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Itad

Evaluation of the market systems development approach

Lessons for expanded use and adaptive management at Sida

Volume I: Evaluation Report



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Foreword

Development processes are increasingly recognized as complex and non-linear, involving multiple actors, potential power struggles and behavior change – rather than a ‘mere’ addition of physical, financial and human resources. This poses a challenge for the way international development assistance has traditionally been programmed, implemented and followed up; at the same time, it opens doors for new partnerships and ways of working.

The Doing Development Differently (DDD) community – a network of development professionals in funding agencies, civil society organizations, government bodies and consultancies from a wide range of countries and sectors – has distilled a set of key principles for achievement of sustainable results. These include locally owned problem formulation, mobilization of a wide spectrum of relevant stakeholders, iterative and adaptive programming, and risk management by taking ‘small bets’. But what does it take for a donor agency such as Sida to fully work in this spirit? How to strike a balance between on one hand the need for accountability, foresight, minimal risk, and formalized ways of working induced by its public mandate, with on the other the need for continuous learning, high quality risk management, and an ability to adjust programs and partnerships to better reflect the processes of development it engages in?

To shed further light on this, Sida commissioned an evaluation in 2017 to draw lessons from its past and present management of projects that apply a Market Systems Development (MSD) approach. The MSD approach embraces the DDD principles and Sida has used it in various forms in its programming for two decades, that is, during varying internal and external regulatory and procedural regimes. Currently, it is being applied in an increasing number of sectors and Sida partner countries. The evaluation had the dual purpose of (i) contributing to the improvement of future MSD programming, and (ii) to generate recommendations on how Sida may create conducive conditions for systems approaches and adaptive management more generally.

We wish to express our thanks to the evaluation team and gratitude to all individuals – including staff in Sida and its partner organizations – who have invested time and interest in the evaluation. The evaluation process served as a learning tool for Sida and an opportunity to reflect on our own ways of working. The evaluation has informed a review of Sida’s rules, procedures and practices that was ongoing in parallel, and fed into the formulation of Sida’s Vision 2023 by identifying areas critical for strengthening the capacity of the organization to work adaptively with market systems development and beyond.

Sven Olander
Head of Evaluation Unit

Table of contents

Foreword	i
Table of contents	ii
Abbreviations and acronyms	iv
Preface	vi
Executive summary	vii
1 Introduction.....	1
1.1 Purpose and focus of the evaluation.....	1
1.2 Structure of this report.....	1
2 Background	4
2.1 Emergence of doing development differently	4
2.2 Traditional development approaches.....	5
2.3 Doing development at Sida	7
2.4 Towards the MSD approach.....	7
3 Methodology	10
3.1 Evaluation design	10
3.2 Limitations.....	11
4 Sida's MSD portfolio and relevant practices.....	13
4.1 Evolution of Sida's portfolio of MSD projects	13
4.2 Shifts in Sida's practices of relevance to the MSD approach	16
4.3 Factors driving the emergence of Sida's MSD portfolio	23
5 Sida's management of its MSD portfolio	25
5.1 Design and approval	27
5.2 Partner selection	37
5.3 Agreements and contracts	43
5.4 Implementation and management	47
5.5 RBM and evaluation.....	55
6 Conclusions and recommendations	65
6.1 Conclusions	65
6.2 Recommendations	70

Annexes.....	77
Annex 1: Terms of reference	78
Annex 2: Approach and methodology	88
Annex 3: References	99
Annex 4: List of people consulted	102
Annex 5: Considerations to be included in Sida MSD project management guidance	112

Figure index

Figure 1: Evaluation questions	2
Figure 2: Traditional v MSD projects.....	8
Figure 3: The 'M4P doughnut'	8
Figure 4: Summary of evaluation approach and methodology.....	10
Figure 5: Timeline of Sida's MSD projects.....	15
Figure 6: A generic project management cycle	25
Figure 8: Adaptive triangle.....	48
Figure 9: Commonalities between MSD and DDD	66
Figure 10: Summary of recommendations	71
Figure 11: Summary of evaluation approach and methodology.....	88
Figure 12: Evaluation questions	89
Figure 13: Organisational capacity framework	90

Table index

Table 1: Case studies project sample.....	3
Table 2: Commonalities between MSD and DDD	66
Table 3: Desk review project sample.....	94
Table 4: Evaluation matrix	95

Box index

Box 1: LI-WAY: Case study highlight.....	30
Box 2: Are MSD projects more risky?	32
Box 3: Trac 7.0: Appraisal of monitoring method	33
Box 3: Trac 7.0: Appraisal of design.....	35
Box 5: Trac 7.0: Planning the quality assurance process	35
Box 6: The procurement of GROW in Liberia	40
Box 7: Trac 7.0: Appraisal of organisational capacity and risk	42
Box 8: GROW and FSD Zambia: Case study highlights	45
Box 9: The Adaptive Triangle	49
Box 10: Musika: Case study highlight.....	51
Box 11: Trac 7.0: Appraisal of objectives and theory of change	60
Box 12: Trac 7.0: Appraisal of RBM capabilities	62
Box 13: Vehicles for engagement and communication.....	91
Box 14: SDC guidelines on the role of a funder program manager	116

Abbreviations and acronyms

ADB	Asian Development Bank
AKF	Aga Khan Foundation
AMDT	Agricultural Markets Development Trust
ASI	Adam Smith International
B4D	Business for Development
BEAM	Building Effective and Accessible Markets
CAVAC	Cambodia Agricultural Value Chain
CGAP	Consultative Group to Assist the Poor
CORE	Committee for Review
DAC	Development Assistance Committee
DCED	Donor Committee for Enterprise Development
DDD	Doing Development Differently
DFAT	Department of Foreign Affairs and Trade (Australia)
DFID	Department for International Development (UK)
ECDPM	European Centre for Development Policy Management
EQ	Evaluation Question
FISK	Förordning om intern styrning och kontroll (Statute on internal management and control)
FIT-SEMA	Small Enterprise Media in Africa
FSD	Financial Sector Deepening
FSDZ	Financial Sector Deepening Zambia
HQ	Headquarters
ILO	International Labour Organisation
INEC	Department for Infrastructure and Economic Cooperation (Sida)
LI-WAY	Livelihoods Improvement for Women and Youth
M&E	Monitoring and Evaluation
M4P	Making Markets Work for the Poor
MDF	Market Development Facility
MEL	Monitoring, Evaluation and Learning
MFA	Ministry for Foreign Affairs
MSD	Market systems development
NGO	Non-governmental Organisation
ODA	Official Development Assistance
ODI	Overseas Development Institute
OECD	Organisation for Economic Co-operation and Development
PbR	Payment by results
PRODERT	Project on Rural Economic Development and Markets for the Poor

ABBREVIATIONS AND ACRONYMS

PSD	Private Sector Development
QA	Quality Assurance
QAC	Quality Assurance Committee
RBM	Results-based management
SDC	Swiss Agency for Development and Cooperation
SECO	State Secretariat for Economic Affairs
SEEP	Small Enterprise Education Promotion Network
Sida	Swedish International Development Cooperation Agency
SME	Small and medium-sized enterprises
SNV	Netherlands Development Organisation
SPEDA	Stimulating Private Sector for Inclusive Economic Development
TOC	Theory of Change
TOR	Terms of Reference
TWP	Thinking and Working Politically
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
WEESMS	Women's Economic Empowerment through Strengthening Market Systems
WFP	World Food Programme
WIN	Women and Financial Inclusion

Preface

This evaluation has been undertaken by an independent team from Itad. It was commissioned by the Chief Evaluator's Team at the Unit for Thematic Support and Evaluation at Sida's Department for International Organisations and Policy Support, subsequently the Evaluation Unit at the Department for Organisational Support.

The evaluation was managed by a Steering Group at Sida composed of Pernilla S. Rafiqui (Senior Monitoring and Evaluation Specialist), Gun Eriksson Skoog (Senior Policy Specialist for Employment), Åsa Heijne (Senior Advisor for Market Development), and Karolina Hultström (Head of Unit for Learning and Organisational Development).

The authors would like to thank the Steering Group and the many others who have provided valuable contributions to the evaluation (listed in Annex 4).

Executive summary

BACKGROUND AND PURPOSE

This evaluation was commissioned by Sida to inform ongoing reviews of many of its practices and ways of working. There is a recognition within the development community that some ‘traditional’ approaches to development programming have often failed to address the underlying causes of poverty. The Market Systems Development (MSD) approach provides an example of an alternative approach. By examining Sida’s management of its portfolio of MSD projects, this evaluation has a dual purpose of: (i) contributing to the improvement of future MSD programming at Sida; and (ii) generating recommendations on how Sida may create conducive conditions for systems approaches and adaptive management more broadly.

EVALUATION QUESTIONS

The evaluation focused on Sida’s management of the MSD projects and programs that it funds. It was guided by the following questions:

1	What distinguishes the MSD approach from more traditional projects or programs that Sida supports?
2	What does the specificities of the MSD approach imply for funder’s management of such programs?
3	How have other main funders of MSD programs addressed these implications?
4	How has Sida’s portfolio of MSD projects and programs evolved over time?
5	What major changes in Sida’s practices of relevance to the MSD approach has occurred at Sida, during the lifetime of the portfolio?
6	How well has Sida handled the requirements that the MSD approach poses on a funder, in its management of MSD projects and programs? What have the main supporting and hindering factors for programming and implementing of such programs been?
7	What role has Sida aimed to take at the various programming phases, and what role did Sida take?
8	What lessons can be drawn from Sida’s experience with MSD project and programs regarding its methods of management of such programs?
9	What implications can be drawn for Sida more broadly with regards to creating conditions that allow for programming that reflect complex contexts and adaptive management more broadly?

METHODOLOGY

The evaluation applied a conceptual framework for understanding organisational capacity (policies, guidelines and systems; staff capacities; and organisational culture). It was **utilisation focused**, with a strong emphasis on learning from the evaluation process itself. It included a series of workshops and learning sessions in addition to interviews, field visits and desk studies.

We applied a **process evaluation** approach to identify critical processes in the MSD project cycle, to assess whether these processes were implemented as planned, and to consider how this influenced the effectiveness of MSD programming at Sida. We used data and documents from existing sources external to Sida to respond to the evaluation questions 1-5 and we used a case study-based approach to assess how Sida manages the requirements of the MSD approach and to inform the recommendations (evaluation questions 6-9).

The unit of analysis for the case studies was individual MSD projects funded by Sida. Based on jointly agreed selection criteria, we used eleven case studies and three field visits to draw lessons – both relating to MSD programming and adaptive management more broadly. We structured our case study findings according to the key stages of a generic project management cycle. We drew conclusions of relevance to this cycle, but also for Sida’s organisational capacity more generally.

The evaluation was conducted between January and October 2018.

SIDA’S MSD PORTFOLIO

The MSD approach

MSD has emerged in the past two decades as a way to better deliver large-scale, sustainable development impact to poor and disadvantaged people. It provides a framework to understand the institutional underlying causes of negative development outcomes and a method of intervening in market systems to achieve poverty reduction sustainably. Three important features set the MSD approach aside from more traditional development approaches:

- (i) **Facilitation:** MSD projects recognise that they are external players, standing outside of the market system, whose role is to stimulate and support changes in the way the market works. By doing this, project results are more likely to be sustainable.
- (ii) **Market system-centric:** MSD intervention design is based on an identification and analysis of how a market system is failing poor people and what is causing the status quo.
- (iii) **Adaptation:** MSD projects test hypotheses and learn from experience. Successful activities are scaled-up while unsuccessful are adjusted or closed. Monitoring systems are designed to provide real-time information to improve project performance.

The MSD approach has significant implications for funders. In the pre-implementation phase, funders should not require (or accept) detailed project design, plans or indicators before comprehensive diagnostics, analysis and relationship building has taken place. Funders also need to select partners with the right skills sets for MSD implementation (facilitation, relationship building, entrepreneurialism, risk taking, supporting a culture of learning). Facilitation normally means that the share of project budgets allocated to staff costs is higher than for other projects and to achieve systemic change, projects typically have to be long-term, with the early years dedicated to piloting and experimentation. Moreover, they need to balance legal accountability in their contracts and agreements with room for adaptation.

During implementation, funders need to set up procurement, commissioning and systems that allow agency and space for adaptive projects to operate. Clear and transparent guidelines are needed so that implementing partners understand the level of flexibility available to them. MSD projects often require more funder time and resources to keep abreast with developments and to ask critical questions about strategy, results, failures, adaptation and learning. Funders must carefully consider what the implementer should be held accountable for and they should require comprehensive monitoring systems that support frequent and comprehensive analysis in order to inform adaptation. They should consider longitudinal evaluation contracts where evaluators work with implementers at the outset to ensure that the project is evaluable and to support and complement project monitoring.

Yet, we conclude that MSD is not intrinsically different from how most development cooperation *should* be pursued. Several of Sida's other fields of work – e.g. democracy, human rights and freedom of expression, gender equality, and conflict, peace and security – also face complex, context-specific, non-linear and political development processes that conventional development interventions often fail to take into account.

Sida's MSD portfolio

Sida's MSD portfolio includes a total of 35 projects, of which 27 were running in 2018. The average duration is 4.6 years (including extensions) with an average budget of SEK 78 million. Sida has funded a variety of organisations as implementing partners: multilateral agencies, independent trusts, international NGOs and private contractors. The agricultural and financial sectors are two main focus markets, but fisheries, tourism, and off grid energy have also been supported. Decent work and women's economic empowerment are common themes across the portfolio.

There has been a surge of MSD programming by Sida since 2010. This has been driven by three factors:

- Growing formal recognition of MSD as an approach that Sida should follow in its development programming.
- A bottom-up drive: while formal recognition played a part, the early emergence of MSD projects was driven by a small number of individuals within Sida.

- New guidelines for results strategies that were introduced in mid-2013, which led to a more cross-sector view of development programming in Sida and, in some cases, provided a stronger foundation for MSD interventions.

FINDINGS AND CONCLUSIONS

Design and appraisal

The majority of our eleven case studies included project designs that are well aligned to MSD principles. When this was not the case, weaknesses included:

- (i) Appraisal documents that were weak in identifying the extent to which project designs provided a framework in which MSD principles could be successfully operationalised and designs that were not underpinned by strong analysis and robust theories of change.
- (ii) Six projects had short (i.e. two to three-year timeframes) at least in their initial phase.
- (iii) Several projects pre-committed project funds to activities at the beginning of a project, leaving little resource to respond to emerging needs or opportunities.

During appraisal, Quality Assurance Committees (QACs) have often questioned factors that are considered good practice in MSD project design, such as a lack of detailed activity plans, detailed results frameworks or phased budgets. Trac 7.0 guidance recognises this and is more flexible and pragmatic about when activities and results should be specified.

In at least two cases, Sida's appraisal process has threatened to undermine MSD project designs due to a focus on due diligence related to fiduciary risk and anti-corruption (minimising risk), rather than assessing the capacity of implementers to pilot, experiment and take managed risks.

We found that Sida's appraisal process does not consistently ensure good quality MSD project design. We conclude that addressing this requires a process that:

- Considers more prominently the requirements of MSD or other systems and adaptive programming approaches. Sida personnel involved in project design and appraisal – program managers, controllers, legal advisors, and decision makers – need sufficient understanding of the implications of adaptive programming for design so they can set the scope of the appraisal process and frame the primary considerations of the QAC accordingly.
- Undertakes a more nuanced assessment of programmatic risk. This should include consideration of the risks of design not being based on robust analysis, not supporting adaptation in evolving contexts, and the selection of implementing partners with inadequate skills or experience (and inadequate strategies for addressing capacity gaps where they exist).

Partner selection

Sida has in many cases found it challenging to find suitably qualified organisations (or consortia) to implement MSD programs in the countries where it operates. Through its appraisal process, Sida puts significant effort into assessing the capabilities of potential recipients of funding. However, these assessments focus on ‘general capabilities’ including, for example, organisational structure, governance, general management and financial management systems. Where technical capabilities are considered, this is often restricted to thematic or sector knowledge or experience. Considerably less effort and structure is normally applied to the assessment of ‘MSD capabilities’, i.e. the extent to which potential recipients have access to the knowledge, the skills and the organisational culture required for effective MSD programming.

In most of the cases where gaps in implementing partner MSD capabilities exist, there has not been a purposeful and explicit strategy for addressing these gaps. We found no examples of where QACs had questioned the process by which MSD capabilities would be strengthened.

Sida rarely procures private contractors as implementing partners, which is partly due to the lack of precedents or guidelines for the procurement of an MSD implementer.

We conclude that the selection of suitably qualified implementing partners is crucial to the success of a project. Sida needs to consider more carefully the familiarity of implementing partners with systemic approaches and adaptive programming, their knowledge of the country context, and the existence of a mindset or culture that is conducive to facilitation, risk taking, openness, learning and adaptation (Trac 7.0 emphasises more clearly the importance of considering implementing partners’ capacity in appraisal than was previously the case). Sida also needs to ensure that project design includes an explicit strategy for addressing capacity gaps where these are identified. An interpretation of the Swedish legal framework for procurement that supports the use of competitive procurement and allows engagement with the bidding organisations over and above assessment of the written submissions would help Sida address the challenge of findings suitable qualified organisations to implement MSD projects.

Agreements and contracts

We found no major impediments to MSD programming in Sida funding agreements. However, clarity is required on the degree of flexibility available to implementers in adapting project strategy and the points at which Sida engagement or approval is needed.

We conclude that there are elements found in some agreements, that if adopted more broadly, would positively influence project design and implementation. These include (i) explicit reinforcement that a particular approach (such as MSD) should be followed; and (ii) longer contract periods with ‘break clauses’ in contracts to provide Sida with leverage over implementers in case of performance problems

and the ability to manage uncertainty and mitigate risk without resorting to short project time-frames.

Implementation and management

Sida is perceived by implementers to be approachable and flexible as long as proposed changes are well evidenced and justified. For this to work, Sida must trust the ability of the implementing partner to deliver the project well, and effective engagement mechanisms (both formal and informal) are key to establishing trust. Trusted project teams have been allowed to implement projects without distortionary pressures from Sida. However, we found two examples where Sida or co-funders' involvement has encroached on the implementing organisations' independence.

Close engagement by Sida with implementing partners is required, particularly in the inception period. This requires an investment of time to get to grips with the detail of project strategy and familiarity with the MSD approach.

We conclude that the relationship between Sida and its implementing partners is critical – Sida needs to support and encourage a learning culture on the projects it funds. This is partly about communication and incentives: partners need to be convinced that it is safe and in their interest to work without the type of rigid frameworks they have come to expect from donors, and to manage greater risks. This requires a combination of soft skills and confidence to engage technically.

RBM and evaluation

The Donor Committee for Enterprise Development (DCED) Standard for Results Measurement provides well-established good practice for RBM in MSD. However, it has not been used proactively within Sida's MSD portfolio. About half of the case study projects reported that they follow the DCED Standard. Yet there is no evidence that they, or any other implementers, proactively used theories of change (TOCs) for reviewing project progress, or adapted them in the light of new information or changed circumstances.

Sida is intentionally un-prescriptive about how results are defined – both for project appraisal and for subsequent reporting. This has led to uncertainty amongst Sida staff – particularly among less experienced and more isolated program officers – and we found four examples where highly specified results frameworks were developed before detailed market analysis had been undertaken.

Limited guidance has been provided by Sida to implementing partners on its reporting requirements. Two implementing partners told us that this lack of guidance meant that they had to second guess Sida's requirements in developing their results reporting systems, which led to higher inefficiencies and transaction costs that might otherwise have been the case.

Project evaluation has been used inconsistently, leading to missed opportunities for course correction and strategic learning. Although all case study projects

envisaged external evaluation at some point in their lifespan, this has so far only taken place three times, and only one of these was regarded by Sida staff as valuable.

In at least four of our case studies, Sida program officers have faced challenges in managing the performance of implementing partners. This is due to: (i) a lack of clarity on the tools that can be used to enforce accountability; (ii) constraints in program officer RBM capacity; and (iii) disbursement pressures, which can compromise efforts to pause and reflect on project performance.

We conclude that Sida is not systematic in ensuring that its MSD projects apply strong RBM. Few Sida personnel working with MSD have extensive training, guidance or experience in RBM, and this is a deficit that needs to be addressed. Mainstreaming the use of ToCs and the DCED Standard across Sida's MSD portfolio would strengthen RBM. Further guidance on the appropriate time, and level, at which results should be defined and adjusted throughout the project would support and incentivise implementing partners to facilitate long-term sustainable change.

Sida does not use external evaluation effectively to support oversight, learning and adaptation. For this to happen, there is a need for firm commitments to evaluation in project planning and for capacity development of Sida personnel for commissioning evaluations.

Beyond the lens of individual projects, RBM is not strongly institutionalised in embassies. Our discussions with embassy staff during the case study country visits highlighted that there are no clear mechanisms for systematic learning and adaptation between projects and at the country portfolio level.

Leadership and incentives

We have not seen evidence of strong and consistent endorsement by leadership of the value of MSD and other adaptive management approaches. This has contributed to some of the shortcomings we have identified. Stronger leadership endorsement would contribute to improved programming in numerous ways, for example:

- **During appraisal**, managers have a critical role to play in establishing and resourcing QA systems to ensure they are resourced appropriately to ensure that project design is conducive to adaptive management.
- **In developing country strategies**, by endorsing such approaches and embedding formal learning cycles into the roll-out of strategies.
- In ensuring that **Sida invests in building the organisational and staff capacities** that are required (see below for further discussion of this point).

Capacity

Sida needs to respond to the complexities of managing for systemic approaches and adaptive programming by ensuring there is sufficient capacity both in organisational and human resource terms. While this applies primarily to Sida staff, it is also relevant to implementing partners. With respect to MSD:

1. **Sida needs invest more in building MSD capacity internally.** Effective adaptive management for MSD creates a need for significant technical capabilities on the part of Sida's staff engaged in MSD projects. While increased capacity is needed most amongst program officers and thematic specialists (in terms of their know-how, experience and confidence), it is also required among others involved in the MSD project cycle, such as managers and controllers.
2. **Program officers have emphasised the value of the support they receive from thematic specialists in the regional departments and its Policy Specialists within Sida's Policy Unit (TEMA).** The Network for Employment and Market Development and its 'Hub' are also highly regarded. However, the number of MSD / private sector thematic specialists at Sida HQ is inadequate compared to the number of operational staff they are expected to support and the articulated network member demand for support on the MSD approach.
3. **Our case studies identified a range of vehicles that can be used to build capacity.** In addition to training, capacity can also be developed through dialogue and exchange of experience, including collaborative relationships with implementing partners and between Sida colleagues within the Network for Employment and Market Development. Such opportunities are used occasionally, but there is under-investment in this area.
4. **We have seen good examples of how the capacity of Sida staff can be complemented through the use of external consultants in both the pre-implementation and implementation stages of projects.** Such support can be used to support project design and appraisal, as well as ongoing review and management of implementer performance.

RECOMMENDATIONS

Our findings have identified improvements that Sida can make to achieve more effective programming across each of the three elements of organisational capacity: (i) organisational culture; (ii) staff capacity; and (iii) rules, guidelines and systems. Although the evaluation has focused on Sida's MSD programming we believe that our recommendations are of relevance to broader programming at Sida.

Summary of recommendations

	General programming	MSD
Organisational culture	1. Leadership should more actively and consistently support and incentivise a culture of experimentation and active learning to inform adaptive management.	2. Sida's Policy Unit needs to be better resourced to more strongly institutionalise the MSD approach.
Staff capacity	3. Develop an explicit strategy for knowledge management, human resource development, capacity development and training in: (i) MSD; and (ii) broader adaptive management.	
Rules, guidelines and systems	4. Systematise project and country strategy learning cycles.	5. Develop guidelines on MSD project management.
	6. Adjust contracts and funding agreements to: (i) provide greater clarity on the degree of flexibility available to the implementer; and (ii) provide more robust tools to enable Sida to better manage instances where implementers are under-performing.	

Organisational culture

1. Leadership should more actively and consistently support and incentivise a culture of experimentation and active learning to inform adaptive management.

The effective application of MSD and other approaches that involve systems thinking and adaptive program management require different behaviours of Sida's staff compared to traditional development programming. If Sida recognises the value of the Doing Development Differently (DDD) agenda and the good practice of the MSD approach, its leadership should explicitly and consistently endorse this, support the organisation to create opportunities to apply its practice, and provide incentives for staff to do so.

Leadership's engagement in appraisal, funding decisions and staff performance management should encourage approaches that are experimental, adaptive, and systems-based. Embassy staff and Sida senior management need to support and encourage staff to actively seek out and learn from robust evidence and take action based on this¹. Beyond this, leadership needs to consistently communicate the importance of results and learning, detailing both how results data informs decisions and the value and benefit this will bring to the achievement of development outcomes. Senior managers should also be seen to be probing other people's decisions, asking staff what evidence has been considered and how initiatives have been shaped by it.

