the buyers at their expense were not resolved. As a result farmers lost confidence in milk production for commercial purposes. The programme might have had greater success if it had thought through the transportation and collection constraint from the outset, including its seasonal dimensions, as a vital part of the system's functionality.

Your offer of support

As a result of successful pilot interventions your knowledge of how the system works will have improved. You will better understand what motivates players, the behaviour changes required and the actions you need to take to stimulate them.

This knowledge and evidence that your initial partners have benefited from the innovation should make it easier to get the attention of, and crowd-in, other market players. This includes those who may have ignored you initially.

This does not, however, necessarily mean your efforts to expand an innovation will be any less intensive than in your pilot. Whilst you might expect new partners' willingness ('will') to engage to be higher than before, their ability ('skill') to change is likely to be the same or similar as before.

Example 28: Engendering broader 'will' and 'skill'

Access to finance was a contentious concern in Southern Africa with little common ground between stakeholders: politicians, government, private sector and civil society. A programme set out to facilitate the improved functioning of the financial system, to better serve low income groups. Through a variety of interventions over ten years it contributed to a doubling of households (from one-third to two-thirds) with access to bank accounts.

However, its credibility was developed through one initial intervention. It undertook detailed market research and scenario analysis, which it presented (in more than twenty workshops) to different stakeholders, allowing them to see the implications of their decisions on access to finance. The analysis was recognised as neutral and authoritative, and permitted a consensual agenda upon which all stakeholders could move forward. This laid the foundation for all the programme's subsequent interventions.

Building on your pilot activities does not simply mean replicating those activities repeatedly with an array of new partners. You should be undertaking activities of a different nature.

In many instances, a move away from supply-side support towards demand-side stimulation is warranted. Actions may include: social marketing and consumer incentives, press-releases and coverage of the pilot, and stakeholder workshops communicating the evidence base for change.

Determining where you should now focus your efforts requires further analysis. ***Key questions*** to ask are:

Which supporting functions or rules continue to impede autonomous reactions to innovations piloted?

Are there new drivers of change or political economy issues to consider?

Example 29: Some practices are deeply entrenched

A programme in Africa persuaded two banks to start issuing loans for agricultural machinery, by offering advice and linking them to an agricultural service providers' association that would identify clients. The programme offered loan guarantees for up to 20% of each loan during pilot interventions.

The banks experienced no defaulted loans and farmers' incomes increased; the pilot appeared successful. However the banks did not expand their lending. Risk averse, they were reluctant to lend without the programme's 20% loan guarantee, even though it had not been drawn upon during the pilot. Banks simply found it easier to lend to their established sectors and clients; their 'comfort zone'.

The programme needed to shift partnership strategies toward the banks' head office decision-makers and sought more dynamic players in the banking sector to develop new partnerships.

Crowding-in interventions tend to focus on building relationships between players, as well as stimulating and advocating for positive responses from players in supporting systems. Examples 30, 31 and 32 below provide some illustrations of crowding-in activities.

Example 30: Fostering competition in the same system

A programme in Asia sought to encourage a competing agricultural information service in response to an internet kiosk business model piloted with a top telecoms operator. The programme shifted to support a well-known and equally high-profile competitor to develop a different kind of information service, this time a help-line targeting farmers with mobile phones.

Example 31: Catalysing players in supporting systems

A South Asia programme supported private organisations to become sanctioned to provide accredited healthcare training as a result of pilot phase interventions. The programme then shifted to working with national examination boards to adjust prevailing structures and operations to accommodate their oversight of private vocational training organisations.

Example 32: Innovation becoming embedded in the wider system

A programme in the Caucasus worked with a local newspaper to improve the relevance and quality of information services accessible to poor rural communities. The programme helped strengthen agriculture-oriented content and journalism, product and market price information, and the development of a more viable advertising revenue strategy for the newspaper. The newspapers' circulation subsequently grew ten-fold and its coverage expanded from 1 to 3 municipalities.