¹ We provide a separate recommendation (Recommendation 4) on how this could be institutionalised.

A culture of adaptive management and active learning also requires appropriate incentives. Staff need to be accountable for this: if their performance is evaluated solely on spending according to plan, then this is where their attention will focus. Effective adaptive management involves risk taking and requires a willingness to acknowledge and learn from failure. It also requires that time is spent on considering evidence, reflecting on its implications and agreeing what to do differently. Managers need to model this, prioritising time to review, reflect and learn from results.

2. Sida's Policy Unit needs to be better resourced to more strongly institutionalise the MSD approach.

The growing investment that Sida is making in MSD programming points to a need for the approach to be more strongly institutionalised within the organisation. Better resourced support for MSD from Sida's Policy Unit (TEMA) is required to drive our other recommendations that are specific to institutionalising MSD and improving Sida's practice in this area, and would send strong signals to staff of the value that Sida attaches to the approach. This would also enable investment in stronger links between TEMA and other methods units that oversee Sida's approaches in several areas that are crucial to MSD (such as RBM, evaluation, and contribution management).

Staff capacity

3. Develop an explicit strategy for knowledge management, human resource development, capacity development and training in: (i) MSD; and (ii) broader adaptive management.

MSD

A consistent theme running through our evaluation findings has been the need for greater investment in MSD capacity within Sida. An explicit strategy is required for this. Some specific suggestions of what this should include are outlined below.

- **Written guidelines for Sida staff on MSD project management** (see Recommendation 5).
- **Formal training** on the MSD approach and its management from Sida's perspective, which is explicitly designed to support the practical application of the written guidance by Sida staff and implementing partners (see Recommendation 5).
- **Peer learning and coaching.** This could be strengthened through increased internal resource dedicated to MSD in TEMA (see Recommendation 2) and coordinated through the Network for Employment and Market Development.
- **External backstopping support, for example, through the creation of an MSD learning resource centre.** This would provide specialist technical advice and support on MSD that can be accessed where this expertise is not available within Sida.

Broader adaptive management and systems approaches

The recent changes to Sida's contribution management system (through Trac 7.0 and associated guidance) provide a strong platform for Sida to embed systems approaches and adaptive management more consistently in its programming. In addition to an understanding of Trac 7.0 guidance², all staff involved in the management of contributions that apply such approaches (including for example, managers and controllers) need a sound understanding of the principles of these approaches and their implications.

The specialist MSD capacity building recommended above should be targeted at program officers and advisers whose roles are focused on MSD. Other staff would benefit from more general but tailored guidance and training on the implications of adaptive management for Sida's role in contribution management, including for example, in appraisal, RBM and evaluation.

Rules, guidelines and systems

4. Systematise project and country strategy learning cycles.

The systematisation of learning cycles at Sida would contribute to better learning and adaptation. This should happen at two levels – projects and country portfolios. At each level, the learning process should include: (i) identification of key learning themes at the beginning of a project or country strategy; (ii) an explicit identification of the processes, analytical approach, and resources for this learning to take place; and (iii) a clear mechanism for learning to feed into the adaptation of project interventions or country portfolios. Importantly, analysis should be informed by engagement with Sida's implementing partners and other relevant actors – helping to ensure that Sida's interventions are politically smart and locally led.

At the project level, more formalised learning could be instituted into annual reviews. At key project stages (e.g. the end of an inception phase and at midterm), the learning process could be further formalised in a similar way to project appraisal and include Sida staff involved on the QAC.

At the country portfolio level, a starting point would be that country strategy operationalisation plans are framed in a problem-led manner. For example, a plan might be defined around the problem of extreme poverty and lack of empowerment of women in a particular disadvantaged region. As well as providing the anchor for the plan, the defined problem(s) would drive the specification of learning themes which in turn would guide requirements for periodic analysis to inform this learning. This would require that projects are considered more as evolving parts of an organic portfolio rather than a series of discrete interventions, with Sida's managers empowered to adapt Sida's portfolio in response to learning and changes in context.

² Although there has not been comprehensive training for program officers on Trac 7.0, some support has already been provided. This has included embassy visits, clinics where staff can discuss acute issues with Trac experts, and a series of videos to explain features of the new version.

5. **Develop guidelines on MSD project management.**

Those involved in MSD projects would benefit from tailored guidance on the role of Sida in MSD project management across the cycle. This should complement and build on the guidance already provided through the new Contribution Management Rule and Trac 7.0. Detailed suggestions on what this guidance should contain are provided in Annex 5.

While the primary audience for these guidelines is MSD program officers, they would also be an important resource more broadly within Sida (for example for others involved in project appraisal) and for consultants and project implementers working with Sida on MSD projects. Such guidelines would also be of benefit to other areas of programming and Sida should consider developing similar tailored guidance for other thematic areas.

6. **Adjust contracts and funding agreements to: (i) provide greater clarity on the degree of flexibility available to the implementer; and (ii) provide more robust tools to enable Sida to better manage instances where implementers are under-performing.**

The evaluation has found that Sida's relationship with implementing partners would be strengthened by greater clarity on the degree of flexibility available to the implementer. Funding agreements should explicitly set out which parts of the project design are fixed or subject to adjustment, according to the following three categories:

1. **Areas which are fixed.** These should generally include (i) high-level project objectives; and (ii) the overall approach and behaviours expected of the implementer. In the case of MSD, this should include following the MSD approach, embedding sound RBM into the project (for example through applying the DCED Standard), and playing the role of a facilitator.
2. **Areas which are subject to adjustment with approval by Sida.** These might include, for example: (i) significant changes to project strategy, such as geographical or value chain focus; and (ii) changes to the project results framework; (iii) significant adjustments to the implementing team.
3. **Areas which are subject to adjustment without the need for approval by Sida.** These might include: (i) minor changes to the allocation of budget; and (ii) shifts to intervention plans.

We recommend that Sida introduces more formalised tools to enable it to manage implementer under-performance, including:

- **Special measures:** Where concerns about project performance are raised by the program officer, a formal process of intensive performance review should be initiated. This review would involve an escalation beyond the program officer (e.g. to those involved on the appraisal Quality Assurance Committee). If performance does not improve within a specified period of time, contracts and funding agreements should provide Sida with the right to either (i) withhold funding until performance has improved; or (ii) terminate the funding agreement or contract.

- **Break clauses:** Identification of formal review points at key stages in the project cycle (e.g. at the end of inception phase or midterm) at which Sida reserves the right to terminate the contract or funding agreement if performance is deemed to be unsatisfactory. These review points should be linked to institutionalised formative evaluation and learning cycles that engage Sida staff.

Linking back to Recommendation 5, these tools need to be complemented by clear guidelines to program officers on what to hold implementers to account for and how this can be assessed.

1 Introduction

1.1 PURPOSE AND FOCUS OF THE EVALUATION

Sida has appointed Itad to undertake an evaluation of its management of the MSD approach (see Annex 1 for Terms of Reference). The evaluation was conducted between January and September 2018.

It has a dual purpose:

- To contribute to improved MSD programming by Sida through better management practices across the project cycle.
- To generate recommendations on how Sida can create conducive conditions for systems approaches and adaptive programming more generally.

While Sida is the primary intended audience of the evaluation, the evaluation also provides insights which will be of interest to those outside of Sida, including its MSD implementing partners, other funders of MSD projects and the wider MSD community worldwide, and funders of projects that are apply adaptive programming and systems approaches.

The evaluation focuses on Sida's management of MSD projects. Its design has been formative and participatory, with a strong emphasis on learning from the evaluation process itself – particularly by Sida staff. In considering Sida's management of MSD projects, the evaluation has assessed how both policy and practice have evolved, and how they vary across the organisation. In doing this, the evaluation includes a consideration of the inter-relationship between Sida's management and the processes of its implementing partners.

1.2 STRUCTURE OF THIS REPORT

This evaluation report consists of two volumes. This document contains Volume 1 (the main report). Volume 2 contains the evaluation case studies.

Volume 1 is structured as follows:

- **Section 2** describes the background to the evaluation.
- **Section 3** presents an overview of our methodology.
- **Section 4** describes the evolution of Sida's MSD projects over time and the factors that may have influenced this.
- **Section 5** presents our findings relating to Sida's (i) good practice in the management of MSD projects; and (ii) the approach followed by Sida and lessons that can be drawn from this.

- **Section 6** provides our conclusions and recommendations, including suggestions of the implications of our findings for Sida's programming beyond MSD.

The sections, in turn, respond to the nine evaluation questions included in the terms of reference as follows:

Figure 1: Evaluation questions

EQ 1: What distinguishes the MSD approach from more traditional development projects or programs that Sida supports?	Section 2
EQ 2: What does the specificities of the MSD approach imply for funders' management of such projects?	Section 5
EQ 3: How have other main funders of MSD projects addressed these implications?	
EQ 4: How has Sida's portfolio of MSD projects evolved over time?	
EQ 5: What major changes in Sida's practices of relevance to the MSD approach have occurred at Sida, during the life time of the portfolio?	Section 4
EQ 6: How well has Sida handled the requirements that the MSD approach poses on a funder, in its management of MSD projects? What have been the main supporting and hindering factors for programming and implementing of such projects?	Section 5
EQ 7: What role has Sida aimed to take at the various programming phases, and what role did Sida actually take?	
EQ 8: What lessons can be drawn from Sida's experience with MSD projects regarding its methods of management of such projects?	
EQ 9: What implications can be drawn for Sida more broadly with regards to creating conditions that allow for programming that reflect complex contexts and adaptive management of other types of interventions that Sida supports?	Section 6

Volume 1 contains five annexes:

- **Annex 1:** Terms of reference for the evaluation.
- **Annex 2:** Approach and methodology.
- **Annex 3:** References.
- **Annex 4:** List of people consulted.
- **Annex 5:** Suggestions of what to include in the recommended Sida MSD project management guidance.

Volume 2 of the evaluation report contains detailed findings from the eleven MSD projects that form the case studies of the evaluation (listed in Table 1).

Table 1: Case studies project sample

	Country	Project	Sida budget	Program years
1	Afghanistan	Road to Jobs	USD 7.6m	2014-2018
2	Afghanistan	Stimulating Private Sector for Inclusive Economic Development (SPEDA)	SEK 192m	2015-2020
3	Bangladesh	Women's Economic Empowerment through Strengthening Market Systems (WEESMS)	SEK 65m	2016-2021
4	Sri Lanka	EnterGrowth	USD 5m	2005-2009
5	Guatemala	Project on Rural Economic Development and Markets for the Poor (PRODERT)	SEK 125m	2013-2021
6	Liberia	GROW	SEK 141m	2014-2018
7	Rwanda	Promoting Decent Work in Rwanda's Informal Economy (Decent Work)	SEK 28m	2017-2020
8	Tanzania	Agricultural Markets Development Trust (AMDT)	USD 6.6m	2016-2020
9	Zambia	Musika	USD 44m	2011-2021
10	Zambia	Women and Financial Inclusion (WIN)	SEK 28m	2016-2019
11	Ethiopia	Livelihoods Improvement for Women and Youth (LI-WAY)	SEK168m	2017-2022

2 Background

In this section we outline the background to this evaluation and Sida's motivation for commissioning it. We place the evaluation within the context of movements within the development community towards a recognition that 'traditional' development programming often fails to address the underlying causes of poverty. Sida recognises this and as a result, many of its practices are currently under review. MSD provides an alternative to traditional development approaches and by examining Sida's approach to managing its growing portfolio of support to MSD, this evaluation is designed to contribute to the review.

2.1 EMERGENCE OF DOING DEVELOPMENT DIFFERENTLY

Many actors in the development community have long been aware of the complex challenges of development. For example, reform-minded actors in southern governments, civil society movements in the 'south' and non-governmental organisations (NGOs) throughout the world have emphasised the importance of the following factors in ensuring effective ways of working for sustainable improvements in the lives of poor people:

- Identifying problems in local contexts, with the involvement of local actors.
- Analysing and addressing power imbalances.
- Working with a wide range of stakeholders and fostering local ownership by those most relevant, e.g. government, civil society, private sector actors.
- Supporting local reform-minded actors.
- Iterative and adaptive approaches, often including taking several small bets and focusing on the most promising and learning from failure.
- Supporting capacity and relationship development rather than stepping in to plug gaps.
- Focusing on changing behavioural norms through altered incentives.

However, the fact that many of these actors are dependent on ODA funding has often inhibited or prevented them from pursuing development in these ways.

This has meant that challenges to ODA donor orthodoxy have tended to come from development thinkers in academic and research institutions.³

³ There have been exceptions in donor agencies: for example, human rights-based approaches have been pursued by donors since the 1990s.

Since 2010, there has been a groundswell of activity aimed at reforms in donor agencies. The primary focus has been to challenge the results agenda and enable the pursuit of what has become known as 'doing development differently' (DDD). Some notable moments in this agenda are:

- The Big Pushback and Big Push Forward meetings in 2010 and 2013 which were a deliberate reaction to the results agenda.⁴
- A 2014 workshop⁵ hosted by the Harvard Kennedy School and the Overseas Development Institute that spawned the DDD community and movement which has since gathered scale and remarkable momentum.
- In parallel, a smaller network has explored the closely related concept of thinking and working politically (TWP).

Significantly, these more recent movements are not confined to academics and NGO activists. Staff from donor and multilateral agencies such as DFID, the World Bank, UNICEF and Sida have taken prominent positions on DDD platforms. Donors have fostered internal networks around DDD and TWP and a few have begun to institutionalise aspects of these movements, initially through analytical approaches such as political economy analysis, and more recently through organisational, process and personnel changes. DFID for example has made widespread changes to program rules and has established a Better Delivery Unit which is strongly influenced by DDD principles. Nevertheless, the shift towards approaches that explicitly address complexity and uncertainty is by no means universal across donor agencies or consistent within them.

2.2 TRADITIONAL DEVELOPMENT APPROACHES

Achieving sustainable improvements in the lives of poor people at scale is notoriously challenging. The causes of poverty are often rooted in complex systems characterised for example by weak or captured institutions and the intersectionality of disadvantage – relating to factors like gender, ethnicity and disability. These problems are therefore rarely susceptible to purely technical fixes, particularly if they are pre-determined, imported from outside, and implemented as short-term, stand-alone projects. When change occurs, it often happens in unpredictable ways and over uncertain time frames.

However, decisions on how to use aid to address poverty and disadvantaged are traditionally based on applying 'best practice' in the context of pre-determined, linear, cause and effect scenarios. While the language used can vary, the literature is consistent in associating such approaches – which we caricature in this report as

⁴ See Eyben, R., Guijt, I., Roche, C. and Shutt, C. (eds) (2015), *The Politics of Evidence and Results in International Development: Playing the game to change the rules?* Rugby, UK: Practical Action Publishing.

⁵ <http://doingdevelopmentdifferently.com/>

‘traditional development’ – with three key features: (i) direct delivery; (ii) an ‘actor-centric’ approach; and (iii) ex ante design and control.

Direct delivery: the essence of direct delivery is that it identifies a problem and addresses it directly with development resources. For example, if a small business cannot access affordable credit, it provides subsidised finance. Essentially, if the market is not delivering well, it is replaced – either directly or by project implementers (e.g. NGOs or multilateral agencies) or by paying others (e.g. the private sector) – to perform the task.

Actor-centric approach: Traditional development programming has tended to be primarily concerned with results delivered by direct recipients of project support (e.g. firms or farms), with no clear proposition for how to change the systems in which actors operate. Some ‘traditional’ projects are not entirely ‘actor-centric’ in that they express an ambition for impact beyond the project’s direct sphere of interaction. In practice, however, most have relatively few resources to support wider impact and their results frameworks focus mostly, if not entirely, on results through grant recipients.⁶

Ex ante design and control: An implicit assumption underpinning traditional development programming is that problems are identifiable in advance and amenable to ready-made solutions. Project designs applying this assumption contain objectives and detailed means of achieving them – in particular, detailed project activities and outputs. The approach assumes project control and predictability and gives little recognition to the need for trial and error, learning and adaptation.⁷

Adopting a traditional development approach is often motivated by the need to demonstrate quantifiable results in relatively short time frames. This is frequently done to appease domestic opinion and politicians that are critical of aid and demand quicker and more visible results from its use. This became known in the late 2000s as ‘the results agenda’ and official development assistance (ODA) agencies have often failed to challenge the associated narrative, finding it politically expedient to play along with it, particularly if their budgets are under threat.

However, there is growing awareness of the limitations of a traditional development approach, both within Sida and the wider development community. There is increasing recognition that practices that respond to the need for foresight and minimal risk need not necessarily conflict with those that seek to address the underlying causes of poverty.

⁶ See for example: Winters, M. and Soni, R. (2014), ‘Strategic review of the Food Retail Industry Challenge Fund’ and Oakeley, R., Stewart, T. and Taylor, B. (2014), ‘Report on the strategic review of the Business Innovation Facility operating model for delivering market systems change’.

⁷ For discussion on traditional development see for example: Aronson (1996) and Ramalingam et al. (2014).

2.3 DOING DEVELOPMENT AT SIDA

Sida has long been something of an outlier among donors in its support for local ownership and rights-based approaches. Sweden was one of the main supporters of the Paris Declaration on Aid Effectiveness in 2005, which emphasised ownership of development cooperation efforts by partner countries as a means to enhance the relevance and sustainability of aid. This support was connected to both a conviction about the importance of being partner country-oriented and a tradition of being flexible and not excessively bound by procedural rules.

However, Sida recognises that more needs to be done to optimise its management of development cooperation in the face of complexity and unpredictability. There is interest in learning further how Sida can best manage contributions that require adaptation and flexible thinking and better take account of systems development thinking.

Sida's support to MSD provides an example of how Sida has sought to 'do development differently' in recent decades. Several of the principles of today's Doing Development Differently (DDD) movement are foundational to MSD (or Making Markets Work for the Poor [M4P] as it was once more commonly known). M4P began to emerge as a concept around the turn of the century and was one of the first areas where development approaches addressing complexity and involving adaptation were taken up by donors on a large scale.

MSD therefore offers lessons for Sida that may be applied to a range of projects and programs.⁸ In the next section, we describe what distinguishes the MSD approach from more traditional development projects, acknowledging that in doing so, we use conceptual pedigrees – many projects that Sida and other ODA donors support have characteristics of both pedigrees.

2.4 TOWARDS THE MSD APPROACH

Market system development emerged as a response to disappointing results of traditional development programming. The approach can be broken down into three components:⁹

- **A rationale and objective:** To deliver large-scale, sustainable development impact to poor and disadvantaged people (why we do what we do).
- **A framework for analysis:** Understanding the institutional underlying causes of negative outcomes (what we want to change).
- **Guidance for action:** A method of intervening in systems so as to achieve these objectives sustainably (how we bring about change).

⁸ Interview with Sida's former Chief Evaluator J Molander, May 2018.

⁹ The Springfield Centre (2018), Alan Gibson: Of Mice and Men, February.

As such, the approach does not suggest pre-determined tools or types of intervention – rather, it provides an approach and framework through which to determine the most appropriate ways to intervene in market systems to achieve desired objectives. It is helpful to see MSD as a shift away from the three features of ‘traditional development’ programming outlined above, towards an approach that is facilitative, market system-centric, and adaptive.

Figure 2: Traditional v MSD projects



Facilitation

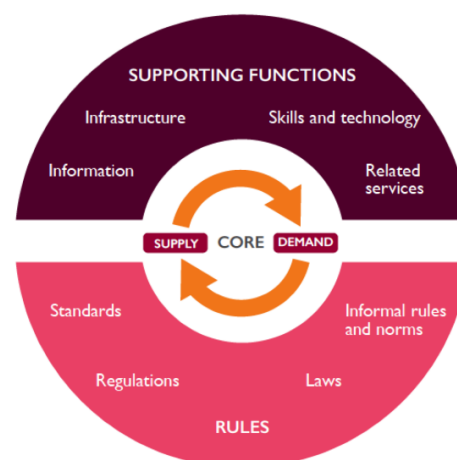
For the MSD approach, facilitation is about stimulating other actors, rather than becoming a player in the market system. Facilitation is a means of achieving sustainability in project results. MSD approaches see funder agencies and their implementers as ‘facilitators’. Facilitators are external players, standing outside of the market system, whose role is to stimulate and support changes in the way the market works.

‘Market system-centric’ approach

The MSD approach aims to change market systems in ways that benefit poor people. It provides a useful framework for thinking through market systems in terms of core transactions (supply and demand), the formal and informal rules and supporting functions influencing these (see Figure 3).¹⁰ These different functions are undertaken by different actors from the public and private sectors and from civil society.

Crucial to the approach is identifying and understanding how a market system is failing poor people and what is causing the status quo. This is done through analysis and through the experience of working in a market (see ‘adaptation’ below). Only when underlying systemic constraints are

Figure 3: The ‘M4P doughnut’



¹⁰ Source: The Springfield Centre (2014), The Operational Guide for the Making Markets Work for the Poor (M4P) Approach, 2nd edition funded by SDC and DFID.

understood can credible interventions, designed to change the underlying functions or rules of a market, be pursued.

Adaptation

In recognition of the dynamic and unpredictable nature of market systems, the MSD approach emphasises flexibility, experimentation and adaptation based on learning. Projects test hypotheses and learn from these experiences. Successful interventions are scaled-up while unsuccessful ones are adjusted or closed down. The approach emphasises a project culture of managed risk taking.

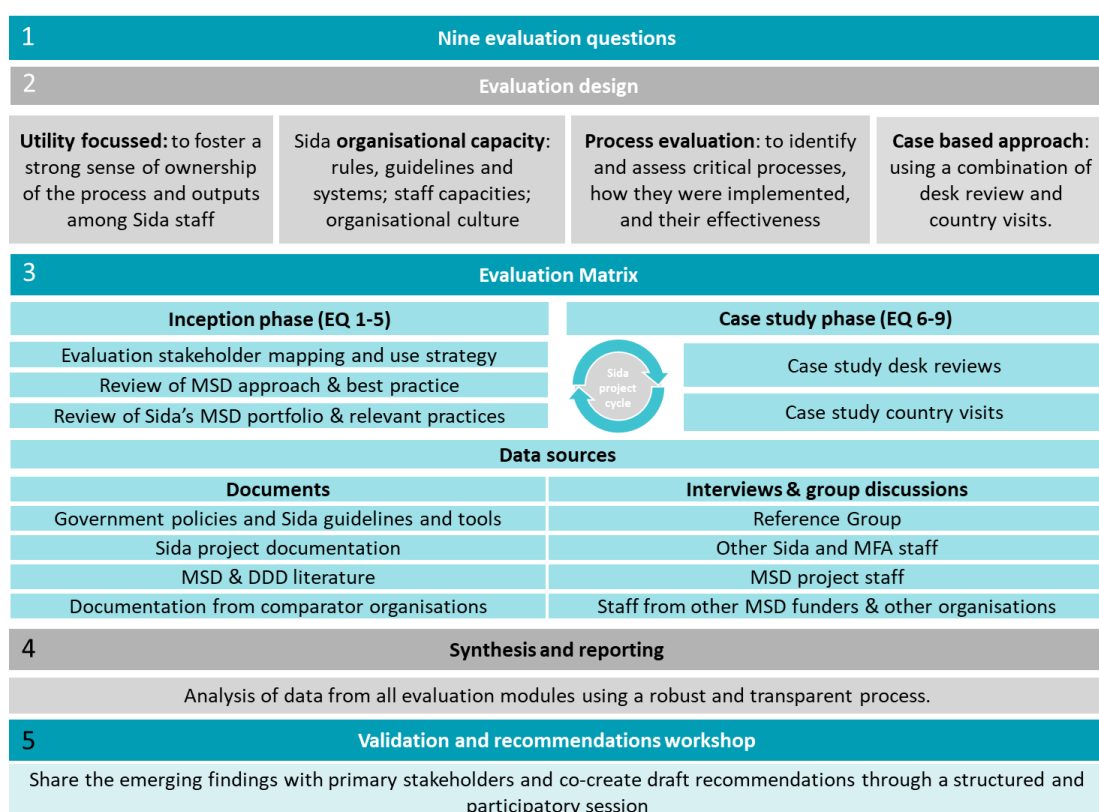
Due to the experimental nature of the MSD approach, monitoring systems are designed to provide real-time information to facilitate adaptive management and help contribute to improved project performance. Many MSD projects have adopted the Donor Committee for Enterprise Development (DCED) Standard for results measurement, which provides projects working on complex market systems with a common approach to results-based management (RBM).¹¹

¹¹ For a description of the DCED Standard see: <http://www.enterprise-development.org>

3 Methodology

Our evaluation approach and methodology is summarised in Figure 4. Further detail is presented in Annex 2.

Figure 4: Summary of evaluation approach and methodology



3.1 EVALUATION DESIGN

There were four overarching elements that underpinned our evaluation design:

- The evaluation was **utilisation focused** to foster a strong sense of engagement and ownership of the process and outputs among Sida staff.
- The evaluation was grounded in a solid conceptual framework for understanding **organisational capacity**, which is a product of three interlinked factors: (i) **rules, guidelines and systems**; (ii) **staff capacities**; and (iii) **organisational culture**.
- We applied a **process evaluation approach** to identify critical processes in the MSD project cycle, assess whether these processes were implemented as planned, and consider how this influenced the effectiveness of MSD programming at Sida.

- We applied a **case study-based approach** to assess how Sida manages the MSD approach. The unit of analysis for the case studies was individual MSD projects funded by Sida. We used the case studies to draw lessons for Sida – both relating to MSD programming and more broadly in creating conditions for the effective management of projects in complex contexts.

Using the evaluation questions as an overall framework, we compared and synthesised data from case studies to draw out key lessons and insights for Sida.

3.2 LIMITATIONS

There are several limitations to our approach and methodology:

1. **The evaluation requires a historical perspective to the assessment of Sida’s management of MSD projects since 1999.** In some cases, there are limitations to institutional memory within Sida, particularly given significant rotation of staff both in headquarters and embassies. In addition, not all the changes in practice that we have identified have been documented, meaning that in some cases, we have relied on individuals’ recollection of events that took place many years ago. We sought to mitigate this by triangulating evidence from a variety of sources, including multiple interviews (including with staff from Sida, MSD implementing organisations, and other MSD funders) and relevant documentation.
2. **The categorisation of MSD projects has been based on a list provided to us by the Steering Group** (see section 4.1). The extent to which the projects follow MSD principles is likely to vary. As described in section 2.1.4, the MSD approach is defined by several characteristics, and identifying which projects embrace all these characteristics is not a straight forward process and cannot be done based solely on documentary evidence. However, one of the criteria for selecting the sample of projects for case studies was to ensure that the case studies focused on projects that the evaluation team and the evaluation Steering Group believed most closely followed the MSD approach; and for this sample of projects, the extent to which they have followed the approach (and the factors that enabled or hindered this) were examined as part of the case studies.
3. **Using a case study approach means that we are not able to consider the full breadth of MSD programming across Sida.** We mitigated this through wider consultations with Sida staff to ensure to the extent possible that the findings can be generalised across Sida’s MSD portfolio as a whole.
4. **Our analysis has focused on Sida’s MSD projects.** Although this limits the extent to which our findings are generalisable to Sida’s broader portfolio, we believe that Sida’s MSD portfolio provides a useful case study to inform wider considerations of how Sida can ensure that the right conditions are in place for systems approaches and adaptive programming more generally. We have therefore provided our views on the implications of our findings for Sida more broadly and have discussed and verified these conclusions with Sida staff in a

number of workshops and interviews. However, our wider recommendations have a relatively narrow evidence base.

5. **We did not assess effectiveness.** The evaluation terms of reference do not require an assessment of the effectiveness of the projects and programs that we assessed in the case studies. Instead, the evaluation focused on Sida's management of the MSD approach.

4 Sida's MSD portfolio and relevant practices

In this section we explore Sida's policies and practices over the last two decades to contextualise the growing emergence of MSD projects within Sida. In doing this, we map the evolution of Sida's portfolio of MSD projects over time and identify patterns that emerge from this (EQ 4). We then identify both external and internal factors which may have influenced Sida's MSD portfolio and how it has been managed (EQ 5) and we conclude by providing an analysis of what drove Sida's growing MSD portfolio.

4.1 EVOLUTION OF SIDA'S PORTFOLIO OF MSD PROJECTS

The timeline diagram in Figure 5 lists Sida's MSD projects and maps the evolution of the portfolio over time. This has been developed based on a list provided by the evaluation Steering Group.¹² However, Sida has not systematically tracked its MSD interventions and as an evaluation team we have not assessed the extent to which these each of projects applies market system principles and whether this list is fully comprehensive.¹³

A number of clear patterns emerge from this:

Portfolio summary: A total of 35 MSD projects are listed, of which 27 were running in 2018. The average duration of the projects (including project extensions) is 4.6 years and their average budget is SEK 78 million.

Timeline: Before 2010, a small handful of Sida MSD projects existed.¹⁴ In the following two years, funding for four additional MSD projects came onstream¹⁵ and

¹² Some gaps in the information provided by Sida have been filled by the evaluation team using Open Aid data.

¹³ Discussions between the evaluation team and some Sida staff following the development of this list indicate that there may be projects funded by Sida that have MSD characteristics that are not included on this list.

¹⁴ ILO FIT/SEMA in Uganda, Katalyst in Bangladesh (supported by Sida 2003-08, but has continued with support from other funders to this day) and ILO Entergrowth in Sri Lanka.

¹⁵ PEEP (International Rescue Committee) in Uganda (2010–14); Financial Sector Development III in Kenya (2010–17); Musika in Zambia (2011–17); Africa Enterprise Challenge Fund (2011–18).

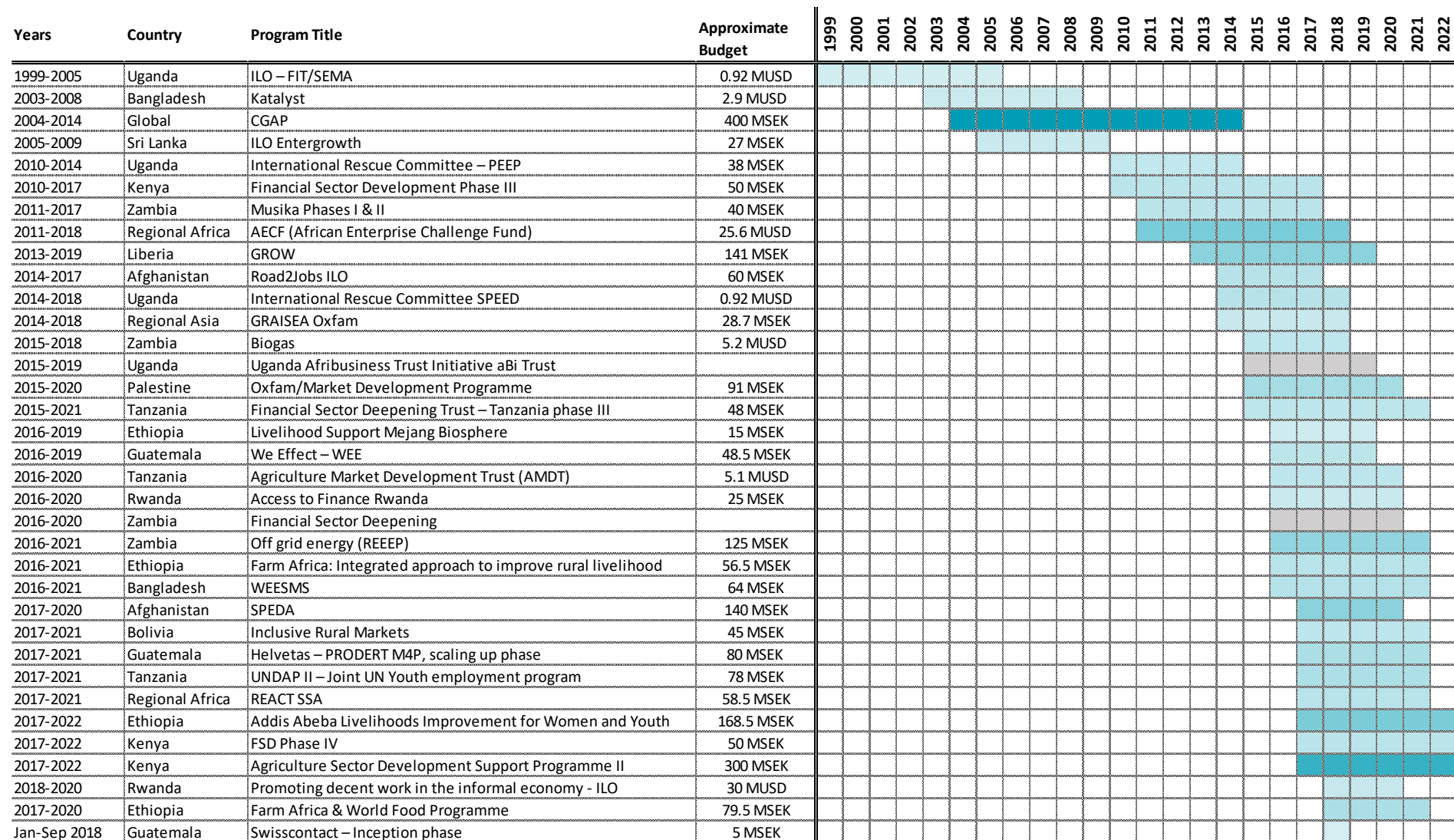
there was subsequently a surge in MSD programming, with 16 projects beginning from 2013 to 2016, and a further eight projects beginning in 2017.

Institutional arrangements: Sida relies on implementing partners to manage the MSD projects it funds. It has funded a variety of organisations including multilateral agencies, independent trusts, international NGOs and private contractors.¹⁶

Market focus: Sida's early support to MSD covered commercial radio (Uganda), small and medium-sized enterprise (SME) development with a focus on agriculture (Bangladesh), agriculture, fisheries, dairy and tourism (Sri Lanka), and financial sector development (CGAP). Subsequent support has spanned numerous markets, although most projects have tended to focus on agriculture, as is typical of MSD projects. Another significant area of focus has been financial sector development (through Sida's support to 'FSDs' in Kenya, Zambia, Tanzania and Rwanda). There are various examples of engagement in other markets (such as off-grid energy), but these are relatively uncommon to date. Decent work – particularly through Sida's work with the International Labour Organization (ILO) – and women's economic empowerment are common themes across the portfolio.

¹⁶ We are aware of only one example of a private contractor implementing a Sida-funded MSD project – Liberia GROW (implemented by Adam Smith International).

Figure 5: Timeline of Sida's MSD projects



4.2 SHIFTS IN SIDA'S PRACTICES OF RELEVANCE TO THE MSD APPROACH

To address EQ 5, we have identified both internal and external factors that may have influenced the emergence of Sida's MSD portfolio and how it has been managed. By extension, many of these factors may also have impacted on broader adaptive contribution management within Sida.¹⁷ In the following section (Section 4.3), we present our conclusions regarding what drove the emergence and then sudden surge in MSD programming that took place around 2011-13.

Internal factors include:

- Fundamental organisational shifts that Sida went through during the period from 2005 to 2014.
- Adjustments to Sida's contribution management procedures, especially the computer-based support system (Trac). This is linked to the evolution of Sida's approach to RBM.
- A significant evolution of Sida's approach to private sector development (PSD), with a more holistic view of markets emerging in the early 2000s. This was coupled with a growing recognition of MSD as a preferred approach to engaging with the private sector to improve economic wellbeing and reduce poverty.

External factors: Among the external factors is the introduction of new or revised policies, issued by the Ministry for Foreign Affairs (MFA) that have affected both the direction of development cooperation and the way it has been executed. A separate factor, although more difficult to define, is the broader political atmosphere in relation to development cooperation.

The remainder of this section considers these factors in more detail. It looks in turn at Swedish international development policy, administrative and organisational factors within Sida, contribution management procedures, and the emergence of MSD thinking in Sida.

4.2.1 Policy, administrative and organisational factors

From 2006 onwards, Sida introduced a series of reforms that sought to reduce programmatic risk and place greater focus on measurable results. These reforms were introduced by Gunilla Carlsson from the Conservative Party (Moderaterna), who took over as Minister for International Development Cooperation in 2006 and

¹⁷ Sida's management of projects that it funds is referred to as 'contribution management'. As a minimum, contribution management includes assessing a proposal and deciding on the basis of this assessment whether or not to provide support; receiving and assessing regular reports from implementing partners; and initiating audits and evaluations from time to time, in consultation with the partner.

remained in this post until 2013. The reforms coincided with increased control mechanisms for all Swedish government agencies and a wider international trend for RBM in international aid (for example, in the UK and Netherlands). The 'results agenda', as it became known, also sought to provide greater transparency to Swedish taxpayers on how aid funds were used. As a consequence, there was less legitimacy and space for trying out different 'out of the box' approaches for actually achieving results.¹⁸

Criticism of Sida grew over the following years, generating a heated debate about increased requirements to quantify precisely how Swedish funds had been spent and how to attribute results.¹⁹ This criticism (which for example came from the National Audit office regarding budget support, support to civil society and capacity development) and a series of new management reforms provoked pushback from civil society organisations, opposition parties, and notably Sida staff.

Around 2010, budget deficits caused by an overspend on Sida's administration led to the MFA demanding closer scrutiny with more frequent reporting. The director general was replaced and staff cuts of 25% were introduced to balance the budget. This led to significant loss of expertise and capacity across Sida (including in MSD).

In 2011, the newly appointed state secretary for international development further intensified the results agenda.²⁰ More reforms were introduced and all recent government aid guidelines were revised or replaced. The combination of organisational changes, cutbacks and administrative reforms had by this stage greatly affected Sida's culture and mandate, with growing concerns among Sida staff about the organisation's effectiveness.²¹

In 2012, a project for 'standard indicators' was initiated. This encouraged the use of quantitative indicators and introduced an aggregation framework with indicators at different levels that would give an overview of results to which Sida had contributed.²² Results summaries for all projects became obligatory, including a baseline, annual targets for outputs, interim outcomes and final outcomes.

¹⁸ Janet Vähämäki (2015), The results agenda in Swedish development cooperation: cycles of failure or reform success? In Eyben, R., Guijt, I., Roche, C. and Shutt, C. (eds) (2015) *The Politics of Evidence and Results in International Development: Playing the game to change the rules?* Rugby, UK: Practical Action Publishing.

¹⁹ Ibid.

²⁰ Janet Vähämäki (2015), The results agenda in Swedish development cooperation: cycles of failure or reform success? In Eyben, R., Guijt, I., Roche, C. and Shutt, C. (eds) (2015), *The Politics of Evidence and Results in International Development: Playing the game to change the rules?* Rugby, UK: Practical Action Publishing.

²¹ Ibid.

²² Sida (2013), Uppdragsbeskrivning: Indikatorer i biståndet 2013-02-08. 13/000211 UTV/VU.

An internal quality review undertaken in 2013 found that the application of the new requirements was weak. The results summary requirement was replaced with a 'results register', removing the obligation to prove causality between outputs and outcomes, and allowing for voluntary decisions about which outputs and outcomes to report on. Standardised results reporting requirements were significantly diluted, with reporting only required on the three most important objectives and indicators. In 2016, even this became voluntary.²³

New guidelines for results strategies were introduced in mid-2013.²⁴ This led to the abandonment of the previous requirement that Sida's country strategies should identify and focus on three sectors. Instead, Sida staff were required to think more creatively about programming strategies to achieve results that were defined ex ante, which led to a more cross-sector view of development programming.

In 2014, the new government placed greater emphasis on a trust-based administration, with less focus on standardised guidelines. Within Sida, there has since been growing explicit recognition of the complexity of development programming, reflected in the 'Simplification Agenda', which seeks to reduce the burden of complicated rules and procedures, and thereby provide more room to tackle complexity through flexibility and agency for programming staff.

In late 2016, an updated policy framework stressed the need to take a holistic and contextual view on sustainable development and emphasised local ownership in development programming. The policy framework²⁵ sought to take account of and reflect the new global goals (the Sustainable Development Goals), the Addis Ababa Action Agenda and Paris Climate Agreement, input from a broad consultative process, and the perspectives of the current government.

This was reinforced in 2017 through the publication of Government Guidelines for Strategies in Swedish Development Cooperation and Humanitarian Support.²⁶ The guidelines draw strongly on the DDD agenda in emphasising the following:

- Local ownership of development.
- The complexity and long-term nature of development processes.
- The need for cycles of reflection and learning.

²³ Janet Vähämäki (2015), The results agenda in Swedish development cooperation: cycles of failure or reform success? In Eyben, R., Guijt, I., Roche, C. and Shutt, C. (eds) *The Politics of Evidence and Results in International Development: Playing the game to change the rules?* Rugby, UK: Practical Action Publishing.

²⁴ Riktlinjer för resultatstrategier inom Sveriges internationella bistånd. Promemoria 2013-07-11. Bilaga till regeringsbeslut 2013-07-11 (Guidelines for results strategies within Sweden's international development cooperation. Memo. Annex to cabinet decision 2013-07-11).

²⁵ MFA (2016), Policy Framework for Swedish development cooperation and humanitarian aid.

²⁶ Gov (2017), Riktlinjer för strategier inom svenskt utvecklingssamarbete och humanitärt bistånd.

- Results reporting that focuses on the difference the interventions have made qualitatively as well as quantitatively.
- The need for risk tolerance if combined with risk monitoring and mitigation.

Summary: The intensification of the results agenda and significant loss of expertise and capacity across Sida from 2010-12 coincided with the surge of MSD programming. New guidelines for results strategies introduced in 2013 required Sida staff to think more creatively about programming strategies. Since 2014, there has been growing explicit recognition in Sida of the complexity of development programming and the importance of local ownership.

4.2.2 Contribution management

Sida's Guidelines for contribution management have evolved since their initial introduction in 1972. Revisions of the guidelines were made 1985, 1995 and 1997, reflecting experiences gained and changes in how development cooperation was perceived and should be handled. A fundamental revision then took place in 2003 when a new and more detailed handbook was published.²⁷ While previous methodological instructions were deliberately loose – acknowledging that aid management is a complex process and cannot be tightly defined by detailed instructions – it was felt that the contribution assessment process required clarification, and the new handbook set out a more formalised contribution management process.

A further revision to Sida's contribution management process was made in 2012. To accompany this, a computer-based contribution management system (called Trac) was introduced, which became Sida's prime instrument for unified contribution management. The terms of reference for the development of the system was driven by three principles – effectiveness, compliance (with rules) and simplicity. An evaluation of Sida's rule for contribution management and Trac in 2016²⁸ showed that the view on the system among Sida's staff members was divided. While many appreciated having a systematic and comprehensive tool for contribution management, others were frustrated by what they felt was a rigid approach which encouraged focus on compliance, rather than wider issues influencing project delivery and performance. The division in views was largely linked to the experience of Sida staff: many less experienced program officers liked Trac because the application gave valuable

²⁷ Sida (2003), *Sida at Work – A Guide to Principles, Procedures and Working Methods*. This was complemented by two shorter publications: Sida (2003), *Manual on Contribution Management*; and Sida (2003), *Guidelines for Country Strategies in Swedish Development Cooperation*.

²⁸ Sida (2016), *Utvärdering av ändamålsenligheten i Sidas arbete med insatshantering – Slutrapport (Is Sida's contribution management system fit for purpose? Final report)*, Sida Evaluation 2016:2.

guidance at each step and reduced the risk of missing essential components of the contribution management system.

A new contribution management rule and a significantly revised and simplified version of Trac (Trac 7.0) were launched in March 2018.²⁹ The new rule explicitly endorses adaptation in project design and has less of what some staff call 'tick box decision making'. Trac 7.0 puts less emphasis on what was previously mandatory key documentation and more attention on how RBM is used to inform learning and adaptation. While it is too early to assess the implications of the new contribution management rule and Trac 7.0 on practice within Sida, we have considered in this evaluation the extent to which they may support more effective management of MSD projects within Sida. (see Boxes 3, 4, 5, 7, 11 and 12 for more information).

Summary: The introduction of Trac in 2012 placed greater emphasis in Sida's contribution management on compliance– sometimes at the expense of consideration of wider issues influencing project delivery and performance. A revised contribution management rule and simplified version of Trac introduced in 2018 takes better account of considerations that are central to MSD, including how RBM is used to inform learning and adaptation.

4.2.3 Emergence of MSD thinking in Sida

Swedish development cooperation has always supported private sector development (PSD).³⁰ A 2001 evaluation of Sida's support to PSD highlighted that the focus of Sida's PSD engagement was on macroeconomic policy and argued that micro- and meso-level bottlenecks were not tackled in a holistic manner.³¹

In 2003, Sida published a document about Making Markets Work for the Poor (M4P).³² The development of this document, which drew on the emergence of market systems thinking across the wider donor community, was a part of a policy process initiated in 2002 with the aim of preparing policy guidelines for poverty-focused support to PSD. It highlighted that PSD is at the heart of Sida's work across most sectors, and argued that these linkages (including with the private sector, labour market organisations, and public sector organisations that influence the functioning of

²⁹ Key informant interviews in Stockholm 31 January – 2 February 2018.

³⁰ Annika Billing, Maja Forslind And Karin Metell Cueva (2012), Swedish Development Cooperation in the Private Sector, The role of business in poverty alleviation and the role of donors in promoting private sector contributions to development, Perspectives No. 22, School of Global Studies, University of Gothenburg.

³¹ Sida (2001), Approach and Organisation of Sida Support to Private Sector Development, Sida Evaluation Report 01/14.

³² Sida (2003), Making Markets Work for the Poor, Challenges to Sida's Support to Private Sector Development, Provisional Edition, October 2003.

markets) should be made more explicit. To achieve this, the report highlighted the need for Sida to:

- Develop its competencies in PSD and pro-poor growth.
- Develop specific analytical instruments to integrate PSD into its operations, including through the identification of key constraints.

The report was also published in the context of a wider international emergence of market system thinking.³³

In 2004, Sida adopted a new PSD Policy,³⁴ which drew strongly on the 2003 M4P publication. The policy took a holistic view of markets which recognised the importance of macroeconomic stability, institutions and the rule of law for market effectiveness. It asserted that while funders have a role to play in PSD, they should mainly focus selectively on markets and market failures where the poor are likely to benefit more from increased opportunities and it argued against creating market distortions, except when clear positive externalities make it justifiable.

Wider adoption of MSD: Up until 2008, technical support on MSD was provided support through a unit under Sida's Department for Infrastructure and Economic Cooperation (INEC). In October 2008, a separate market development unit of 10–15 people was established. This unit organised a series of training events on MSD for Sida staff. Over the next few years, around 120 Sida staff attended this training.

However, around 2012, the market development unit was abolished and MSD technical support was split into regional units. A series of thematic networks were established in the following years, including one for PSD and market development and one for employment. In 2016, these two networks were merged into the existing Network for Employment and Market Development.

Policy for Economic Growth in Swedish Development Cooperation (2010–14): In 2010, the Ministry for Foreign Affairs adopted a Policy for Economic Growth in Swedish Development Cooperation (2010–14).³⁵ To bring about positive development, the policy stated that growth must be economically, socially and environmentally sustainable in the long term, and characterised by a relatively equal

³³ For example, in 2000, DFID commissioned a framework paper on 'Making Markets Work for the Poor', which introduced concepts of systems thinking; in 2003, DFID and the ADB launched a research project in southeast Asia on markets for the poor; and in 2004, an issue paper was launched under DFID's ComMark project ('The Remote Reformers vs The Impulsive Interveners').

³⁴ Sida (2004), Policy Guidelines for Sida's Support to Private Sector Development, Department for Infrastructure and Economic Co-Operation.

³⁵ Ministry of Foreign Affairs (2010), Policy for Economic Growth in Swedish Development Cooperation 2010–2014.

distribution. Three focus areas were identified as being particularly important for promoting economic growth:

- Improving the conditions for poor people to participate in growth processes.
- Improving the conditions for developing markets and entrepreneurship.
- Improving adaptability to changes, threats and opportunities.

Sida publication on market development: Shortly after the adoption of this policy, Sida launched a publication on market development.³⁶ The document interpreted market development in a broad sense, highlighting four focus areas for Sida's support: (i) private sector development; (ii) trade policy and regulation; (iii) financial systems development; and (iv) employment and labour markets.

The publication acknowledged that support to market development “*must respond in a flexible way to the underlying causes of why markets fail to serve the poor*”, working at different levels of the economic system as appropriate. It also referred to the M4P approach as one way in which Sida was putting the Policy for Economic Growth in Swedish Development Cooperation into practice.

Support to global knowledge sharing for MSD: In 2011, Sida's endorsement of MSD and a wish to invest in knowledge sharing around the approach led it to work with DFID and SDC (the Swiss Agency for Development) to set up the M4P Hub – a web-based knowledge development platform. This later evolved into the BEAM Exchange (launched in early 2014), which was funded by SDC and DFID, but not Sida.

Business for Development (B4D): Distinct from Sida's MSD work, just ahead of the launch of the new Policy for Economic Growth in Swedish Development Cooperation in 2010, Sida launched the Business for Development (B4D) program to build systematic partnerships with private sector actors. The instruments used under the B4D program are challenge funds, public-private partnerships, drivers of change,³⁷ and innovative finance.³⁸ Such instruments are widely considered to be distinct from MSD.