Following the initial intervention the newspaper managers, independently, built on the learning from these innovations. They invested in improved training for their other journalists to strengthen reporting on non-agriculture rural issues (eg, child care, water provision, street lighting) and introduced new reader-driven sections. Advertising revenues continued to grow due to improved strategies to attract advertisers in the land, housing and equipment sectors.

Managing interventions and partner relations

Organising and documenting partnerships

Programmes should consider their crowding-in strategy before they commence pilot interventions, though you will only be able to develop appropriate interventions as the pilot phase comes to an end.

Some programmes develop new intervention strategies and draft new intervention results chains for crowding-in activities. Others opt to refine existing strategies and add new activities and their expected 'cause-and-effect' changes at different levels to the side of pilot intervention results chains. The decision is often based on how substantive the crowding-in activities required are and whether they are looking to effect change to a supporting function or rule previously unaddressed by the programme.

You may also include an exit plan (eg lasting six to twelve months) in new partnership agreements. In this timeframe, you can commit to periodic meetings with key stakeholders, monitor developments, and measure progress, but crucially, you should not undertake any further intervention activities. This helps you to assess sustainability whilst the programme is still on-going.

Executing partnerships

Crowding-in interventions may be light (eg presenting evidence or making recommendations) or quite intensive (eg supporting organisational change and policy response within a government agency).

The extent to which you can be 'hands-on' with partners is context dependent. The further removed your intervention activities are from your target group, the less distortionary intensive support is likely to be.

One way to reduce the intensity and 'directness' of support is to operate through third parties where relevant and feasible. The aim is for your partners to see prospective solutions to current and future problems as coming from within the market system rather than from you.

Building sustainable relationships between crowding-in partners and relevant third parties (eg training providers, management or marketing consultants, certification/food hygiene service providers etc) can disguise, or even replace your support altogether.

Example 33: Supporting legitimate third party services

A programme supporting media systems development in East Africa worked initially and directly with a few radio stations in order to learn and develop its offer around more listener-focused broadcasting. The programme quickly found a need for more industry expertise and credibility, and that this support was a long term market function. It began working with technical service providers on programme format and production who then continued to provide this commercial service to other radio stations in the country and across the region.

These specialists have become drivers of change in the radio industry.

Intervening through third parties in this way can build a system around the initial innovation. Your support can strengthen suppliers of services that sustain or improve the innovation.

Example 34: The challenges of third party brokerage

In an East African programme, the strategy was to create NGO network brokers that could over time turn into commercial brokers or traders. The network brokers with programme support would aim to be commercially viable by being more transparent, consistent, customer- and supplier-focused, and concentrating on generating revenue over larger volumes (as opposed to maximising margin per unit). The programme's focus on paying this third party as a means of quality control created problems as the primary commercial relationship resided between the NGO broker and the programme, and not the commercial parties. There was also a challenge as the function of trading/brokering was well developed, so the relevance and ease of replication of this business model were both limited.

Reflecting on effectiveness of intervention

As crowding-in begins to occur and new players, supporting functions and rules improve, ask yourself if root causes have been addressed. Revisit your analysis and vision and assess whether your programme can still add value and whether the programme's work can be undone. Ask the following ***key questions:***

Have you done enough to feel confident that the system is sufficiently robust to cope with threats? Are supporting systems now able to find answers to market player under-performance from within?

Would further intervention risk displacing national initiative and investment?

Has your presence become a blocker of change, or begun to create perverse incentives for autonomous change?

4.4 "DON'T MAKE THE SAME MISTAKES I DID..."

Avoid using intensive support as a shortcut

Using intensive support to speed up processes, garner influence or achieve quick results, invariably backfires.

Intensive support can undermine the sustainability of outcomes, as your partners attach a lesser value to the support they are receiving, having invested little in the change process themselves. It also makes crowding-in harder because it raises the expectations of second-wave partners about what your programme will do for them.