Summary: Sida's policy guidance has increasingly embraced MSD thinking since 2001. This has been accompanied by associated institutional investments and training for staff in the approach.

³⁶ Sida (2011), Market Development in Swedish Development Cooperation.

³⁷ Sida supports organisations whose activities aims to contribute to the fulfilment of the development goals – organisations that drive development within the private sector, such as through CSR or social entrepreneurship, or by improving relations between businesses and civil society organisations.

³⁸ Sida (2011), Business for Development (B4D) Status Report 2011, December 2011.

4.3 FACTORS DRIVING THE EMERGENCE OF SIDA'S MSD PORTFOLIO

This section has described an emergence and then sudden surge in MSD programming over a relatively short period around 2011–13. The surge took place at a time when the tightening of controls on Sida's contribution management led to institutional impediments to flexible, adaptive development management and risk aversion across the organisation. The emergence of MSD bucked this trend. This appears to have been due to a combination of three factors:

1. **Response to a growing formal recognition of MSD as an approach that Sida should follow in its development programming**, particularly in relation to private sector development: as reflected for example in various early Sida publications on MSD and PSD around 2003–04³⁹ and again around 2010–11.⁴⁰ This occurred in the context of a wider international emergence of MSD programming, including among other funders such as DFID, USAID and SDC.

The launch of the B4D program in 2010, which received strong endorsement from Sida's senior management, occurred shortly before the surge in MSD programming. Its focus on private sector collaboration through defined instruments such as challenge funds and other financing instruments was in many ways at odds with the MSD approach. However, the B4D program did lead to an increase in Sida's engagement with the private sector and to some extent catalysed a shift in mindset about the role that it can play in development.

2. **A bottom-up drive:** while formal recognition played a part, the early emergence of MSD projects was driven by a small number of individuals within Sida. MSD training for Sida staff appears to have played a part in generating buy-in and enthusiasm for the approach.
3. **The new guidelines for results strategies that were introduced in mid-2013** led to a more cross-sector view of development programming and provided a stronger foundation for MSD interventions. Moreover, under the headline 'innovation', the guidelines stated that Sweden should look for a wider range of cooperation partners, including the private sector:

*The results strategies shall indicate expected results for selected domains rather than for the traditional sectors within development cooperation.*⁴¹

³⁹ Sida (2003), *Making Markets Work for the Poor, Challenges to Sida's Support to Private Sector Development*, Provisional Edition, October 2003; and Sida (2004), *Policy Guidelines for Sida's Support to Private Sector Development*, Department for Infrastructure and Economic Co-Operation.

⁴⁰ Ministry for Foreign Affairs (2010), *Policy for economic growth in Swedish development cooperation 2010–2014*; and Sida (2011), *Market Development in Swedish Development Cooperation*.

⁴¹ *Ibid.*, p. 3.

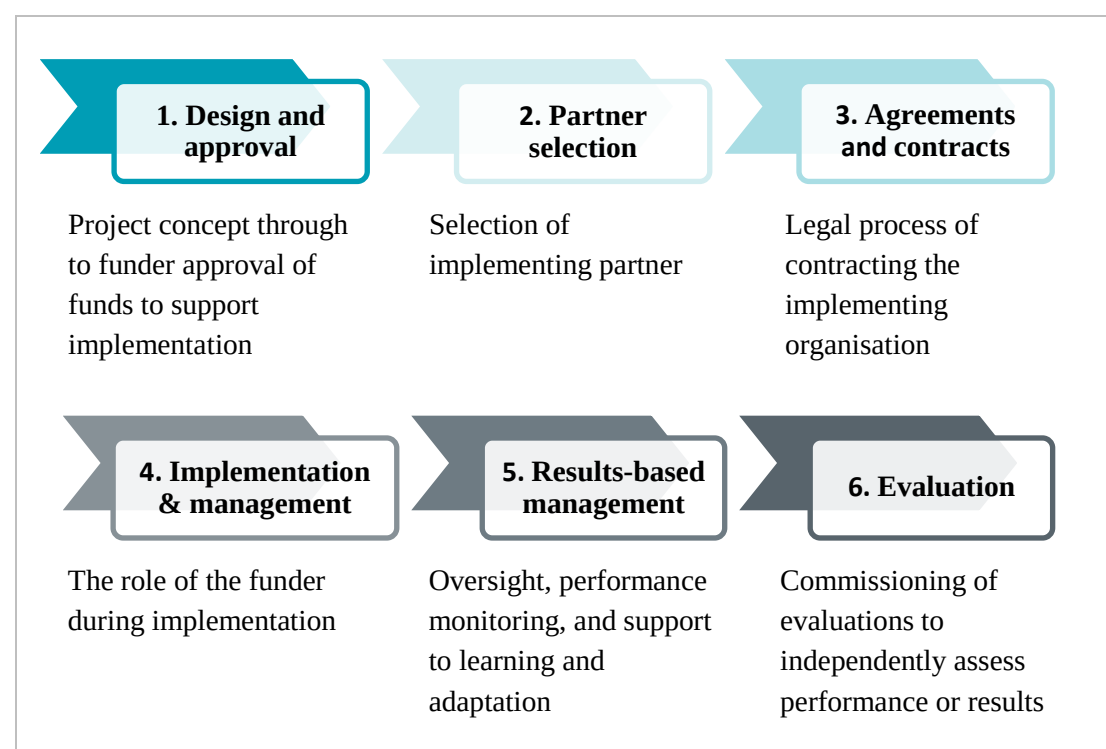
As a result, although the tighter control mechanisms and pre-defined results attribution arguably conflict with MSD principles, the emergence of MSD programming may ironically have been an unintended consequence of the new guidelines.

5 Sida's management of its MSD portfolio

In this section, we present our findings relating to: (i) good practice in the management of MSD projects (including the approaches followed by other MSD funders); and (ii) the approach followed by Sida and lessons that can be drawn from this.

Our findings are structured according to the key phases of a generic project management cycle (see Figure 6).⁴²

Figure 6: A generic project management cycle



For each stage in the cycle, we present:

- **Implications of the MSD approach for funders** (EQ 2) based on analysis of relevant literature and key informant interviews.

⁴² Not all steps in the cycle are sequential (as might be interpreted from the diagram). For example, '(1) Design and approval' and '(2) Partner selection' often occur iteratively and in tandem; and '(5) Results-based management' is an integral part of '(4) Implementation and management'.

- **Examples of funder response** (EQ 3). In doing so, we consider the practices of the following funders of MSD projects: USAID, DFID, SDC, SECO and DFAT Australia. This analysis is based on a desk review of publicly available documentation and interviews with representatives from the respective donor organisations.
- **Sida's management of MSD projects** (EQs 6 & 7). This assessment is based on a synthesis of findings from the eleven case studies which used a combination of desk reviews, key informant interviews and three country visits to look at Sida's management of these projects.
- **Lessons** (EQ 8). Drawing on our findings, we present lessons with respect to each stage of the project cycle.

For each stage in the project cycle, we start with a summary, setting out: (i) the criteria we used to assess Sida's management of MSD projects (based on MSD best practice); (ii) our findings from the case studies; and (iii) the lessons that emerge.

5.1 DESIGN AND APPROVAL

Criteria	Findings	Lessons
Funders must accept in full i) facilitation, ii) a market system-centric approach, and iii) adaptation as key features for good MSD project design. Other features central to the MSD approach include: • A rationale and objective to deliver large-scale sustainable development impact to poor and disadvantaged people. • An understanding of the institutional underlying causes of negative outcomes in market systems. Long project timeframes are required to equip a project to achieve market system change (which is a long-term process). Detailed project design should not be undertaken before comprehensive market analysis has been completed.	The majority of our eleven case studies included project designs that are well aligned to MSD principles and we identified examples of where Sida's input into project design and appraisal has led to improved design. However, we found that three of our eleven case studies were not well aligned to MSD principles and an appraisal process that does not consistently ensure good quality MSD project design. During appraisal, QA Committees have often questioned factors that are considered good practice in MSD project design (including the lack of detailed activity plans, the need for inception phases, the budgetary implications of the facilitation model, and the autonomy provided to implementers). As a result, Sida's appraisal process has threatened to derail MSD project design at times. Six out of the eleven projects that we studied had short (two to three-year) timeframes, at least in their first phase. Where this happened, the issue was not raised in the appraisal document or by the Quality Assurance Committee (QAC). We found several examples of where detailed project design had not been based on market analysis or a robust theory of change. Where this has been the case, it has often not been recognised or discussed in the project's appraisal document or at the QAC meeting.	Ensuring that appraisal consistently enables good quality MSD project design requires: (i) a screening process that is tailored to MSD; and (ii) endorsement and understanding of the MSD approach and its implications for project design. <i>Screening process:</i> Appraisal of MSD projects should include explicit consideration of the factors that determine good MSD design. Trac 7.0 places enhanced focus on assessing project design against questions that are supportive of the MSD approach and adaptive management more generally. Appraisal would also benefit from a more robust assessment of MSD specific programmatic risks, such as of not adapting the project design to evolving contexts. <i>Endorsement and understanding of the MSD approach:</i> Sida's managers have a key role to play in setting the scope of the appraisal process and framing the primary considerations of the QAC. Sida personnel involved in project design and appraisal need sufficient background in MSD.

5.1.1 Implications of the MSD approach for funders

Funders must accept in full facilitation, a market system-centric approach, and adaptation as key features for good MSD project design. For example, compared to other forms of programming, facilitation requires high implementer staff costs in proportion to other budget items (such as grants). Other features central to the MSD approach include a rationale and objective to deliver large-scale sustainable development impact to poor and disadvantaged people; and an understanding of the institutional underlying causes of negative outcomes in market systems.

Long project timeframes are required to equip a project to achieve market system change (which is a long-term process). A typical five-year MSD project will see piloting in the early years and support to the scale and sustainability of what works in later years – it is difficult to accelerate this process, not least because facilitating change with market actors necessitates going at their pace.

Detailed project design should not be undertaken before comprehensive market analysis has been completed, which often does not happen until project funding and implementation has begun. The MSD approach emphasises flexibility, experimentation and adaptation. In-depth diagnostics, research, analysis and relationship building typically takes place during the inception phase of a project should continue throughout implementation. Unless comprehensive analysis has been completed, funders should not require (or accept) a detailed project design, with specified interventions, activities and detailed indicators as this creates a false sense of certainty. In some circumstances, funders' policies require more information than is possible before in-depth diagnostics are carried out. Where this is the case, funders need to reassess their design and approval process.⁴³

5.1.2 Examples of funder response

SDC's design phase is separated into two approval stages that balance the information requirements for each stage with internal capacity and resource considerations. At the first stage, approval is requested for internal time and resources to elaborate the project design further and, in some cases, funds for external consultants to fill capacity and knowledge gaps within the organisation.⁴⁴ USAID also splits the design phase into two steps. However, all the analysis is carried out internally before contracting an external implementing organisation to carry out the work.

⁴³ The Springfield Centre (2014), The Operational Guide for the Making Markets Work for the Poor (M4P) Approach, 2nd edition funded by SDC and DFID.

⁴⁴ SDC (2017), Managing MSD projects: Internal guidance paper for SDC head office and cooperation office staff; SDC (2014), Managing MSD/M4P projects: Internal guidance paper for SDC head office and cooperation office staff.

DFID is promoting a more adaptive approach to the design (and management) of its programming. As an example, since 2014 there has been a corporate drive to emphasise that for some projects it may not be appropriate (or possible) for Business Cases to detail project activities but that substantive consideration should be given to the mechanisms by which the project learns from experience and adapts activities accordingly. Compulsory training for all programme managers now includes training on learning and adaptive programming and it is common for DFID's Quality Assurance Unit (QAU) feedback on Businesses Cases to include a request for greater thought and clarity on how projects will learn to inform decision-making and course correction.

DFAT uses external expertise to support the design process. The design teams for larger projects usually comprise external consultants and at least one internal DFAT representative. In-depth research and analytical work is usually carried out in the implementation phase, although there are examples within DFAT of diagnostics being carried out during the design phase.

5.1.3 Sida's management of MSD projects

Sida's approach to project design varies across our case studies. Our review of how Sida and other funders approach project design and selection of implementers suggests that there is no 'best practice' in this regard. Sida-funded projects take several different paths to the point where they are ready for implementation. The original concept can come from Sida (e.g. LI-WAY – see Box 1) or a potential implementing partner. The translation of project concept into comprehensive design can be a joint effort or exclusively the work of the partner. Very occasionally (for example, GROW), the design work is led by Sida.

Box 1: LI-WAY: Case study highlight

The LI-WAY project in Ethiopia was created as a consequence of Sida's new country results strategy decided upon in 2016. This strategy allowed more flexible project and program designs which, compared to previous strategies, were less confined to specific sectors – infrastructure, agriculture etc. – and opened up for more cross-sectoral programming.

In preparation for the new country strategy, the embassy undertook a thorough analysis of its projects. This included the commissioning of a portfolio analysis of Sweden's private sector development projects.

In response to this analysis, the embassy drafted a program outline for an MSD project targeting urban women and youth, which later became known as LI-WAY. At the beginning of 2017 the embassy made a tentative list of possible implementation organisations and during early spring 2017, the responsible program officer and the head of development cooperation at the embassy had meetings with a number of interested organisations.

All of them had relevant qualifications but it was concluded that none had all the necessary experience. Instead the embassy selected four organisations that seemed to complement each other and suggested they form a coalition for the project.

The majority of our eleven case studies included project designs that are well aligned to the MSD principles of systemic ambition, facilitation and adaptation. WEESMS in Bangladesh, LI-WAY in Ethiopia, Musika in Zambia and the AMDT in Tanzania are examples.

There are cases where Sida's input into project design and appraisal has led to improved design. Sida's Decent Work project in Rwanda is one example. National government stakeholders were not familiar with the MSD approach and were unsure that it would deliver the results they expected. Moreover, the consultant brought in to lead the project design was not an MSD expert. As a result, the first draft of the Project Document was not well aligned to MSD principles. With support from Stockholm, the program officer asked that it be revised to follow the approach more closely:

[It is] unclear how and to what extent the market systems (or a systemic) approach will be applied to the entire project, and how adaptive management evolves over time. In relation to this, the importance of a systematically integrated process of recurrent / regular review of results, learning and

*modification of interventions during the implementation phase, in line with the DCED Standard for Results Measurement, cannot be over-emphasised.*⁴⁵

However, we found that three of our eleven case studies were not well aligned to MSD principles⁴⁶ and an appraisal process that did not consistently ensure good quality MSD project design. While appraisal documents were typically strong on articulating the MSD approach at the level of principles, they were sometimes weak in identifying the extent to which project designs provided a framework in which those principles could be successfully operationalised. Where this was the case, design was not underpinned by strong analysis and robust theories of change. For example, the initial design for PRODERT in Guatemala centred on the formation of agricultural producer groups and provision of inputs, subsidised by the project. There was, however, no exploration of how the provision of inputs would be made sustainable, nor how a market for the produce grown would be ensured. Moreover, the design lacked a theory of change that might have served to highlight these fundamental issues. Despite this, the Committee for Review (CORE) in Stockholm, consisting of eight members including a 'discussant' with MSD expertise, endorsed the proposal while recommending several improvements, especially to M&E and the risk register. It is now generally acknowledged that the performance of the first two phases of PRODERT fell below expectations.

In Zambia, FSDZ's design for the Women and Financial Inclusion (WIN) project raises several fundamental issues that were not addressed in the appraisal and approval process. For instance, the design saw WIN selecting and contracting partners before analysis took place. In practice this committed WIN to particular partners, proposing particular solutions, in market systems that were not well understood. This commitment to solutions before analysis is a clear deviation from MSD principles, but it was not recognised or discussed in the appraisal document or at the Quality Assurance Committee (QAC) meeting. As our case study describes, this has caused setbacks in implementation. Moreover, FSDZ's sub-contracting of implementation creates limitations from an adaptive management perspective. Most notably, the allocation of funds to sub-implementers and their interventions at the beginning of the project leaves little resource for WIN to respond to emerging needs or opportunities.

During appraisal, QACs have often questioned factors that are considered good practice in MSD project design:

- In two cases, the QACs raised concerns about signing off a project with no detailed activity plan, detailed results framework, or phased budget. This was viewed with scepticism and considered to be risky. However the MSD approach provides a sound basis for managing uncertainty and risk (see Box 2).

⁴⁵ Sida (2018), ILO Project for Promoting Decent Work in Rwanda's Informal Economy: Sida Comments on Project Document, Feb 2018

⁴⁶ PRODERT, FSDZ's WIN project, and SPEDA.

- Inception phases have often been criticised as being unnecessarily long and a waste of resources.
- In three cases, the QACs raised concerns about high staff costs required by the facilitation approach – the underlying assumption being that such costs were ‘overheads’ which should be minimised to ensure efficient delivery.
- MSD, and the facilitation model in particular, requires a relatively high degree of implementer autonomy, e.g. to adjust activities and budgets in the light of experience of implementation.

Box 2: Are MSD projects more risky?

Compared to more traditional approaches to development programming, projects following the MSD approach do not specify detailed activity plans at the design phase. While this has been criticised by some as implying greater programming risk for funders, proponents of the MSD approach (and other forms of adaptive programming) assert the opposite.

Particularly in complex contexts where processes are seldom linear or predictable (such as market systems), adaptation is in fact a sound approach to risk management. By basing intervention design on problem analysis, acknowledging uncertainty through making small bets, and learning through experimentation, and adjusting interventions in response, the MSD approach can ensure that risk is managed pragmatically and dynamically.

Sida's appraisal process has threatened to de-rail MSD project design at times.

Particularly since the introduction of Trac in 2012, Sida project appraisal has often led to demands for a fairly detailed specification of project activities, areas of intervention, and expected results. By contrast, MSD project design typically leaves detailed specification of activities until after the project has started; and where the core objective of a project is to achieve systemic change, detailed results frameworks are often challenging to specify in advance.

Trac 7.0 guidance recognises this challenge and is more flexible and pragmatic about when activities and results should be specified (see Box 3). This suggests better alignment with MSD approach requirements. However, Trac 7.0 was released in early 2018 and it is currently too early to assess the implications of this change on practice at Sida.

In addition, in at least two cases, a focus on due diligence related to fiduciary risk and anti-corruption (minimising risk), rather than assessing the capacity of implementers to pilot, experiment and take managed risks, threatened to undermine MSD project designs.

Box 3: Trac 7.0: Appraisal of monitoring method

Trac 7.0 marks a point of departure with respect to the pre-definition of targets. Previous contribution management guidance specifies the intervention design *“should also include indicators with targets, preferably accompanied with baseline data” and that partners should be able to present what they plan to deliver “in terms of products, goods or services (outputs), and what they expect to achieve in terms of short-term and medium-term effects (outcomes).”*

Trac 7.0 guidance specifies that “indicators and target values, which are used in methods like Logical Framework Approach, are not compulsory ... In cases when it is impossible to predict the effects of the planned activities and/or when the context is uncertain and rapidly changing ... pre-determined targets and indicators may be less suitable ... pre-determined targets in these cases... may end up measuring what can easily be measured instead of collecting information that reveals whether there is any progress towards the objectives of the intervention.”

A common design problem, largely overlooked by the appraisal process, is the short timeframe given to projects. Our sample of eleven case studies included six projects with two to three-year timeframes, at least in their first phase. Such timeframes do not equip a project well to achieve market system change, which is a long-term process.

In at least one case, a short timeframe appears to have been chosen because it aligned with the timing of Swedish country-level strategy. When the WIN project in Zambia was agreed in 2016, Sweden's five-year strategy (2013–17) was coming to an end and thus funding available to projects within this strategy would have to taper off in subsequent years. At best, the limited timeframe placed constraints on what the WIN program could be expected to achieve but the issue was not raised in the appraisal document or at the QAC meeting. In interview, WIN's lead designer – an experienced MSD practitioner – reported that the three-year timeframe, and the three-month inception phase, contributed to the challenge fund-like design that was proposed and that her preference was for a longer timeframe.

Progressing MSD projects through Sida's appraisal and approval processes has often required significant effort from program officers to make the case. For example, for the ILO Decent Work project in Rwanda, some justification was required to explain the higher proportion of budget allocated to staff costs:

The budget was assessed to be both eligible and reasonable in relation to the expected results and the project approach, though with high costs for salary and related costs. The Human Resources (staff costs) constitutes a significant part of

the budget (42%), which is common for projects with market systems approach is due to the facilitative role [sic].⁴⁷

Similarly, for Sida's first contribution to Musika in Zambia, several concerns were raised during the appraisal process that were resolved through dialogue. For example, there was a view that the Results Assessment Framework was too broad and a more detailed description of activities was needed:

Wording such as 'support to ...' and 'facilitate ...' should be clarified, and more on 'what' and 'how' were needed. This was important to be clear what the Embassy was funding and what exact interventions Musika was undertaking.⁴⁸

The program officer explained that the project needed a flexible approach and the specifics of Musika's activities would depend on circumstance. She pointed out that the Assessment Memo explained this and provided examples of types of support.

For WEESMS in Bangladesh, many members of the QAC were unfamiliar with the MSD approach, meaning that it was not approved at the first meeting, due to particular questions from the controller and head of development cooperation. The lack of a detailed budget, the high 'overheads' component of the budget, and the fact that results were only specified at a high level raised particular questions. Behind the scenes, the program officer made significant efforts to 'sell' the project to embassy colleagues, highlighting the successful experience of MSD projects elsewhere in Sida – both in Bangladesh and elsewhere. It was finally agreed that a more detailed budget and results framework would be specified further during the inception phase.

5.1.4 Lessons

Ensuring that appraisal consistently enables good quality MSD project design requires: (i) a screening process that is tailored to MSD; and (ii) endorsement and understanding of the MSD approach and its implications for project design.

A screening process that is tailored to MSD

Appraisal of MSD projects should include explicit consideration of the factors that determine good MSD design. We provide specific suggestions of which factors Sida should consider in Annex 5. Trac 7.0 supports this by placing enhanced focus on assessing project design against questions that are supportive of the MSD approach and adaptive management more generally (see Box 4).

Appraisal would also benefit from a more robust assessment of MSD-specific programmatic risks. Sida's standard appraisal questionnaire is focused on minimising risk. Risk here is perceived in a relatively narrow sense – in particular relating to fiduciary and corruption risk. This assessment is not irrelevant, but it does not address some of the key programmatic risks in MSD. Such risks include design

⁴⁷ Sida (2017), Decent Work Decision on Contribution 51160122 (Project Implementation Phase).

⁴⁸ Sida (2011), Minutes from Team Committee Meeting on the Assessment and Preparation of Support to the Musika, 2011 to 2015.

not being based on robust analysis, not adapting project design to evolving context, and the selection of implementing partners with inappropriate skills or experience (see Section 5.2). The appraisal process is therefore sometimes considered as an inconvenient formality, rather than a process that adds value to MSD project design.

Box 3: Trac 7.0: Appraisal of design

Support for Sida's cross-cutting themes and assessment of risk remain central to the current appraisal process outlined in Trac 7.0. However there is an enhanced focus on assessing the design against questions that are supportive of the MSD approach and adaptive management more generally. This includes questions such as "What underlying causes of poverty and vulnerability does the contribution address? What constraints and opportunities are considered in the design of the contribution?"

Endorsement and understanding of the MSD approach and its implications for project design

Sida's managers have a key role to play in setting the scope of the appraisal process and framing the primary considerations of the QAC – i.e. how formal appraisal guidelines are interpreted. Others on the QAC (including controllers) also need to be aware of the requirements of good MSD project design. This lesson has been picked up in Trac 7.0 guidance: unlike previous versions of Trac, it specifies that consideration should be given to ensure relevant competencies and resources are considered in the quality review process (see Box 5).

Box 5: Trac 7.0: Planning the quality assurance process

At the Appraisal Plan stage, Sida Program Officers should consult the respective quality assurance process for their department, unit or embassy for guidance on this process. However, unlike previous versions, Trac 7.0 provides additional guidance on competencies and resources that should be considered in the quality review process, including thematic and methods advisors, help desk/s, and *"internal or external experts when there is a need for special analysis and assessment of a policy or strategically important area, for example research advisor and private sector collaboration advisor."*

Trac 7.0 also emphasises the importance of allocating *"resources and competences according to the demands of the contribution"*. This decision is made by the program officer and relevant manager (Head of Development Cooperation or Unit or Department Head).

Sida personnel involved in project design and appraisal need sufficient background in MSD. This is necessary to enable them to assess the potential of the implementing partner or coalition to effectively manage the project before the process

goes too far. It is also needed if Sida staff able to contribute to, or at least assess, the project design to ensure that it adheres to the principles of the MSD approach.

5.2 PARTNER SELECTION

Criteria	Findings	Lessons
Identifying the right implementing partner (usually a facilitator) is critical to the success of an MSD project. To select partners with the right skill sets for MSD projects, funders need to consider specific factors (facilitation, relationship building, entrepreneurial, risk taking, supporting a culture of learning).	Sida has in many cases found it challenging to find suitably qualified organisations (or consortia) to implement MSD programs in the contexts in which it operates. Sida's assessment of the MSD capabilities of implementing partners lags behind its assessment of 'general' capabilities (e.g. organisational structure, governance, general management, and financial management and control systems). In the majority of the case studies, there has not been a purposeful and explicit strategy for addressing gaps in MSD capabilities where they exist with implementing partners. Sida rarely procures private contractors as implementing partners, which is partly due to the lack of precedents or guidelines for the procurement of an MSD implementer.	MSD capability should be a primary consideration in selecting an implementing partner. There should be an explicit strategy for addressing capacity gaps in MSD project delivery. It is important that the Swedish legal framework for procurement is interpreted flexibly to support the use of competitive procurement and allow engagement with the bidding organisations over and above assessment of their written submissions.

5.2.1 Implications of the MSD approach for funders

Identifying the right implementing partner (usually a facilitator) is critical to the success of an MSD project. Funders need to consider specific factors to select partners with the right skill sets for MSD projects (facilitation, relationship building, entrepreneurial, risk taking, supporting a culture of learning).⁴⁹ Demand for skilled implementers of the MSD approach is outstripping supply, meaning that funders may need to recognise that skills development happens on the job.⁵⁰

5.2.2 Examples of funder response

Funders (including DFAT, SDC and DFID) can ask bidders to present their proposal to a selection committee to gain a better understanding of their skills base. SDC guidance also advocates for the inclusion of external consultants in selection committees (either with or without voting rights) to backstop SDC staff.

DFAT has identified and contracted key team members before launching the competitive procurement process for the main implementation component. For example, this has entailed appointing a team leader who reports directly to the funder to provide more control over team composition.⁵¹

SDC and DFAT advocate for capacity building to be part of the project budget and not considered an overhead cost that needs to be carried by the implementer. DFAT advocates its staff to encourage actions within the project to retain good staff (promotional structure, staff development opportunities).

5.2.3 Sida's management of MSD projects

Sida has in many cases found it challenging to find suitably qualified organisations (or consortia) to implement MSD programs in the contexts in which it operates. In only two of our case studies did Sida fund implementing organisations where the local team had substantive experience of MSD programming.

Four broad strategies have been deployed to overcome this challenge:

1. **Sida has selected organisations that, despite not having local MSD experience, have MSD experience internationally.** This approach, taken in at least four cases, has assumed that local offices are part of an international network that can be called upon to provide necessary training and support to local teams. For example, the initiative for PRODERT, Sida's first MSD project in Guatemala,

⁴⁹ The Springfield Centre (2014), The Operational Guide for the Making Markets Work for the Poor (M4P) Approach, 2nd edition funded by SDC and DFID; SDC (2017), Managing MSD projects: Internal guidance paper for SDC head office and cooperation office staff.

⁵⁰ The BEAM Exchange (2016), Improving the Design of Market Systems Programmes: Proceedings from the East Africa Donor Workshop 2016, The BEAM Exchange.

⁵¹ DFAT (2018), Cambodia Agricultural Value Chain (CAVAC) – Phase One Evaluation.

came principally from a program officer in the embassy who had received training in the approach. The officer contacted international NGO Helvetas to gauge their interest in drawing up an MSD project proposal. Because the local Helvetas office in Guatemala had no experience of MSD, they contacted their regional office in Peru who lent support. The Helvetas project coordinator received training from the Peru office and in the UK. Another example is Sida's work with the ILO in Rwanda. Recognising the ILO's lack of MSD experience in the country, Sida enlisted support from the ILO Lab⁵² during project design and allocated budget for further support during the implementation phase.

2. **Implementing organisations have bought in external MSD expertise.** Where MSD expertise is lacking internally (locally and/or internationally), some organisations have sub-contracted support for project design and implementation. In Ethiopia for example, the lead coalition partner for the LI-WAY project (SNV) contracted the Springfield Centre, a private consultancy and MSD specialist. Similarly, lead contractor Adam Smith International (ASI) for the Liberia GROW project augmented its MSD expertise on the project by sub-contracting MSD technical support from the Springfield Centre.
3. **Sida has facilitated the formation of coalitions to deliver its MSD projects.** In two cases, Sida concluded that it was not possible to find one partner organisation that would meet all of its requirements and so facilitated partnerships between organisations to deliver a project in an effort to ensure the right mix of skills. For example, for the LI-WAY project in Ethiopia, the program officer and head of development cooperation at the embassy met with a number of interested organisations but found that none had all the necessary experience. They subsequently selected four organisations that seemed to complement each to form a coalition.
4. **Sida has run a competition between potential implementers.** The process of selecting an implementer for the WEESMS project in Bangladesh provides an example. Because Sida had limited experience in MSD in Bangladesh and it was not immediately obvious which organisation would be suitable to implement the project, it was decided that the implementer would be selected through a competitive process. The embassy developed terms of reference for the delivery of the project and invited four NGOs to submit concept notes. Two bidders were short-listed and, as was the case with the LI-WAY project, Sida's program officer (with support from policy advisors at Sida HQ) facilitated a coalition between the organisations. Significant effort was required by the program officer to ensure that an agreement was reached that was deemed acceptable to both parties.

In the vast majority of cases, Sida has selected non-commercial organisations to implement its MSD projects. The reasons for this are examined in Box 6. The one exception to this that we are aware of is the GROW project in Liberia. The

⁵² The ILO Lab is an internal project designed to support the ILO's MSD programming.

GROW program officer decided to select the implementer through public procurement because there were no suitably qualified organisations already present in the country at the time (around 2011).

Box 6: The procurement of GROW in Liberia

We have been made aware of only one example of where Sida has procured a private contractor to implement an MSD project: Liberia GROW. This is in contrast to several other MSD funders (e.g. USAID and DFID), which rely on private contractors to implement a large proportion of their MSD portfolio. The focus of Sida's MSD funding on non-commercial entities appears to be down to two main factors:

1. A history and culture in Sida of partnering with NGOs and multilateral agencies to implement development cooperation projects. The use of private contractors via procurement is relatively rare.
2. Challenges in procuring services from private contractors. As a government agency, Sida is bound by the Swedish Public Procurement Act. In the example of GROW, the terms of reference for the implementer did not specify a detailed work plan or set of activities (following good MSD practice). This made it difficult for the program officer to prepare procurement documents, evaluation criteria, qualification requirements and contracts for the project. There were no precedents or guidelines for the procurement of an MSD implementer within Sida and there was initially significant opposition to this approach from Sida's legal and procurement staff as it conflicted with Sida's standard practice. Significant safeguards were required and the procurement was considered by several assessment committees at different levels to address the perceived higher uncertainty.

This has led to Sida staff finding it is far easier to fund non-commercial organisations to implement MSD projects as this can be done through a non-competitive and less formal process.

The following insights can be drawn from these four approaches:

- **First, the variance in the approaches taken speaks to the flexibility that Sida affords partner selection.** For example, there will be circumstances that merit canvassing the market through competition (as was the case with WEESMS in Bangladesh) and others where Sida knows who or what it wants and so competition will add little value (as was the case with Musika in Zambia). This flexibility is a strength as it allows embassies to select approaches that suit their circumstances, timescale and skillsets.

- **Second, Sida's assessment of the MSD capabilities of implementing partners lags behind its assessment of 'general' capabilities.** Through its appraisal process, Sida puts significant effort into assessing the capabilities of potential recipients of funding. However, these assessments focus on what might be called 'general capabilities' including, for example, organisational structure, governance, general management, and financial management and control systems. Where technical capabilities are considered, this is often restricted to thematic or sector knowledge or experience. Our case studies suggest that considerably less effort and structure is normally applied to the assessment of 'MSD capabilities': i.e. the extent to which potential recipients have access to the knowledge, the skills and the organisational culture required for effective MSD programming. For example, in the appraisal of the Aga Khan Foundation (AKF) for implementation of SPEDA, consideration was given to their experience working on similar thematic topics, such as value chain development projects and natural resource management programmes. However, an assessment was not provided on their credentials with respect to implementing projects using an MSD approach or what AKF call 'Inclusive Market Development' approaches.
- **Third, in nine of our eleven case studies, there has not been a purposeful and explicit strategy for addressing gaps in MSD capabilities.** As we have outlined, there is often an undersupply of MSD capabilities among implementers. While a number of strategies are being applied to address these gaps, these strategies are not being consistently considered, questioned or documented during the partner selection, design and approval stages. We found no evidence of where Quality Assurance Committees had questioned the process by which MSD capabilities would be strengthened. The efficacy of such strategies – whether drawing in support from other offices within an international organisation or sub-contracting 'backstopping' support – is likely to be much improved with formal ex ante consideration. Not least, it would ensure that efforts to build the MSD capabilities of an implementer are sufficiently resourced.

5.2.4 Lessons

MSD capability should be a primary consideration in selecting an implementing partner. It is not enough to rely on the general reputation of, for example, an international NGO or UN body. The implementing team on the ground needs to have a basic level of competence in MSD. This may not need to consist of long experience, but it does require a thorough understanding of MSD approaches, knowledge of the country context, and a mindset conducive to facilitation, risk taking, openness, learning and adaptation. Sida needs to be able to assess potential implementing partners through these lenses.

There should be an explicit strategy for addressing capacity gaps in MSD project delivery. Strategies also need to be properly resourced – either through the program budget or in some cases, by the implementing organisation's overhead. Trac 7.0 represents a positive move towards more relevant appraisal of the capacity of the

partner organisation. It places additional emphasis on the 'thematic and methodological' capabilities of the implementing organisation and their ability to recruit and build the capacity of the implementing team (See Box 7).

Box 7: Trac 7.0: Appraisal of organisational capacity and risk

Trac 7.0 still emphasises the importance of the implementing organisations' management capabilities (to manage for results and maintain levels of financial management and control). It also prompts the Sida program officer to assess whether the cooperation partner has the necessary thematic and methodological skills and knowledge to achieve the objectives. This includes an assessment of whether the cooperation partner has a plan/policy for staffing, competence development, staff evaluation and an assessment of the partner's capacity to recruit and retain professionals with the right experience, expertise and skills.

It is important that the Swedish legal framework for procurement is interpreted so as to support the use of competitive procurement and allow engagement with the bidding organisations over and above assessment of their written submissions. Sida's interpretation of the Public Procurement Act has disincentivised the use of competitive procurement for MSD implementers. While there is nothing in Sida policy that restricts competitive procurement, such practice is not the norm in Sida and culture and staff capacities often mitigate against Sida following a competitive route. Gauging the culture of the organisations, and ideally of the prospective implementing teams, can be a critical factor in the success of MSD projects, and so needs to be enabled through a procurement process.

5.3 AGREEMENTS AND CONTRACTS

Criteria	Findings	Lessons
Funders need to balance legal accountability in their contracts with room for adaptation. At the contract stage, the funder must be clear on what is subject to change and what is not during the implementation of the project, to ensure the implementer knows the boundaries it can work within. MSD projects often need to reallocate resources as they adapt and the budget structure for an MSD project is heavy on staff time, meaning that 'overheads' are higher than for traditional development projects.	We found no major impediments to MSD programming in Sida funding agreements. However, we found elements included in some agreements that, if adopted more broadly, would positively influence the way in which projects are subsequently implemented: 1. Reinforcement that the MSD approach should be followed. 2. Break clauses, which provide a relatively simple way of providing Sida leverage over implementers and mitigating Sida's risk without resorting to a short project timeframe.	Sida's contracts and funding agreements for MSD projects could be improved in two ways: 1. Setting out an expectation that the implementing partner will apply the accepted principles of MSD. 2. Longer contract periods with selective use of break clauses.

5.3.1 Implications of the MSD approach for funders

Funders need to balance legal accountability in their contracts with room for adaptation. Procurement and legal staff within funder organisations are often not familiar with contracting organisations based on unspecified activities. Funders may need additional time during this stage to work with legal and support staff to ensure a procurement process that is suitable for the MSD approach.

- **Scope of work:** At the contract stage, the funder must be clear on what is subject to change and what is not during the implementation of the project to ensure the implementer knows the boundaries it can work within.⁵³
- **Budget:** MSD projects often need to reallocate resources as they adapt⁵⁴ and the budget structure for an MSD project is heavy on staff time, meaning that 'overheads' are higher than for traditional development projects. While normally desirable for MSD projects, this can be perceived as cost-inefficient from a traditional budgetary perspective.⁵⁵

5.3.2 Examples of funder response

- **Scope of work:** USAID advocates for results-based statements of work so their contracts define the expected outcome and impact level results and prescribe that the MSD approach should be followed. But they do not specify the activities or outputs that should be used.
- **Budget:** DFAT guidance suggests that contracts should be structured to allow funds to move between activities and they propose that during implementation, project managers should allocate more time for monitoring MSD project expenditure than for traditional development projects.⁵⁶ SDC guidance highlights the challenge that MSD projects pose for donors in terms of the balance of their budgets between staff time and expenditure and suggests staff should replace the 'standard' criteria used to assess budgets with other value for money considerations.⁵⁷

⁵³ Bear, M., Bekkers, H. (2018), In Search of the Sweet Spot in Implementing MSD Programmes. MDF Case Study No. 5 | Part 1.

⁵⁴ The Springfield Centre (2014), The Operational Guide for the Making Markets Work for the Poor (M4P) Approach, 2nd edition funded by SDC and DFID.

⁵⁵ Allana, A. (2014), Navigating Complexity: Adaptive Management at the Northern Karamoja Growth, Health, and Governance Program.

⁵⁶ Ibid.

⁵⁷ SDC (2017), Managing MSD projects: Internal guidance paper for SDC head office and cooperation office staff.

5.3.3 Sida's management of MSD projects

We found no major impediments to MSD programming in Sida funding agreements. This is a function of agreements being relatively generic and high level, containing, for example: levels of funding, narrative and financial reporting requirements, and requirements for evaluations and formal review meetings between Sida and implementer. In our view, it is appropriate that agreements set the broad parameters for the relationship between Sida and implementer and that they do not contain detailed project designs.

Box 8: GROW and FSD Zambia: Case study highlights

The following excerpts are taken from GROW and FSD Zambia project documentation provide examples of wording in existing Sida projects that reinforce the use of the MSD approach and include the use of break clauses.

Reinforce the use of the MSD approach:

- **GROW:** *“Particular attention will be given to 1) adherence to the M4P approach, 2) the budget and to 3) M&E system and the results matrix/results chains, including gender disaggregated data and application of the DCED Standard, 4) quality of the market system analyses, and the strength of the logics within the intervention logics/result chains”* (Tender Terms of Reference)
- **WIN Zambia:** *“The Cooperation Partner shall submit an Inception Report, including a revised Project Document and work plan in a format consistent with the Making Markets Work for the Poor methodology, to be approved by Sida before the 2nd disbursement”.* (FSDZ Grant Agreement)

Break clauses:

In many ways, **break clauses** can have the same effect as a termination article. However, unlike termination articles, break clauses are usually dependent on milestones or review periods and therefore provide a structured process by which a decision is considered on whether to terminate the contract if performance is below expectation.

- **GROW:** *“Sweden has the right to terminate the contract with the facilitator (and the monitoring consultant) after the design phase of the programme, should Sweden, in consultation with the Ministry of Agriculture, find the proposed programme design unsatisfactory or fail to agree on ways to remedy the weaknesses with the facilitator.”* (Agreement between Sida and Government of Liberia).⁵⁸

⁵⁸ The contract between Sida and ASI was not made available to the evaluation team.

However, we found elements included in some agreements that, if adopted more broadly, would positively influence the way in which projects are subsequently implemented. The first element is the reinforcement of what Sida wants from the project by stating that it is to follow the MSD approach. This was done in agreements for GROW in Liberia and the WIN project in Zambia for example (see Box 8). The second element relates to break clauses. While it was not exercised, Sida's contract for the design and implementation of the GROW project in Liberia contained a break clause at the end of the design period. Break clauses are a relatively simple way of providing Sida leverage over implementers and mitigating Sida's risk without resorting to a short project timeframe (discussed above).

5.3.4 Lessons

Sida's contracts and funding agreements for MSD projects could be improved in two ways:

- **First, in setting out an expectation that the implementing partner will apply the accepted principles of MSD,** leaving no room for doubt about these parameters. There is merit in including a standard form of words, that sets out what Sida means by MSD (i.e. along the lines of a market-centric approach, facilitation and adaptation) and high-level implications (e.g. a flexible approach to budgeting is required).
- **Second, longer contract periods with selective use of break clauses would be beneficial.** Sida has at times been tempted to hedge its bets with projects or implementers in which it is not entirely confident, by awarding short project contracts. This can discourage long-term thinking by both parties. An alternative would be to award longer-term contracts, but with break clauses e.g. after one or two years, as was the case with GROW.

5.4 IMPLEMENTATION AND MANAGEMENT

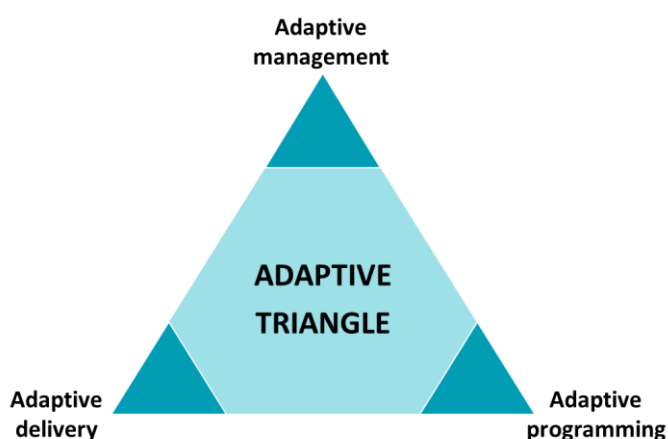
Criteria	Findings	Lessons
Funders have an important role to play in ensuring that MSD projects work adaptively. This relates to how procurement, commissioning, and systems for accountability are set up to 'allow' agency and space for a project to operate. It also requires that funders support and encourage a learning culture in MSD projects. Funders should have clear and transparent guidelines so implementing organisations understand the level of flexibility available to them.	Sida is perceived by implementers to be approachable and flexible as long as proposed changes are well evidenced and justified. For this to work well, Sida must trust in the ability of the implementing partner to deliver the project well and effective engagement mechanisms (both formal and informal) are key to establishing trust. Capable project teams have been able to implement projects without distortionary pressures from Sida. However, we found two examples of where Sida or co-funders' involvement has encroached on implementing organisations' independence.	Engagement between Sida and the implementer should be based on open and constructive dialogue and not be at the expense of flexibility. The lack of clarity on the terms of the relationship between Sida and implementing partners in adaptive management for MSD creates inefficiencies and uncertainty.
Because MSD projects are adaptive, they can often require more funder time and resources to keep abreast with developments than for traditional development projects.	Engagement by Sida program officers in the implementation phase of a project is typically fairly light but the engagement mechanisms do vary from project to project. Inception phases have been used to carry out analysis to inform or revise the project design in eight of the case studies, to varying success.	Close engagement by Sida with implementing partners is required, particularly in the inception period. This requires an investment of time to get to grips with the detail of project strategy and familiarity with the MSD approach.

5.4.1 Implications of the MSD approach for funders

Funders have an important role to play in ensuring that MSD projects work adaptively. Roles in project adaptation vary, as illustrated by the 'adaptive triangle' (see Figure 8 and Box 9).

Adaptive management by funders is necessary to create an enabling environment for adaptive programming and delivery. This relates to how procurement, commissioning, and systems for accountability are set up to 'allow' agency and space for an adaptive project to operate. It also requires that funders support and encourage a learning culture in MSD projects.

Figure 8: Adaptive triangle



Funders should have clear and transparent guidelines so implementing organisations understand the level of flexibility available to them. Evidence suggests a key bottleneck restricting adaptation is the tendency of support staff in implementing organisations to interpret funder policies conservatively.⁵⁹

MSD projects often require more funder time and resources. There are two reasons for this: (i) the inherent constraints and anti-adaptive structures in many donor environments which can demand more rigid results frameworks, meaning that it often needs a champion who can swim against the tide and who is willing to stick their neck out to protect space for a project; (ii) because project strategies adapt throughout the project cycle, funders often need more time and resources to keep abreast with developments than for traditional development projects. While there are limits, funders should ask questions, interrogate the strategy, results and failures, and encourage projects to adapt and learn from their experiences.⁶⁰

⁵⁹ Goeldner Byrne, K., Sparkman, T. and Fowler, B. (July 2016), The road to adaptive management: knowledge, leadership, culture and rules. The BEAM Exchange.

⁶⁰ DFAT (2017), Market Systems Development Operational Guidance Note, Australian Government Department for Foreign Affairs and Trade.

Box 9: The Adaptive Triangle⁶¹

Adaptive delivery is what happens at the 'front line'. It involves project staff applying curiosity, evidence, emotional intelligence and instinct to learn, adapt and make decisions in the short term. This includes 'chasing the problem', continually making 'best guesses' on what to do next, responding rapidly to the context and challenges on a daily basis, and then testing and correcting these decisions, employing 'everyday analysis' and valuing local knowledge. It includes the informal, natural, everyday interactions that front line workers have with their partners. It involves being intuitive and instinctive, sensing and reading signals, and being 'good dancers' within the system.

Adaptive programming concerns the more formal and structured processes required to promote and support adaptive delivery. It involves slower, more deliberate and structured processes of stepping back to reflect, conducting more in-depth and focused analysis, and bringing in critical friends to help set new directions. This includes monitoring and evaluation, strategic reflection and review, and processes to bring reflection and planning together, as well as tools, support and structures that enable and enhance the skills of those doing adaptive delivery.

Adaptive management concerns how funders and commissioners design, procure, fund and manage the performance of projects in a way that allows adaptive programming and delivery to happen in practice. It is about funders and suppliers creating an enabling or authorising environment for a project to be adaptive, through project design and architecture, procurement, commissioning, payment and oversight, providing management and delivery staff with the agency and space to operate in adaptive ways. It requires that funders support and encourage a learning culture which often includes funders asking questions, interrogating the strategy, results and failures, and encouraging projects to adapt and learn from their experiences.

5.4.2 Examples of funder response

The USAID Program Cycle Operational Policy uses clear and transparent language to differentiate between mandatory and non-mandatory procedures. Although this document is primarily aimed at USAID Mission staff, important lessons can be drawn. The mandatory procedures are identified by the words 'must'

⁶¹ Source: Itad (2018) - work undertaken as part of the Action for Empowerment and Accountability (A4EA) research programme.

or 'required'. Non-mandatory procedures are identified by the words 'recommend' or 'may'.

SDC and SECO advocate the use of external advisors to provide backstopping support for their staff and plug gaps in internal knowledge, capacity and resources. SDC has good experience of separately budgeting for backstopping support alongside project implementation and SECO draws on external advice and support provided by The Lab at the ILO to backstop MSD project managers.⁶²

DFAT has recently introduced a capacity building component for DFAT staff into one of their MSD projects. The second phase of the Market Development Facility will include a learning and development module for DFAT staff.

5.4.3 Sida's management of MSD projects

Sida is perceived by implementers to be approachable and flexible as long as proposed changes are well evidenced and justified. Examples of this were demonstrated in eight of the case studies. For example, Musika's results framework has been purposely designed to be broad in scope, to enable it to operate flexibly. It allows Musika to open new interventions, scale up what works and stop what doesn't. This flexibility is reflected in Musika's working relationship with the embassy. Musika feels comfortable in taking up new opportunities as they emerge and discussing interventions that are underperforming when that occurs. Within WEESMS and LI-WAY, there is evidence to suggest that frequent informal engagement is supporting the program officer to 'co-create' the project strategy with implementers, which appears to encourage a learning culture.

⁶² SDC (2017), Managing MSD projects: Internal guidance paper for SDC head office and cooperation office staff.

Box 10: Musika: Case study highlight

Both Sida and Musika characterise their relationship in positive terms. Three characteristics in particular emerged from our case study:

- **Despite a phased approach to funding, Sida has allowed Musika to focus on long-term goals.** While Sida's funding commitment was for an initial two years with a possible three-year extension, Musika was given the latitude to plan as if they had five years. The program's results framework for example reflected a five-year commitment. Sida could have asked Musika to achieve a set of measurable results within a two-year period to secure further funding. Instead, Musika was allowed to report on progress towards long-term goals and thus focus on the relatively slow process of promoting systemic change.
- **Sida enables flexibility in programming.** Musika's results framework is purposely designed (by Musika) to be broad in scope, to enable it to operate flexibly. It allows Musika to open new interventions, scale up what works and stop what doesn't. This flexibility is reflected in Musika's working relationship with the embassy. Musika feels comfortable taking up new opportunities as they emerge and discussing interventions that are underperforming.
- **Sida imposes minimal technical requirements.** On the 'technical' side of the program, Musika reports to having received little in the way of requirements from Sida. There are exceptions – a push for greater inclusion of environmental concerns in Musika's new business plan being an example – but Musika reports an appreciation for Sida's "let Musika get on with what we know Musika can do" approach. For its part, Sida derives confidence in Musika from a combination of having delivered strong results; having a good reputation in Zambia; robust operations that perform well in audits; and a collaborative relationship whereby Musika is responsive to embassy requests.