If your input is a one-time only activity not required in the future, the intensity of your support is less of a concern. If you have no other option, eg in an extremely thin market with no realistic partners, then proceed with caution. Recognise the sustainability risk from the outset, monitor the positive and negative effects of your actions carefully, and keep looking for less distorting options and means of exit.

Keep a low profile within the system

Funders often like their programmes to be highly visible within a country. In keeping with the aim of developing rather than distorting market systems you must be cautious about being too visible within a system.

Prominent development agency branding (eg logos) can send the wrong signal to your partners and other market players, creating harmful expectations of lots of subsidy. This affects your relationship with partners, and the relationship your partners have with others (eg undermining customers' willingness to pay because they believe an agency is paying for a service).

Be smart about your communications. The visibility that funders seek is often political, eg within their own organisation, for politicians and taxpayers at home or for host governments. It tends not to be aimed at the target group or market players. So, develop two distinct programme identities and communicate them accordingly:

- *Towards the market system:* display your development agency image judiciously. Maintain a low profile but business-like image where possible. Avoid branding activities or publicising the size of your budget
- *Towards developmental or political stakeholders:* communicate your achievements in a conventional way, emphasising the distinctive approach that your programme takes towards working through partnerships and emphasising sustainability

Don't overload partners with too much support

Overloading can take various forms: (a) transferring wholly developmental objectives to partners which are outside of their core competencies, (b) imposing unnecessary and burdensome reporting requirements, (c) suffocating partners with too many meetings or with intense coaching, to the extent that their core activities are disrupted, or (d) encouraging partners to mimic the standards, systems and procedures of developed country agencies, rather than those befitting their context.

The terms of programme support and how it is provided must reflect your partner's ability to take on your support whilst retaining ownership and control over their own actions.

A related risk is that partners, particularly if they grow to be successful, become attractive to funders and other visitors to your programme, who wish to observe market systems development in practice. It is gratifying for you and your partners to receive such recognition, but this kind of attention can become disruptive. It can distract partners from performing their primary function and turn them into showcases. Try to control access: schedule such visits to coincide with your routine interactions with partners and spread them across your portfolio of partners.

Market systems development in practice, not theory

Programmes sometimes develop intervention strategies based on a few tentative discussions with market players. Your plans must reflect your partner's actual intentions, not an 'ideal' scenario on paper which ignores reality. Setting a ratio for cost-sharing activities, without gaining the views of (prospective) partners, is meaningless.

Look out for other programmes whose actions can damage the sustainability of your work

It is a sad reality that your best-laid plans will often be spoilt by other development initiatives. When market players supported by your programme become successful, other development agencies can rush to work with them, displacing investment and ownership, and sometimes undoing much of your work.

This is difficult to counter, but you must try. Register the issue with the funders and initiatives in question and engage in advocacy to influence the agendas of others.

Market systems development fora have been established in a number of countries. These involve regular meetings, opening dialogue for more consistent intervention approaches that cut across programmes and funders.

You can also use market system selection criteria to mitigate this risk. Identify market systems where distortionary programmes are active and focus elsewhere.

Don't rely on the demonstration effect

It is common for programmes to undervalue or neglect **Step 2**, assuming that crowding-in will occur through a demonstration effect as a result of initial interventions.

In reality the demonstration effect is not as powerful as many programmes think. Pilot 'successes' often fail to progress to greater acceptance and scale because of widespread capacity, incentive, information and coordination shortcomings that remain in the system. Indeed one sign that root causes of under-performance haven't fully been addressed is the continued failure of the demonstration effect.

Supplementary interventions are, therefore, nearly always required for pilot phase successes to achieve scale and for pro-poor outcomes to be institutionalised.

Partner with entities, not counterparts

Programmes can rely too heavily on individuals within partner institutions. Individuals may leave the partner to work elsewhere or, as is often the case in public agencies, be rotated to another department.

It is important to work towards partners, as entities, 'embedding' new behaviours and practices, so that the concept and process of change manifests itself beyond any one individual counterpart.