However, for this to work well, Sida must trust in the ability of the implementing partner to deliver the project well and effective engagement mechanisms (both formal and informal) are key to establishing trust. For example, under EnterGrowth, trust between Sida and the ILO in Sri Lanka was built through an open and honest relationship between the ILO team and the embassy in Colombo. The ILO project team were analytical and open about mistakes and Sida had regular meetings with the ILO team and followed the program closely through ad hoc (informal) communication.

Trust has also been built between the funders and the implementers within AMDT through backstopping support of an independent technical committee that supports the Board and AMDT technical director in the assessment of projects, AMDT workplans and intervention strategies. This provides additional capacity to the AMDT team and additional levels of oversight and assurance for the funders.

Trusted project teams have been allowed to implement projects without distortionary pressures from Sida. Examples of this were evidenced in three of the case studies. For example, with EnterGrowth Sri Lanka, while Sida gave strategic input, they and the ILO Office were very hands-off, enabling the dedicated ILO project team to be flexible and responsive in its approach. This was identified as an important enabling factor for the success of the project. Under Musika, a positive and productive relationship during implementation was built on Sida taking an engaged but strategic role and placing few technical requirements on Musika: *“let Musika get on with what we know Musika can do”*.

We found two examples of where Sida or co-funders' involvement has encroached on the implementing organisations' independence. Taking the example of Musika, Sida's Environment Helpdesk in Stockholm became involved in the safe use of agro-chemicals. Because, like any MSD program, Musika was working through the market, there were limits to the extent to which Musika could influence agro-chemical supply chains. While this issue was overcome through dialogue, there was some frustration on both sides stemming from differing perspectives on how 'interventionist' Musika could be in the market.

Within AMDT, there have been examples, particularly in the inception phase where the other funders of the Trust became involved in operational discussions. This started to encroach on the technical team's ability to make decisions and slowed down the decision-making process. This highlights one of the challenges of supporting a multi-funder initiative. Because consensus is needed among the donors, all funders must be supportive of the MSD approach for the implementation to run smoothly.

Engagement by Sida program officers in the implementation phase of a project is typically fairly light but the engagement mechanisms do vary from project to project. As highlighted in Section 4.2, Sida's role in contribution management is traditionally seen as being limited to assessing a proposal and deciding on the basis of this assessment whether or not to provide support; and then monitoring implementation during the follow-up phase. To monitor implementation, Sida program officers engage with the implementing partners through a mix of formal and informal (ad hoc) mechanisms.

Formally, Sida program officers either take a seat on an advisory board / committee or are engaged bilaterally with the implementing organisation. The latter normally consists of reviewing and approving reports, plans and budgets submitted by the implementing organisation on an annual or biannual basis. In the former set up, Sida often performs this function alongside representatives from government, other funders and the private sector (three of the projects in the case study sample use this approach). Challenges in the formal engagement mechanisms occur when formal reports or documentation fail to meet Sida program officers' information needs, the security situation restricts informal engagement opportunities (Afghanistan), or there is a difference of opinion among board/committee members.

Inception phases have been used to carry out analysis to inform or revise the project design in eight of the case studies, to varying success. Examples where it has not been successful are found in four of the case studies. It was clear that the inception report produced under Zambia FSD had a number of elements that were not consistent with the MSD approach. While Sida's comments on a draft inception report picked up on some of these issues, they have persisted into the implementation phase.

The performance of GROW's implementing organisation during the inception period was identified as being below expectations; and the embassy took steps to obtain improvements in the inception report. However, the decision to proceed to implementation was not made as systematically as had been intended: it was left largely to embassy personnel who lacked experience in handling such a difficult decision.

5.4.4 Lessons

Engagement between Sida and the implementer should be based on open and constructive dialogue and not be at the expense of flexibility. MSD requires the implementing organisation to have the freedom to experiment, learn and adapt as the project progresses. However, as we have seen from some of the case studies, Sida cannot take for granted that an MSD project will progress well. MSD is very challenging, and even the most experienced and competent organisations can struggle. This is not such a problem where project partners are disposed to engage with Sida over the problems they face – and there are good examples of this, e.g. EnterGrowth – but generally, implementing organisations are reluctant to open up to funders in this way. Establishing the right relationship with implementing partners requires a combination of soft skills and confidence to engage technically.

The lack of clarity on the terms of the relationship between Sida and implementing partners in adaptive management for MSD creates inefficiencies and uncertainty. Clarity is required on the degree of flexibility available to implementers in adapting project strategy and the points at which Sida engagement or approval is needed.

Close engagement by Sida with implementing partners is required, particularly in the inception period. It is very important that engagement is seen as collaborative, learning focused and strategic, and not as micro-management. Sida can and should add value through their engagement by interrogating the project strategy, results and failures, and encouraging projects to adapt and learn from their experiences by asking relevant questions. This requires an investment of time to understand the detail of project strategy and a familiarity with the MSD approach.

There are different models of varying formality that this engagement can take. With most MSD projects that we have studied, the processes for Sida's engagement with implementing partners are relatively informal. Projects with governing committees are unusual. There is no reason in our experience why both bilateral and

committee-based governance cannot work well, although the latter requires a degree of unanimity of perspective among the committee members which can be difficult to achieve.

5.5 RBM AND EVALUATION

Criteria	Findings	Lessons
Effective RBM is a central tenet to MSD project implementation.	Sida program officers have faced challenges in managing the performance of implementing partners.	This is due to: (i) a lack of clarity to the tools that can be used to enforce accountability; (ii) constraints in capacity; (iii) disbursement pressures, which can compromise efforts to pause and reflect on project performance.
The DCED Standard provides well-established good practice for RBM in MSD.	The DCED Standard places TOCs (or results chains) at the heart of an RBM system for MSD projects; however they have not been used proactively within Sida's MSD portfolio. Several project results frameworks lacked an adequate set of indicators of systemic change.	TOCs and the DCED Standard provide useful tools to enable good RBM for MSD projects. Mainstreaming their application across Sida's MSD portfolio would strengthen RBM.
Funders must consider carefully what the implementer should be held to account for. Unrealistic or inappropriate targets can pressurise a project into taking the wrong actions. RBM in MSD should be characterised by an openness and flexibility in results planning, particularly in the early stages of an intervention.	Sida is intentionally un-prescriptive about how results are defined both for project appraisal and for subsequent reporting. There is uncertainty about the appropriate level of results definition in project appraisals and agreements, particularly among less experienced and more isolated program officers. We found four examples of where highly specified results frameworks were developed before detailed market analysis had been undertaken. Limited guidance has been provided by Sida to implementing partners on its reporting requirements. There is a general understanding that inception periods can lead to revision of results frameworks, but the evidence suggests that their pre-definition prior to inception can lead to framework inertia.	Further clarity on the appropriate level of results definition in appraisals, funding agreements and reporting would assist in ensuring that projects are incentivised to facilitate long-term, sustainable change. This should include provision for flexibility in results planning and amendment to indicators as project design is adapted.

Criteria	Findings	Lessons
Funders need the capacity to effectively interrogate the evidence presented by implementers.	The capacity of implementing organisations and Sida program officers in RBM varies and it cannot be assumed that implementers are fully competent in this area. While backstopping support in RBM has been available to implementing organisations and Sida program officers, this has been rarely used.	Very few Sida personnel have extensive training, guidance or experience in RBM, and this is seen as a deficit that needs to be addressed.
Evaluations of MSD projects should serve both 'proving' (accountability) and 'improving' (learning) functions. Longitudinal MEL contracts are increasingly being used by some MSD funders.	Although all projects in our case studies envisage or envisaged external evaluation at some point in their lifespan, this has so far only taken place three times, and only one of these was regarded by Sida staff as valuable. When the evaluators had strong knowledge and experience of the MSD approach, the evaluation added significant value for the project.	Sida is not using external evaluation effectively to support oversight, learning and adaptation. For this to happen, there is a need for firm commitments to evaluation in project planning, and for capacity development of Sida personnel for commissioning evaluations.

5.5.1 Implications of the MSD approach for funders

Effective RBM is a central tenet to MSD project implementation. RBM is particularly important for MSD and other projects which are designed to adapt in response to evidence of what works and what does not, and changes in the context in which they operate. Weak RBM at best means funders cannot tell if projects are performing satisfactorily. At worst it is a major factor in poor performance because the project doesn't have the evidence it needs to learn and adapt. Funders have an interest and a duty to engage with implementers to ensure strong RBM. It is too important to leave to chance.

The DCED Standard provides well-established good practice for RBM in MSD. It provides a framework to help practitioners to articulate the hypothesis of their projects and to systematically set and monitor indicators which show whether events are occurring as expected. When applied effectively, this empowers projects to learn and adapt based on the monitoring data which they collect.

Funders must consider carefully what the implementer should be held to account for. Far from reducing the need to monitor, analyse and apply results information in the project, the greater complexity and uncertainty of MSD requires broader scope in monitoring and more frequent and comprehensive analysis. Instead of focusing on a limited number of quantitative indicators, projects need to monitor changes – quantitative and qualitative, expected and unexpected – in targeted groups and organisations, and also in the wider market context.

Unrealistic or inappropriate targets can pressurise a project into taking the wrong actions by intervening intensively to 'buy' quick results through direct delivery approaches at the expense of investing in long-term, sustainable change.⁶³ During the design and early stages of implementation, it is suggested that funders might instead perceive implementer accountability in terms of having effective RBM and other project management processes.

Funders must also support and encourage changes to indicators when appropriate as results indicators and targets can be made more precise as understanding of the market system grows.

As a general rule, RBM in MSD should be characterised by an openness and flexibility in results planning, particularly in the early stages of an intervention. This is driven by the uncertainties and complexities surrounding MSD and the need for thorough diagnostic processes in the early stages of a project, and also at intervals throughout project delivery. The facilitation model at the heart of MSD means that the implementer has less control over changes in the behaviour and status of its targeted groups and organisations than in direct delivery projects; therefore

⁶³ The BEAM Exchange (2016), Improving the Design of Market Systems Programmes: Proceedings from the East Africa Donor Workshop 2016, The BEAM Exchange.

milestones and targets in the traditional logical framework format are to be viewed with caution. If they are employed, they should be strictly qualified with assumptions.

Funders need the capacity to effectively interrogate the evidence presented by implementers and make sure that justifications of why things are not on track are plausible and their reasons for changing strategies and indicators make sense.

Evaluations of MSD projects should serve both 'proving' (accountability) and 'improving' (learning) functions.⁶⁴ To ensure this, the funder should consider the following:

- **Competency of the evaluation team:** If evaluators do not understand the MSD approach, they are likely to evaluate the project through the lens of a traditional direct delivery project.
- **Independence of the evaluation team:** Understanding of project interventions and context are as important as independence/impartiality. A combination of internal data collection, external evaluations and/or longitudinal collaborations between the evaluator and evaluand is advised.
- **Timing:** The impact of MSD interventions is likely to occur after the intervention has completed. Evaluations conducted during project implementation are still desirable to inform ongoing learning and adaptation, but they should set realistic expectations of the results that are likely to have materialised at the time of the evaluation.

Longitudinal MEL contracts are increasingly being used by MSD funders. These offer an alternative to bringing in evaluators retrospectively to conduct one-off formative or summative evaluations. They are a more collaborative model where evaluators work with project implementers from the outset, ensuring that projects are evaluable and then supporting and complementing project monitoring as well as facilitating periodic evaluative reviews, and sometimes also ex post impact evaluation for strategic learning. This has been found to be a particularly appropriate model for MSD interventions. Sida has not yet tried this approach in its MSD projects.

5.5.2 Examples of funder response

The timeframe within which funders need to set targets and the type of targets will vary depending on the project. DFAT guidance suggests a period of 18 months may be required before targets should be established.⁶⁵ USAID has two levels of indicators which satisfy agency-wide accountability and project learning respectively. At the top level, USAID has 'universal indicators' which are linked to an online agency-wide system. 'Custom indicators' are learning focused, tailored and monitored and interpreted at the Mission level.

⁶⁴ Ruffer, T. Wach, E. (2013), Review of M4P Evaluation Methods and Approaches, Itad Report.

⁶⁵ DFAT (2017), Market Systems Development Operational Guidance Note, Australian Government Department for Foreign Affairs and Trade.

DFID has made the logframe optional. While still widely used, logframes are no longer compulsory for DFID programming. There is growing acceptance within the organisation, including at senior levels, of alternative project results frameworks and less ex ante certainty about activities and results.

Some funders advocate for the use of the DCED Standard or commission independent monitoring and learning contracts. The DCED Standard places theories of change (TOCs) or results chains at the heart of an RBM system for MSD. This is a useful tool to portray a project's intended results logic – and the underpinning assumptions – in relatively unambiguous terms, but not as narrowly as indicators. It is the preferred framework for planning, early steering and assessing MSD projects from a results perspective. Most MSD projects funded through DFAT and SECO use the DCED Standard and most DFAT projects also have an independent advisory group or monitoring team to independently verify and carry out RBM activities.

Funders have used the following considerations in commissioning appropriate evaluations:

- **Competency of the evaluation team:** SECO draws on the expertise and networks of The Lab at the ILO to support evaluations. The Lab can conduct evaluations on behalf of SECO or use its networks to assist SECO in the search for competent independent evaluators.
- **Independence of the evaluation team:** DFID is increasingly commissioning evaluations which are based on a longitudinal collaboration between the evaluator and the evaluand through the commissioning of independent monitoring, evaluation and learning (MEL) contracts. USAID is increasingly commissioning long-term MEL support for Missions. This is currently being used by the Uganda Mission which has a large number of MSD projects.
- **Timing:** SDC guidance suggests that a 'stand-by phase' after the project closure can be used to measure systemic changes after the project has completed. This allows SDC to observe how benefits continue to accrue.⁶⁶

5.5.3 Sida's management of MSD projects

Sida program officers have faced challenges in managing the performance of implementing partners. For example, under Road to Jobs and SPEDA, Sida program officers have voiced concerns about their engagement with the implementers (ILO and AKF respectively). In both cases, the formal reporting is not providing Sida program officers with sufficient information; and because of the security situation (both projects are in Afghanistan) and communication challenges, Sida has been unable to fully resolve this issue through informal engagement channels.

⁶⁶ SDC (2017), Managing MSD projects: Internal guidance paper for SDC head office and cooperation office staff.

Taking the example of GROW, there were several red flags during the inception phase that suggested implementation was not likely to go well. However, the program officer was unsure of whether and how to manage the implementer in a more hands-on manner, which meant that implementing partner's performance was not managed as actively as it should have been. In another example (PRODERT), the weaknesses of the first phase persisted through Phase II, before they were eventually addressed through the scaling up phase. These weaknesses may have been picked up if Sida HQ advice for an evaluation of Phase I had been followed. MSD experience and capacity was weak at times in both the embassy and the implementing partner. Dialogue between the embassy and Helvetas during implementation was not strong and Sida's customary arms-length approach to the projects it funds was also a factor.

The DCED Standard places TOCs (or results chains) at the heart of an RBM system for MSD projects; however they have not been used proactively within Sida's MSD portfolio. Although five case study projects reported that they follow the DCED Standard, there is no evidence that they or any other implementers proactively used TOCs for reviewing project progress or adapted them in the light of new information or changed circumstances. PRODERT provides an instructive example: the case study of PRODERT found the lack of a functional TOC to be a major factor in the poor performance of the project during its first two phases. The third phase now places a TOC with clear systemic objectives at the heart of the project design and implementation. Under Trac 7.0, an assessment of the project's TOC is now required as part of the appraisal process (see Box 11).

Box 11: Trac 7.0: Appraisal of objectives and theory of change

Trac 7.0 guides the appraisal of a project's TOC, including its assumptions and risks. Sida does not specify the format of the theory of change but now requires that the logic should be clearly articulated based on an analysis of the underlying problems; and that the envisaged causal relations should be clearly spelt out in the project/program document.

Trac 7.0 guidance also suggests that the TOC should not be treated as a static roadmap and partners should be encouraged to focus on learning and adapting the intervention in order to increase the chances of achieving its objectives.

Several project results frameworks lacked an adequate set of indicators of systemic change. Examples of results frameworks which lacked adequate indicators of systemic change include WEESMS, SPEDA, WIN and PRODERT (Phases I and II). For example, WIN's results framework focused on buyers or sellers of financial services (the core market) with little reference to the system (the supporting functions or rules) that shape and inform those transactions. The one exception is the inclusion of Output 1 and its ambition to improve financial education (a supporting function of the financial services market). The results set out could be achieved through the use of direct delivery and/or actor-centric approaches. From an MSD perspective, there is

nothing prohibitive about this framework but neither does it encourage or incentivise WIN to take an MSD approach.

Sida is intentionally un-prescriptive about how results are defined both for project appraisal and for subsequent reporting. There has long been a strong current of opinion in Sida that has been sceptical of rigid approaches to RBM characterised by overreliance on the logical framework; and this is evident in the majority of our case studies. Project implementers are empowered to manage their own results planning, monitoring and reporting.

There is uncertainty about the appropriate level of results definition in project appraisals and agreements, particularly among less experienced and more isolated program officers. Sida staff who do not know or are uncertain about this have tended to fall back on the orthodoxy of the logframe. We found that the design stage for four case study projects – SPEDA, Road to Jobs, PRODERT I and II and WIN – included highly specified results frameworks.

Limited guidance has been provided by Sida to implementing partners on its reporting requirements. Two implementing partners (WEESMS, SPEDA) told us that this lack of guidance meant that they had to second guess Sida's requirements in developing their results reporting systems, which led to higher inefficiencies and transactions costs that might otherwise have been the case. Mutual expectations between Sida and implementing partners could be set out upfront more clearly. Challenges in reporting have also been identified with the ILO as they have their own template.

There is a general understanding that inception periods can lead to revision of results frameworks, but the evidence suggests that their pre-definition prior to inception can lead to framework inertia. Market diagnostics and other research and consultation activities carried out in the inception phase will generate additional insights and adjustments to the project design. These changes are not always reflected in the project results framework, suggesting that the results of these diagnostics are not being reflected in revisions to project results frameworks. For example, in SPEDA, Road to Jobs, PRODERT I and II and WIN, there was very little substantive revision of results frameworks following the inception phase. In the other case studies results, indicators and targets were adjusted during project implementation. This was accompanied by learning in, and adaptation of, the projects themselves. In one case – EnterGrowth – there was demonstrable learning in, and adaptation of, the project but not of the RBM frameworks.

The capacity of implementing organisations and Sida program officers in RBM varies and it cannot be assumed that implementers are fully competent in this area. Some implementing organisations have a good track record in RBM for MSD, but the particular project teams may lack the expertise (GROW and PRODERT I and II, for example). Sida program officers are usually not trained or experienced in RBM, let alone the type of RBM that is required for MSD. Four program officers volunteered the information that their lack of RBM experience and expertise was an obstacle to engagement with implementers in this area. In addition, one program

officer told us that she would have liked to have engaged more in project RBM, but was uncertain about the propriety of doing this. Trac 7.0 guidance places greater emphasis on assessing prospective partners' RBM capacity during the appraisal process (see Box 12). This assessment is made by the Sida program officer and those involved in the QA process, meaning it is important they have sufficient knowledge of RBM practices to effectively make this assessment.

Box 12: Trac 7.0: Appraisal of RBM capabilities

Trac 7.0 guidance on assessing on the partner's capacity to apply RBM places greater emphasis on learning than in the previous versions of Trac. Previously, the assessment was based on the partners' ability to monitor and evaluate results and the progress of the development intervention using tools such as an M&E plan. Trac 7.0 proposes a more nuanced approach to this assessment, suggesting the program officer should make their own assessment of the cooperation partner's ability to learn and adapt by asking them questions about: learning and the consequence of this learning, what they have learned about the problem and changes have been identified in the context, and the strategies they have to increasing the chances of achieving results.

Trac 7.0 also suggests program officers can draw on the support of the framework agreement on RBM if they believe the cooperation partner would benefit from support and capacity building in monitoring, evaluation and learning.

While backstopping support in RBM has been available to implementing organisations and Sida program officers, this has been rarely used. Consultants can provide support to Sida program officers in project RBM. GROW provides a useful example of where this has happened. Here, the monitoring consultants were able to diagnose weaknesses in both RBM and the project itself, confirming in concrete terms the program officer's general misgivings about the project's performance. However, the consultants' engagement with the implementers was of a retrospective, somewhat detached, nature, delaying their influence on RBM in GROW. For example, reporting in GROW did not begin to improve until the end of 2017 – three years after the project began. The Lab at the ILO has also provided backstopping support for ILO implemented projects in the case study sample (Decent Work and Road to Jobs).

Although all projects in our case studies envisage or envisaged external evaluation at some point in their lifespan, this has so far only taken place three times, and only one of these was regarded by Sida staff as valuable. Evaluations are rarely silver bullets leading to transformative improvement, adaptation or strategic knowledge. However, they can provide important opportunities for reflection and for the application of external expert viewpoints. This can get a project on the right track, or simply provide reassurance to the funder that the implementer can be trusted.

The case studies revealed several missed opportunities in this regard. Envisaged formative evaluations in WIN and PRODERT (Phase I), for example, did not take place. GROW had a useful late term review but a fuller evaluation would have been more revealing of the challenges faced in and with this project. The Musika evaluation was left to DFID, with disappointing results. Evaluations in the two case studies in Afghanistan have not gone to plan. The Rwanda proposal envisages three evaluations, but barely has a budget for one.

When the evaluators had strong knowledge and experience of the MSD approach, the evaluation added significant value for the project. The formative evaluation of EnterGrowth provides a good example of where this was the case and where the evaluation played an important role in inspiring significant project improvements. If evaluators do not understand the MSD approach, they are likely to evaluate the project through the lens of a traditional direct delivery project. Sida personnel need to be able to assess evaluators through this lens.

5.5.4 Lessons

Our case studies demonstrate that Sida can be ineffective in holding implementing agencies to account for effective market system programming and in particular adaptive management. This appears to be due to a combination of the following factors:

- It is sometimes not clear to program officers what they should hold implementers to account for and what tools are available to enforce accountability.
- Constraints in capacity sometimes limit the extent to which Sida staff can actively manage programs. 'Capacity' in this sense can relate to either time available to actively engage in understanding the technical details of implementation strategies, which is required to effectively troubleshoot and hold implementing organisation to account; or the experience and expertise required to effectively challenge project implementers.
- Disbursement pressures can compromise efforts to pause and reflect on project performance at key stages in the implementation cycle (for example, end of inception phase and break clauses).

Further clarity is required on requirements for results definition and reporting. This applies equally to appraisals, funding agreements and implementation. It would assist in ensuring that projects are incentivised and held to account for facilitating long-term, sustainable change. This should include provision for flexibility in results planning and amendment to indicators as the project design is adapted.

Very few Sida personnel have extensive training, guidance or experience in RBM, and this is a deficit that needs to be addressed. Funders – and Sida is no exception – tend to rely on reporting by the project partner to monitor progress and detect weaknesses. With MSD, this is not usually a reliable way of engaging with a project. It can be very difficult to read the runes of an MSD project through standard types of project reports which tend to be mostly about activities and quantitative

indicators. While applying the DCED Standard more consistently would partly address this, informal engagement (email, ad hoc meetings and telephone contact) throughout the year has built program officers' confidence and understanding of the project. Sida personnel also need to be able to recognise effective monitoring and the relevance and quality of data emerging from it.

Sida is not using external evaluation effectively to support oversight, learning and adaptation. The case studies point to inconsistent use of evaluation at project level with missed opportunities for course correction and strategic learning. This needs to be addressed both by firm commitments to evaluation in project planning, and in capacity development of Sida personnel for commissioning evaluations. External evaluators are increasingly being appointed at the beginning of a project, when they help to ensure the project's evaluability through appropriate theories of change, results frameworks and monitoring processes. This is a model Sida could consider adopting selectively. Any evaluator appointed by Sida for MSD needs to be competent to work in an MSD environment.

6 Conclusions and recommendations

In this final section of the report, we present the conclusions and recommendations arising from the evaluation. This includes a discussion of the implications of our findings for Sida's programming – both in MSD and more broadly in creating conditions that allow for programming that reflects complex contexts and adaptive management (EQ 9).

6.1 CONCLUSIONS

6.1.1 The relevance of our findings for Sida's wider programming

Although this evaluation has explicitly focused on the management of MSD projects, we believe that its findings have wider relevance to Sida in ensuring the right conditions are in place for programming to reflect complex contexts and adaptive management.⁶⁷ MSD is not intrinsically different to how many other types of development should be pursued. Several of Sida's other fields of work – e.g. democracy, human rights and freedom of expression, gender equality, and conflict, peace and security – need to take account of the fact that development is complex, context-specific, non-linear and political, and that conventional development interventions too often fail to take this into account. In doing so, development agencies including Sida need to equip themselves to design and implement solutions that take account of local context, accept and manage uncertainty and adapt accordingly, and engage broad sets of agents.

These considerations, which are encapsulated by DDD, map very closely to the three features of the MSD approach described in section 2.1.4 (see Figure 9 and Table 2).

⁶⁷ Our understanding is based on limited direct evidence from Sida sources and includes extrapolation from other donor experience, adapted to what we know about Sida as an organisation

Figure 9: Commonalities between MSD and DDD

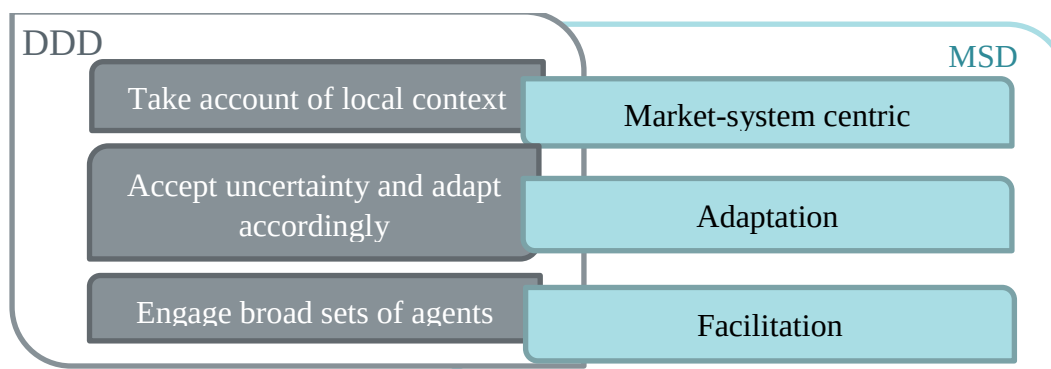


Table 2: Commonalities between MSD and DDD

DDD	MSD	Commonalities
Take account of local context , including the political and socio-economic operating environment (or systems).	Market system-centric approach: base intervention design on an identification and analysis of how a market system, including its underlying functions or rules, is failing poor people and what is causing the status quo.	Both approaches emphasise the importance of tailoring project design to the context within which the project will operate. This requires careful analysis which is revisited throughout the duration of the project.
Accept and manage uncertainty and adapt accordingly , recognising that in trial-and-error processes, some interventions will by necessity fail. This requires that experimentation is embedded in tight feedback loops that facilitate rapid experiential learning and adaptation to program strategy to reflect this learning.	Adaptation: in recognition of the dynamic and unpredictable nature of market systems, the MSD approach emphasises flexibility, experimentation and adaptation based on learning.	Both approaches recognise the unpredictable nature of the context in which development interventions operate and that those designing and delivering interventions have imperfect knowledge about the context. It is therefore necessary for projects to test hypotheses and learn from these experiences. Doing so requires effective RBM systems that provide real-time information to facilitate adaptive management.
Engage broad sets of agents to ensure that reforms are viable, legitimate, relevant and supportable. This requires actively engaging to shape incentives, relationships (both formal and informal), norms and values. This cannot be “delivered” by interventions; but it can be influenced through facilitation.	Facilitation is about stimulating other actors, rather than becoming a player in the market system. Facilitators are external players, standing outside of the market system, whose role is to stimulate and support changes in the way the market works. By doing this, project results are more likely to be sustainable.	Both approaches recognise that development interventions are often managed by external actors that play a temporary role in the environment within which they operate. Intervention tactics must acknowledge this to ensure that a project contributes to change that is legitimate, relevant and sustainable.

Sida and many other development actors recognise the need to change their approach to development to reflect these considerations. This was underlined in 2016 by Sida’s Director of Partnerships and Innovation at the time when she told an audience at a DDD workshop organised by ODI and the Building State Capability program at Harvard University that the Swedish government had given Sida flexibility to decide how it did development; however they “*had been given a mandate that [they] are not using enough*”.⁶⁸ This recognition has been confirmed more recently in interviews we have conducted with Sida staff during the evaluation.

6.1.2 Conclusions – implications for Sida

As a funder, Sida sets the parameters for its role in the design and appraisal of projects, the selection and funding of implementing partners, and the management of project performance. These are important determinants of the effectiveness of Swedish aid. Although progress is being made, the findings and lessons presented in Section 5 point to several factors that affect Sida’s ability to ensure that the optimal conditions are in place for effective MSD and good development programming more generally. These are summarised below. Some of these factors are directly relevant to specific stages of the project cycle. Others relate to wider issues of capacity and leadership.

1. Design and appraisal

The evaluation has identified several common weaknesses in MSD project design, including: (i) identification of solutions in the absence of strong analysis and robust theories of change; (ii) short project timeframes that do not provide space for long term change processes and that can incentivise short termism; and (iii) pre-committing project funds to interventions at the beginning of a project, leaving little resource to respond to emerging needs or opportunities.

We found that Sida’s appraisal process does not consistently ensure good quality project design. Addressing this requires:

- Ensuring that project appraisal considers more prominently the requirements of MSD or other systems and adaptive programming approaches. Sida’s managers have a key role to play in setting the scope of the appraisal process and framing the primary considerations of the QAC; and Sida personnel involved in project design and appraisal need sufficient understanding of the implications of adaptive programming for design.
- A more nuanced assessment of programmatic risk that includes consideration of the risks of design not being based on robust analysis and not providing for adaptation to evolving context, and the selection of implementing partners with inadequate skills or experience (and inadequate strategies for addressing capacity gaps where they exist).

⁶⁸ Lena Ingelstam, video recording 2016: <https://youtu.be/FXPjhoghM0o>

2. RBM and evaluation

Sida is not systematic in ensuring that its projects apply strong RBM. By RBM, we mean a regular process of setting objectives, measuring achievement against these, using this information to learn what is working and what is not and, based on this, adapting and reporting progress. In the case of MSD, the DCED Standard provides useful and well-established set of tools to support good RBM. Mainstreaming their application across Sida's MSD portfolio would strengthen RBM and measures are required to build the RBM capacity of Sida staff.

Further clarity on the appropriate level of results definition in appraisals, funding agreements and reporting would assist in ensuring that projects are incentivised to facilitate long-term, sustainable change. Results frameworks should include provision for flexibility in results planning and amendment to indicators as project design is adapted.

Sida can make better use of external evaluations. A firm commitment to evaluation in project planning and additional capacity development for Sida personnel for commissioning evaluations for MSD projects is required.

Beyond the lens of individual projects, RBM is not strongly institutionalised in embassies. Our discussions with embassy staff during the case study country visits highlighted that there are no clear mechanisms for systematic learning and adaptation an embassy's development cooperation projects and in particular at the country portfolio level.

3. Identifying and managing implementing partners

The selection of suitably qualified implementing partners is crucial to the success of a project. During appraisal, Sida needs to consider more carefully the familiarity of implementing partners with systemic approaches and adaptive programming, their knowledge of the country context, and the existence of a mindset or culture that is conducive to facilitation, risk taking, openness, learning and adaptation (Trac 7.0 emphasises more clearly the importance of considering implementing partners' capacity in appraisal than was previously the case). Sida also needs to ensure that project design includes an explicit strategy for addressing capacity gaps where these are identified.

The relationship between Sida and its implementing partners is critical – Sida needs to support and encourage a learning culture on the projects it funds. This is partly about communication and incentives: partners need to be convinced that it is safe and in their interests to work without the type of rigid frameworks they have come to expect from donors and to manage greater risks.

MSD requires close engagement by Sida with implementing partners, particularly in the inception period. This engagement should include interrogating the strategy, results and failures, and encouraging projects to adapt and learn from their experiences. This involves an investment of time by Sida staff to get to grips with the detail of project strategy and a familiarity with systemic approaches and

adaptive programming. The parameters of the relationship between Sida and implementing need to be clarified upfront and engagement should be based on open and constructive dialogue and not be at the expense of flexibility.

Sida program officers have faced challenges in managing the performance of implementing partners, due to:

- A lack of clarity what implementers should be held to account for and what tools are available to enforce accountability to on tools to enforce accountability.
- Constraints in program officer RBM capacity.
- Disbursement pressures, which can compromise efforts to pause and reflect on project performance.

Incentives for effective project delivery would be strengthened by including the following in funding agreements:

- Explicit reinforcement that a particular approach (such as MSD) should be followed.
- Longer contract periods with ‘break clauses’ in contracts to provide Sida with leverage over implementers in case of performance problems, and manage uncertainty and mitigate risk without resorting to short project timeframes.

4. Leadership and incentives

We have not seen evidence of strong and consistent endorsement by leadership of the value of MSD and other adaptive management approaches. This has contributed to some of the shortcomings we have identified in Sida’s programming in this area. Such endorsement would contribute to improved programming in numerous ways, for example:

- **During appraisal**, managers have a critical role to play in establishing and resourcing QA systems to ensure they are resourced appropriately and that the project design is conducive to adaptive management.
- **In developing country strategies**, by endorsing such approaches and embedding formal learning cycles into the roll-out of strategies.
- In ensuring that **Sida invests in building the organisational and staff capacities** that are required (see below for further discussion of this point).

5. Capacity

Sida needs to respond to the complexities of managing for systemic approaches and adaptive programming by ensuring there is sufficient capacity both in organisational and human resource terms. While this applies primarily to Sida staff, it is also relevant to implementing partners. With respect to MSD:

1. **Sida needs invest more in building MSD capacity internally.** Effective adaptive management for MSD creates a need for significant technical capabilities on the part of Sida’s staff engaged in MSD projects. While increased capacity is needed most amongst relevant program officers and thematic specialists (in terms

of their know-how, experience and confidence), it is also required among others involved in the MSD project cycle, such as managers and controllers.

2. **Program officers have emphasised the value of the support they receive from thematic specialists in the regional departments and its Policy Specialists within TEMA.** The Network for Employment and Market Development and its 'Hub' are also highly regarded. The issue here is limited availability of guidance and support from advisory staff. The number of MSD / private sector thematic specialists at Sida HQ is inadequate compared to the number of operational staff that they are expected to support and the articulated network member demand for support on the MSD approach.
3. **Our case studies identified a range of vehicles that can be used to build capacity.** In addition to training, capacity can also be developed through dialogue and exchange of experience, including collaborative relationships with implementing partners and between Sida colleagues within the Network for Employment and Market Development. A good example of the latter has been promoted by the EuroLatin department where the Guatemala, Bolivia and Columbia teams are closely linked through formal support to each other's project appraisal processes and though informal, ad hoc support. Such opportunities are used occasionally, but there is under-investment in this area.
4. **We have seen good examples of how the capacity of Sida staff can be complemented through the use of external consultants in both the pre-implementation and implementation stages of projects.** Such support can be used to support project design and appraisal, as well as ongoing review and management of implementer performance.

6.2 RECOMMENDATIONS

This evaluation is grounded in a conceptual framework for understanding organisational capacity as a product of three factors: (i) rules, guidelines and systems; (ii) staff capacity; and (iii) organisational culture. In this section, we provide recommendations for improvements that Sida should make in each of these areas to achieve more effective programming. Although the evaluation has focused on Sida's MSD programming we believe that our recommendations are of relevance to broader Sida.

The recommendations have been developed based on discussions with Sida staff, including during a 'Validation and Recommendations workshop' which was held in Stockholm in June 2018, attended by a wide cross-section of Sida and embassy staff. During the workshop, participants discussed and provided feedback on the draft findings from the evaluation and worked with the evaluation team to co-create recommendations emerging from the findings.

Our recommendations are summarised in Figure 10. We elaborate on them in the text that follows.

Figure 10: Summary of recommendations

	General programming	MSD
Organisational culture	1. Leadership should more actively and consistently support and incentivise a culture of experimentation and active learning to inform adaptative management.	2. Sida's Policy Unit needs to be better resourced to more strongly institutionalise the MSD approach.
Staff capacity	3. Develop an explicit strategy for knowledge management, human resource development, capacity development and training in: (i) MSD; and (ii) broader adaptive management.	
Rules, guidelines and systems	4. Systematise project and country strategy learning cycles.	5. Develop guidelines on MSD project management.
	6. Adjust contracts and funding agreements to: (i) provide greater clarity on the degree of flexibility available to the implementer; and (ii) provide more robust tools to enable Sida to better manage instances where implementers are under-performing.	

6.2.1 Organisational culture

Recommendation 1: Leadership should more actively and consistently support and incentivise a culture of experimentation and active learning to inform adaptative management.

Leadership

The effective application of MSD and other approaches that involve systems thinking and adaptive program management require different behaviours of Sida's staff compared to traditional development programming. Appropriate rules, regulations and guidelines alone will not ensure this. Leadership is central to shaping organisational culture: the messages and actions of senior managers in an organisation have a significant effect on people's behaviours and actions. If Sida recognises the value of the DDD agenda and the good practice of the MSD approach, its leadership should explicitly and consistently endorse this, support the organisation to create opportunities to apply it in practice, and provide incentives for staff to do so.

Leadership's engagement in appraisal, funding decisions and staff performance management should encourage approaches that are experimental, adaptive (based on robust analysis), and systems-based. Embassy staff and Sida senior management need to support and encourage staff to actively seek out and learn from robust evidence (monitoring and reporting data, evaluations and research) of what works and what

does not, and take action based on this.⁶⁹ Beyond this, leadership needs to consistently communicate the importance of results and learning, detailing both how results data informs decisions and the value and benefit this will bring to the achievement of development outcomes. Senior managers should also be seen to be probing other people's decisions, asking staff what evidence has been considered and how initiatives have been shaped by it.

Incentives

A culture of adaptive management and active learning also requires appropriate incentives. Staff need to be accountable for this (including through their performance management systems): if they are evaluated solely on spending according to plan, then this is where their attention will focus. Effective adaptive management involves risk taking and requires a willingness to acknowledge and learn from failure. It also requires that time is spent on considering evidence, reflecting on its implications and agreeing what to do differently. Managers need to model this, prioritising time to review, reflect and learn from results.

Recommendation 2: Sida's Policy Unit needs to be better resourced to more strongly institutionalise the MSD approach.

The growing investment that Sida is making in MSD programming points to a need for the approach to be more strongly institutionalised within the organisation. While Sida's Network for Employment and Market Development and its hub of HQ-based staff play this role to some extent, MSD coordination is fragmented and under-resourced.

Better resourced support for MSD from Sida's Policy Unit (TEMA) is required to drive our other recommendations that are specific to institutionalising MSD and improving Sida's practice in this area, and would send strong signals to staff of the value that Sida attaches to the approach.⁷⁰ This would also enable investment in stronger links between TEMA and other methods units that oversee Sida's approaches in several areas that are crucial to MSD (such as RBM, evaluation, and contribution management).

⁶⁹ We provide a separate recommendation (Recommendation 4) on how this could be institutionalised.

⁷⁰ This recommendation resonates with a joint travel report from a week of meetings, training and a workshop in Nairobi, Kenya, 19-23 February, in which many Sida members of the Network for Employment and Market Development participated. The report called for "*Sida to meet the needs to institutionalise the MSD approach within the organisation, which includes e.g. strengthening its inhouse capacity and support among programme officers, policy advisors, managers and support staff, methods development, trainings and adapting Sida processes, procedures and templates etc. This request echoes and reinforces the needs previously expressed by a) a network workshops on the MSD approach 23 January, b) the network annual meeting 31 January and b) our network-member survey late January.*"

6.2.2 Staff capacity

Recommendation 3: Develop an explicit strategy for knowledge management, human resource development, capacity development and training in: (i) MSD; and (ii) broader adaptive management.

MSD

A consistent theme running through our evaluation findings has been the need for greater investment in MSD capacity within Sida. An explicit strategy is required for this. Some specific suggestions of what this should include are outlined below.

- **Written guidelines for Sida staff on MSD project management** (see Recommendation 5).
- **Formal training** on the MSD approach and its management from Sida's perspective, which is explicitly designed to support the practical application of the written guidance by Sida staff and implementing partners (see Recommendation 5).
- **Peer learning and coaching.** This could be strengthened through increased internal resource dedicated to MSD in TEMA (see Recommendation 2) and coordinated through the Network for Employment and Market Development.
- **External backstopping support, for example, through the creation of an MSD learning resource centre.** This would provide specialist technical advice and support on MSD that can be accessed where this expertise is not available within Sida. It could include:
 - **Consultancy support** to MSD program officers to assist with project design and appraisal, periodic reviews, etc.
 - **Portfolio learning support** to curate and synthesise learning from across Sida's MSD portfolio.

Broader adaptive management

The recent changes to Sida's contribution management system (through Trac 7.0 and associated guidance) provide a strong platform for Sida to embed systems approaches and adaptive management more consistently in its programming. However, this evaluation has shown that application of the contribution management process is influenced by staff interpretation of the system as much as it is by guidelines. Therefore, the new rule and guidance are necessary, but may not be sufficient.

Staff interpretation of rules and guidance is affected by a combination of culture and capacity. For Sida to effectively apply systems approaches and adaptive management across its portfolio, in addition to an understanding of Trac 7.0 guidance⁷¹, all staff

⁷¹ Although there has not been comprehensive training for program officers on Trac 7.0, some support has already been provided. This has included embassy visits, clinics where staff can discuss acute issues with Trac experts, and a series of videos to explain features of the new version.

involved in the management of contributions that apply systems approaches and adaptive management (including for example, managers and controllers) need a sound understanding of the principles of these approaches and their implications.

The specialist MSD capacity building recommended above should be targeted at program officers and advisers whose roles are focused on MSD. Other staff would benefit from more general but tailored guidance and training on the implications of adaptive management for Sida's role in contribution management, including for example, in appraisal, RBM and evaluation. To ensure that this is appropriately tailored to their requirements, a systematic competence development needs assessment should be undertaken before the guidance and training is designed.

6.2.3 Rules, guidelines and systems

Recommendation 4: Systematise project and country strategy learning cycles.

The systematisation of learning cycles would contribute to better learning and adaptation at Sida. This should happen at two levels – projects and country portfolios. At each level, the learning process should include: (i) identification of key learning themes at the beginning of a project or country strategy; (ii) an explicit identification of the processes, analytical approach, and resources for this learning to take place; and (iii) a clear mechanism for learning to feed into the adaptation of project interventions or country portfolios. Importantly, analysis should be informed by engagement with Sida's implementing partners and other relevant actors – helping to ensure that Sida's interventions are politically smart and locally led.

At the project level, a formalised learning process could be instituted at key project stages (e.g. the end of an inception phase and at midterm). It could be managed in a similar way to project appraisal and include Sida staff involved on the QAC.

At the country portfolio level, a starting point would be that country strategies are framed in a problem-led manner. For example, a country strategy might be partly at least defined around the problem of extreme poverty and lack of empowerment of women in a particular disadvantaged region. As well as providing the anchor for the country strategy, the defined problem(s) would drive the specification of learning themes which in turn would guide requirements for periodic analysis to inform this learning. This would require that projects are considered more as evolving parts of an organic portfolio rather than a series of discrete interventions, with Sida's managers empowered to adapt Sida's portfolio in response to learning and changes in context.

Recommendation 5: Develop guidelines on MSD project management.

Those involved in MSD projects would benefit from tailored guidance on the role of Sida in MSD project management across the cycle. This should complement and build on the guidance already provided through the new Contribution Management Rule and Trac 7.0. Detailed suggestions on what this guidance should contain are provided in Annex 5, which covers (i) considerations to assess MSD design during appraisal; (ii) factors to consider in assessing the competencies of implementing

partners and options for selecting partners; (iii) Sida's role in managing MSD programs; and (iv) RBM.

While the primary audience for these guidelines is MSD program officers, they would also be an important resource more broadly within Sida (for example for others involved in project appraisal) and for consultants and project implementers working with Sida on MSD projects. Such guidelines would also be of benefit to other areas of programming and Sida should consider developing similar tailored guidance for other thematic areas.

Recommendation 6: Adjust contracts and funding agreements to: (i) provide greater clarity on the degree of flexibility available to the implementer; and (ii) provide more robust tools to enable Sida to better manage instances where implementers are under-performing.

The evaluation has found that Sida's relationship with implementing partners would be strengthened by greater clarity on the degree of flexibility available to the implementer. Funding agreements should explicitly set out which parts of the project design are fixed or subject to adjustment, according to the following three categories:

1. **Areas which are fixed.** These should generally include (i) high-level project objectives; and (ii) the overall approach and behaviours expected of the implementer. In the case of MSD, this should include following the MSD approach, embedding sound RBM into the project (for example through applying the DCED Standard), and playing the role of a facilitator.
2. **Areas which are subject to adjustment with approval by Sida.** These might include, for example: (i) significant changes to project strategy, such as geographical or value chain focus; and (ii) changes to the project results framework; (iii) significant adjustments to the implementing team.
3. **Areas which are subject to adjustment without the need for approval by Sida.** These might include: (i) minor changes to the allocation of budget; and (ii) shifts to intervention plans.

We recommend that Sida introduces more formalised tools to enable it to manage implementer under-performance, including:

- **Special measures:** Where concerns about project performance are raised by the program officer, a formal process of intensive performance review should be initiated. This review would involve an escalation beyond the program officer (e.g. to those involved on the appraisal Quality Assurance Committee). If performance does not improve within a specified period of time, contracts and funding agreements should provide Sida with the right to either (i) withhold funding until performance has improved; or (ii) terminate the funding agreement or contract.
- **Break clauses:** Identification of formal review points at key stages in the project cycle (e.g. at the end of inception phase or midterm) at which Sida reserves the right to terminate the contract or funding agreement if performance is deemed to

be unsatisfactory. These review points should be linked to institutionalised formative evaluation and learning cycles that engage Sida staff.

Linking back to Recommendation 5, these tools need to be complemented by clear guidelines to program officers on what to hold implementers to account for and how this can be assessed.

Annexes

- Annex 1: Terms of reference
- Annex 2: Approach and methodology
- Annex 3: References
- Annex 4: List of people consulted
- Annex 5: Considerations to be included in Sida in MSD project management guidance

ANNEX 1: TERMS OF REFERENCE

Case No.: 2017-000582

Date: 2017-10-11

Evaluation of the Market Systems Development (MSD) Approach: Lessons for expanded use and adaptive management at Sida

1 BACKGROUND

1.1 INFORMATION ABOUT SIDA

Sida, the Swedish International Development Cooperation Agency, is a government authority. The objective of Swedish development cooperation is to create opportunities for people living in poverty and under oppression to improve their living conditions.

As other Swedish government agencies, Sida works independently within the framework established by the Swedish Government and Parliament. They decide on the financial limits, the countries with which Sweden (and thus, Sida) will cooperate, and the focus and content of that cooperation.

For additional information, please visit Sida's website, www.sida.se

1.2 INFORMATION ABOUT THE CHIEF EVALUATOR'S TEAM

The Government Ordinance for Sida⁷² states that Sida should make use of knowledge produced by internally initiated as well as external evaluations in its implementation of development cooperation. Furthermore, Sida should assist actors that conduct monitoring and evaluation within Sida's areas of activity, as well as ensure that agreements it enters regulate monitoring, evaluation and audit.

Sida's evaluation team, led by Sida's Chief Evaluator, coordinates this task. The team is placed at the Unit for Thematic Support and Evaluation at the Department for International Organisations and Policy Support. The core tasks of the evaluation team are to:

- Procure, manage and provide quality assurance of Sida's Framework Agreement for Evaluation Services.
- Coordinate evaluation planning at Sida.

⁷² Instruktion för Styrelsen för internationellt utvecklingssamarbete (Sida), decided 201007-22, latest revision 2016-07-01.

- Propose an annual plan for strategic evaluations for decision by Sida's Director General.
- In partnership with intended users commission, provide quality assurance of, publish and disseminate strategic evaluations.
- Conduct internal evaluations.
- Provide advice to units which commission decentralised evaluations.
- Facilitate publication of decentralised evaluations.
- Contribute to building a culture of learning and evaluation at Sida.
- Manage projects to support capacity building and participate in fora to strengthen national capacities for evaluation in developing countries.

To ensure independence from operational and policy units and departments the Chief Evaluator formally reports to the Director General.

1.3 EVALUATION RATIONALE

This evaluation is commissioned as a response to two challenges Sida is currently facing.

The first is associated with how Sida is to reconcile its government agency mandate and associated regulations with its core task of financing interventions and partnerships that are part of highly complex development processes, often in challenging contexts. It concerns striking a balance between a need for accountability, foresight, minimal risk, and formalised ways of working, with a need for continuous learning, high quality risk management, and ability to adjust programs and partnerships quickly to ensure that Swedish support remains relevant and effective and provide sustainable results. In practice, this balance has to be struck at all levels of the results chain and Sida's strategy implementation. The effort to do so is reflected in the tools and ways of working that Sida adopts with regards to programming and management of contributions, quality assurance, contractual arrangements, and results reporting.

This challenge is for course not new. Yet, the increased focus on the 'results agenda' and accountability in international aid in the last decade brought forth a common critique that development interventions failed to deliver expected and sustainable results.⁷³ A counter argument has been that the conceptualization of the development process underpinning the 'results agenda' is too simplistic. An important aspect of this line of argumentation is that the development process is complex and non-linear, involving multiple actors, potential power struggles, and behavioural change. Hence

⁷³ See Vähämäki, J. (2017) *Matrixing Aid: The rise and fall of 'Results Initiatives' in Swedish Development Aid*, PhD Dissertation (Stockholm: Stockholm University).

results in development cooperation cannot be regarded as the ‘mere’ addition of physical and financial resources.

One manifestation of this perspective is the Doing Development Differently (DDD) community. It is an emerging network of development professionals at funding agencies (e.g. Sida, The World Bank, DFID, BTC), within the UN (e.g. UNICEF, UNDP, UNU-WIDER), and other organisations (civil society, government, consultancies), from a wide range of countries on all continents, who believe that “development interventions can – and must – have greater impact” and engage in critical dialogue on how to do so.⁷⁴ Experiences from the DDD movement is an important backdrop to this evaluation.

DDD is not a method. Instead, its Manifesto offers a set of principles that draws on examples of development successes that are widely applicable, including:

- Locally owned problem formulation.
- Mobilization of a wide spectrum of stakeholders relevant for progress.
- Iterative and adaptive programming (i.e. blending of design, implementation, and follow-up in short cycles to learn and adapt).
- Management of risk by making ‘small bets’ (i.e. start small, test and pursue activities with promise while dropping those without).

A recent study of DDD as practised by the UK’s development agency DFID points to two prerequisites when applying these principles: i) while programs should have clear goals, in terms of contribution to development outcomes, that are set out and agreed on in advance, the same does not hold true for the means of getting there. Instead, a structured process for ‘learning-by-doing’ of how to best achieve the goals, in terms of activities and outputs, should be decided on at the onset; ii) finding ways of supporting locally-led problem solving, which implies ‘arms-length’ aid on behalf of donors.⁷⁵

The second, and related, challenge at Sida is also an opportunity. Sida has for many years applied a Markets System Development (MSD) approach in its support to strengthen markets in selected partner countries. Most commonly this has taken the form of initiatives inspired by the Making Markets Work for the Poor (M4P) approach and in markets related to agriculture. There is now a trend to apply the MSD approach to broader program areas and Sida expects to use it more widely in the future.

An MSD approach looks at why a particular market for goods or services does not cater well to the needs of poor people. It does so by looking at the characteristics and functioning of the very system itself; i.e. the core market, its supporting functions, as

⁷⁴ www.doingdevelopmentdifferently.org (accessed 21-09-2017).

⁷⁵ L. Wild, D. Booth, C. Valters (2017) *Putting theory into practice: How DFID is doing development differently* (London: Overseas Development Institute, ODI).

well as governing formal and informal rules. An MSD intervention will aim at modifying incentives, capacity and behaviour of businesses and other market players to ensure sustainable pro-poor change.

Usually, this entails not only embracing complexity and substantial initial analysis, but a commitment to ongoing review and learning, as well as flexible and adaptive management, including handling of risk. Finally, it underlines the facilitating role of program implementers and funders.⁷⁶

Importantly for this evaluation, the MSD approach embraces the DDD principles. Yet, Sida's current set of rules and procedures were mainly developed with the 'results agenda' rather than the prerequisites implied by those principles in mind. As those practices are now under review, there is an opportunity to learn from Sida's methods of management in past and current MSD programs to inform that review process. In this way, this evaluation has the dual purpose of (i) contributing to the improvement of future MSD programming, and (ii) generate recommendations on how Sida may create conducive conditions for systems approaches and adaptive programming more generally.

2 THE ASSIGNMENT

2.1 PURPOSE AND INTENDED USE OF THE EVALUATION

The intended use and purpose of the evaluation is:

- To contribute to reflection and learning among Sida staff during the evaluation process.
- To generate lessons learned and recommendations on the management of programs that use the MSD approach during the entire program cycle, with the purpose of improving the management of such programs.
- Based on the experiences from the management of programs that use the MSD approach provide recommendations on how Sida can create more conducive conditions for use adaptive methods of management in general.

Important intended users of the evaluation are heads of departments or units, committees or networks at Sida HQ that decide on or uphold Sida's rules, guidelines, procedures, and contribution management tools. This includes the Department for Management Support, the Department for Operational Support, the Process Council, and the controller network.

⁷⁶ See *A Synthesis of the Making Markets Work for the Poor (M4P) Approach* (2008, Swiss Agency for Development and Cooperation SDC).

Equally important intended users are program managers and heads of departments or units at Sida HQ or Embassies with MSD or related programs, and Sida's Network for Employment and Market Development.

2.2 EVALUATION OBJECT AND SCOPE

The object of the evaluation is the management of the Market Systems Development (MSD) approach in projects and programs at Sida.

The practical application of the approach is done at embassies and in operational units at HQ where decisions on contributions and actual program management take place. The evaluation will look at the management of projects and programs in Sida's overall portfolio of MSD contributions, including finalized, ongoing and programs in the pipe-line. Projects or programs that are not identified as MSD but that utilize significant aspects of adaptive management may also be relevant. The list below includes key MSD programs funded by Sida that are expected to be included in the evaluation:

No	Country	Program title	Years	Approximate budget (SEK)
1	Uganda:	ILO – FIT/SEMA	1999–2005	0.92 MUSD
2	Sri Lanka:	ILO EnterGrowth MYP Hub	2005–2009	5.1 MUSD
3	Bangladesh:	WEESMS Katalyst	2016–2021	64 MSEK
4	Palestine:	Oxfam/Market Development Programme	2015–2020	91 MSEK
5	Liberia:	GROW	2013–2019	141 MSEK
6	Zambia:	Musika Phase II Financial Sector Deepening	2014–2018 2016–2020	125 MSEK 28.7 MSEK
7	Kenya:	Financial Sector Development (FSD) Phase II	2010–2017	50 MSEK
8	Regional	Gender Transformation and Responsible Agribusiness Investment in South-East Asia (GRAISEA)	2014–2018	58.5 MSEK

The final selection of projects and programs will be agreed on with Sida during the inception phase. At least one program visit may be included in the estimated assignment budget in the tender.

Sida's Network for Employment and Market Development is also of relevance for the management of MSD programs. The network consists of program managers and advisors across the organisation responsible for or interested in the theme of the network. It "owns" the MSD approach in-house. This entails keeping abreast with methodological discourse and tools development with regards to the MSD approach

as well as active engagement with the international knowledge hubs of the SEEP Network and BEAM Exchange.⁷⁷ Importantly, the network is tasked with translating external as well as internal results into learning for the continuous improvement of the application of the MSD approach across Sida. The network is coordinated by Sida's Senior Policy Specialist for Employment, supported by a network "hub" of HQ-based staff. The network will be a resource with regards to identifying participants for the evaluation.

Other functions of relevance are supporting units that are responsible for management routines and procedures at Sida. These include support and development functions for the Sida's contribution management systems (including results reporting and risk assessments), the controller function, the legal unit, and the procurement unit.

2.3 EVALUATION APPROACH AND QUESTIONS

The approach to the evaluation should be to make use of existing descriptions of the MSD approach, its theory of change, and key characteristics to filter out what requirements it poses on funders with regards to their role and methods of management of such programs. This should form a reference point and inform the rest of the evaluation.

The evaluation should address, but is not limited to, the following questions:

1. What distinguishes the MSD approach from more traditional development projects or programs that Sida supports?
2. What does the specificities of the MSD approach imply for funders' management of such programs?
3. How have other main funders of MSD programs addressed these implications?
4. How has Sida's portfolio of MSD projects and programs evolved over time?
5. What major changes in Sida's practices of relevance to the MSD approach has occurred at Sida, during the life time of the portfolio?

Questions 1-5 should be addressed during the inception phase, which may be used to refine the methodology, methods, and subsequent questions further.

6. How well has Sida handled the requirements that the MSD approach poses on a funder, in its management of MSD projects and programs? What the main supporting and hindering factors for programming and implementing of such programs been?
7. What role has Sida aimed to take at the various programming phases, and what role did Sida actually take?

⁷⁷ See www.beamexchange.org or www.seepnetwork.com for more information.

8. What lessons can be drawn from Sida's experience with MSD projects and programs regarding its methods of management of such programs?
9. What implications can be drawn for Sida more broadly with regards to creating conditions that allow for programming that reflect complex contexts and adaptive management of other types of interventions that Sida supports?

2.4 EVALUATION METHODOLOGY AND METHODS

The evaluation should be of formative nature, i.e. stimulate process use, and be participatory, and focus on learning.

The evaluation should use a methodology that reflects that *the evaluation process itself* is the most important method for learning among participants in the evaluation. This implies that the evaluation process will be regarded as more important than the final report in this assignment. It is expected that the inception phase of the evaluation will be critical for identifying necessary refinements to the proposed methodology or method, if any, in dialogue with Sida.

Departing from the evaluation approach described above, the evaluator is expected to craft a process that enhances learning among key participants and facilitates formulation of recommendations that are relevant and doable. It is expected that the evaluator will facilitate the learning process with careful consideration of how everything that is done will affect the use of the evaluation.

2.5 ORGANISATION OF EVALUATION MANAGEMENT

To facilitate interaction between intended users of the evaluation, Sida has appointed a Steering Group and a Reference Group consisting of staff at HQ and embassies with experience from MSD and DDD to assist the Chief Evaluator and his team during the evaluation.

The Steering Group is decisive and consist of a Senior Monitoring & Evaluation Specialist, Sida's Senior Policy Specialist for Employment, a Senior Advisor for Market Development, and Sida's Head of Unit for Learning and Organisational Development. The Reference Group consists of program managers for MSD contributions at embassies in partner countries, staff engaged in the Network for Employment and Market Development, Sida's chief controller, Sida's general counsel, Sida's head of procurement, and the DDD community at Sida.

2.6 EVALUATION QUALITY

All Sida's evaluations shall conform to OECD/DAC's Quality Standards for Development Evaluation.⁷⁸ The evaluators shall use the Sida OECD/DAC Glossary of Key Terms in Evaluation.

2.7 TIME PLAN

The evaluation is estimated to commence on 1 January 2018 and be concluded by 31 August 2018. A tentative time plan is below, see section 2.9 for deliverables.

Signing of contract	20 December 2017
Inception meeting with Sida	At time of signing of contract
Start of assignment	1 January 2018
Inception phase	1 January 2018 – 28 February 2018
Implementation phase	1 March 2018 – 21 June 2018
Final reporting phase	1 June – 31 August 2018

2.8 EVALUATION TEAM QUALIFICATIONS

It is envisaged that the assignment will be carried out by a team consisting of one team leader and 2–3 senior consultants as core team members. It is recommended that junior members and local evaluator/s are used where deemed appropriate (not part of core team). It is important that the competencies of the individual team members are complementary.

Academic qualifications:

All the members in the evaluation team must have adequate academic degrees (minimum Bachelor degree or equivalent) in relevant fields (for example business management or social sciences such as sociology, economics etc.).

Competence of the team:

The team as a whole should have:

- I. Solid evaluation experience (see below)
- II. Solid experience of working with the MSD approach
- III. Experience of work that relates to the DDD principles, not least iterative and adaptive management

⁷⁸ DAC Quality Standards for development Evaluation, OECD 2010

- IV. Excellent skills in facilitation and process management
- V. Knowledge of Swedish public management, in particular with regards to development cooperation

The proposed team leader must have served as team leader for a minimum of seven evaluations, of which at least five in a development cooperation context, Other proposed team members must have at least two years of work experience with similar evaluation assignments.

Team members must have very good knowledge in spoken and written English,

2.9 BUDGET AND OTHER RESOURCES

The total budget for the evaluation may not exceed SEK 3,000,000.

The tenderer may invoice a maximum of 30% of the total amount after approval of the Inception Report by Sida, a maximum of 50% of the total amount after Sida's approval of the draft final report, and a maximum of 20% of the total amount after Sida's approval of the final report.

Sida will, to the extent possible, assist the evaluator in identifying existing evaluations or reviews of MSD programs as well as individuals to be part of the evaluation, as well as make necessary introductions in partner countries, if needed. Sida will not assist the evaluator in other practical matters that concern the regular management of the evaluation.

2.10 REPORTING AND DOCUMENTATION

The evaluation process should be documented, along with findings and recommendations.

The inception will form an important and integral part of the evaluation process.

The Inception Report should document findings of questions 1-5 under section 2.7 above, as well as any refinements of the methodology and methods, and important decisions that influence the implementation phase. A tentative time plan and deliverables for the inception phase is:

Inception meeting with Sida	At time of signing of contract
Inception phase	1 January 2018 – 28 February 2018
<i>Draft Inception Report</i>	<i>19 February 2018</i>
<i>Inception Report</i>	<i>26 February 2018</i>

The implementation phase is expected to revolve around a process of workshops, interviews, and literature reviews in accordance with the workplan suggested by the tenderer. The evaluation is expected to include a final workshop with key participants and intended users focusing on recommendations:

Implementation phase	1 March 2018 – 31 May 2018
<i>Workshops, interviews, analysis etc</i>	<i>March – May</i>
<i>Final workshop on recommendations</i>	<i>Week of 21 May (at the latest)</i>

The final report should be in written form and, importantly, document the process and the learning that occurred. It should have clear structure and be illustrated to facilitate understanding and reading. The methodology and methods used should be described and explained, and all limitations should be made explicit and their consequences discussed. Recommendations should be specific, directed to relevant users and categorised as short-term, medium-term, and long-term. It should be maximum 35 pages (excluding annexes) plus a two pages executive summary.

Final reporting phase	June 2018
<i>Draft final report</i>	<i>4 June 2018</i>
<i>Comments from Sida</i>	<i>18 June 2018</i>
<i>Final Report</i>	<i>31 July 2018</i>
Approval of final report by Sida	August 2018

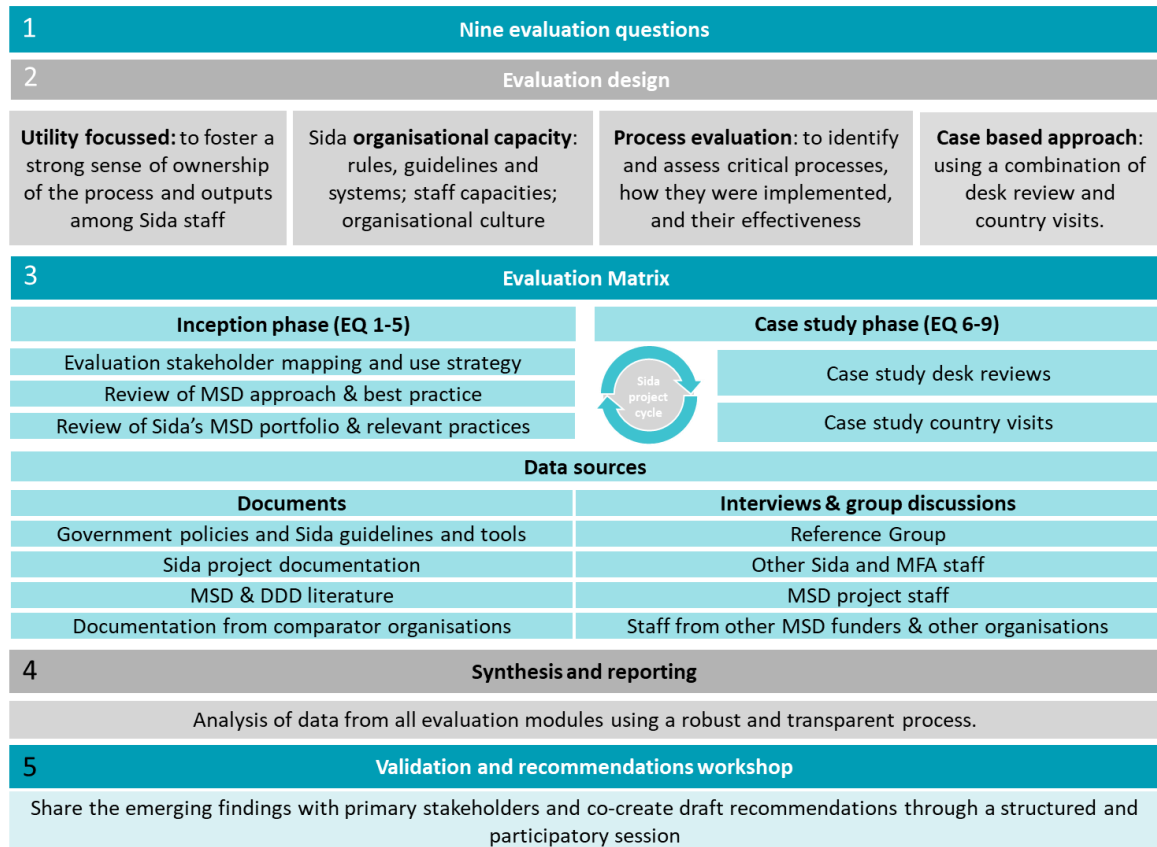
All reports should be written in English and be professionally proof read.

The tenderer may suggest complementary ways of communication to support the use of the evaluation.

ANNEX 2: APPROACH AND METHODOLOGY

1. EVALUATION DESIGN

Figure 11: Summary of evaluation approach and methodology



1.1 EVALUATION QUESTIONS

Our evaluation design was structured around nine evaluation questions (EQs) which have provided the focus for all data collection and analysis. The EQs are shown in Figure 12, with an identification of where in the evaluation report each EQ has been addressed.

Figure 12: Evaluation questions

Inception Phase	
EQ 1: What distinguishes the MSD approach from more traditional development projects or programs that Sida supports?	Section 2
EQ 2: What does the specificities of the MSD approach imply for funders' management of such projects?	Section 5
EQ 3: How have other main funders of MSD projects addressed these implications?	
EQ 4: How has Sida's portfolio of MSD projects evolved over time?	
EQ 5: What major changes in Sida's practices of relevance to the MSD approach have occurred at Sida, during the life time of the portfolio?	Section 4
Implementation Phase	
EQ 6: How well has Sida handled the requirements that the MSD approach poses on a funder, in its management of MSD projects? What have been the main supporting and hindering factors for programming and implementing of such projects?	Section 5
EQ 7: What role has Sida aimed to take at the various programming phases, and what role did Sida actually take?	
EQ 8: What lessons can be drawn from Sida's experience with MSD projects regarding its methods of management of such projects?	
EQ 9: What implications can be drawn for Sida more broadly with regards to creating conditions that allow for programming that reflect complex contexts and adaptive management of other types of	Section 6

1.2 EVALUATION DESIGN

In addressing these questions, there were four overarching elements that underpinned our design:

- The evaluation was **utilisation focused** to foster a strong sense of engagement and ownership of the process and outputs among Sida staff.
- The evaluation was grounded in a solid conceptual framework for understanding **organisational capacity**.
- We applied a **process evaluation approach** to identify critical processes in the MSD project cycle, assess whether these processes were implemented as planned, and consider how this influenced the effectiveness of MSD programming at Sida.
- We applied a **case study-based approach** to assess how Sida manages the MSD approach. The unit of analysis for the case studies was individual MSD projects funded by Sida. We used the case studies to draw lessons for Sida – both relating to MSD programming and more broadly in creating conditions for the effective management of projects in complex contexts.

i. Utilisation focus

We designed an evaluation process that ensured learning among participants in the evaluation. This required ongoing engagement and consultation with the stakeholders involved: they are more likely to act on the insights from the evaluation if they understand and feel ownership of the evaluation process and findings. Through close involvement by Sida staff in the evaluation process and outputs, we have sought to ensure that the findings are evidence based, timely and actionable. Our approach to achieving this is summarised in Box 13.

Figure 13: Organisational capacity framework

ii. Organisational capacity framework

The evaluation was grounded in a conceptual framework for understanding organisational capacity. Drawing on a number of existing approaches,⁷⁹ we viewed organisational capacity as a product of three interlinked factors: (i) **rules, guidelines and systems**; (ii) **staff capacities**; and (iii) **organisational culture**.



⁷⁹ Blagescu and Lloyd (2006), Global Accountability Report, One World Trust, London; Lloyd et al. (2007), Global Accountability Report, One World Trust, London; Lloyd et al. (2008), Global Accountability Report, One World Trust, London; Engel et al. (2007), A balanced approach to monitoring and evaluating capacity and performance: A proposal for a framework, ECDPM Discussion Paper No. 58E, ECDPM, Maastricht.

Box 13: Vehicles for engagement and communication

- **Interviews:** Interviews have been conducted with Sida and embassy staff, implementing partners and other stakeholders throughout the evaluation as listed in Annex 4. These have provided an opportunity to introduce stakeholders to the evaluation and to draw evidence and insights to inform its findings.
- **Workshops and learning sessions:** A series of workshops have been held with Sida staff to discuss the issues emerging in the evaluation and facilitate the sharing of relevant information and experiences.
- **Presentation of draft evaluation outputs:** Draft findings from the evaluation were presented to Sida staff (including the evaluation Reference Group⁸⁰ and the Network for Employment and Market Development) on several occasions as the evaluation proceeded. Most notably, a ‘Validation and Recommendations workshop’ was held in June 2018, which was attended by a wide cross-section of Sida and embassy staff. During this workshop, participants provided feedback on the draft findings and worked with the evaluation team to co-create recommendations emerging from the evaluation findings.
- The draft **final report** was presented and discussed with members of the Steering Group and Reference Group in August. It was also presented during Sida’s ‘Learning Week’, which provided an opportunity to discuss the evaluation findings with a wider cross-section of staff.
- **Feedback on draft reports:** The evaluation Steering Group and Reference Group provided written feedback on the terms of reference, Inception Report and draft Final Report.
- The **final report** was presented at Stockholm Evaluation Week in September. Attendees at the presentation included both those interested in MSD and wider adaptive contribution management.

Rules, guidelines and systems are the ‘hardware’ of an organisation. They provide the institutional framework in which practice takes place. They codify what is expected of staff and provide consistency in what and how activities are undertaken. To foster good practice, it is important that rules and guidelines are of a good quality, coherent in how they fit together, and comprehensive in what they cover. However, rules, guidelines and systems alone will not change behaviour. Alongside these, an organisation also needs the necessary ‘software’.

⁸⁰ The Reference Group consisted of representatives from the Network for Employment and Market Development, the Chief Economist team, program officers in the field, and representatives from controller, legal and procurement functions.

First, staff need to have the skills and knowledge to follow rules and guidelines, and put systems into practice. Equally, staff need to understand and buy into them. Without supportive attitudes, required practices may often be treated as a tick box exercise, divorced from their original intent and implemented half-heartedly (if at all).

Second, there needs to be an enabling organisational culture that supports the implementation of rules, guidelines and systems. While culture can be a difficult concept to pin down, three very tangible factors which shape it are leadership, incentives and sanctions. The leadership of an organisation can drive certain practices through clearly and regularly communicating their importance within the organisation. Similarly, incentives and sanctions help shape an organisation's culture by rewarding desired behaviour (e.g. through financial benefits, career progression or simply giving praise) and penalising inappropriate practices.

This framework provided a key reference point in our approach, providing the core concept for understanding organisational capacity at each stage in the project cycle. It also provided a lens through which to explore the management of the MSD approach and to formulate recommendations for improvement.

iii. Process evaluation

Alongside this approach to assessing organisational capacity, the evaluation applied a process evaluation approach. Process evaluation is used to identify and assess the critical processes in the implementation of an organisation's or project's strategy; assess whether these processes were implemented as planned; and consider the extent to which this influenced effectiveness. Through combining stakeholder interviews, document review and stakeholder validation of the results, process evaluations can help generate a robust narrative on how a process was implemented, where it worked well and why, what were the time lags, bottlenecks and inefficiencies and how it could have been improved. It is an ideal approach for systematically testing how policies, systems, capacities and incentives are being translated into practice in Sida and the extent to which they are supporting effective MSD programming.

iv. Case study-based approach

The case studies looked at Sida's management of projects, its implementing partners' role and mutual responsibilities at each stage of a generic project cycle. This included design and approval; partner selection; agreements and contracts; implementation and management; RBM; and evaluation.⁸¹

The case studies included a combination of desk reviews and country visits.

⁸¹ Not all steps in this cycle are sequential. For example, '(1) Design and approval' and '(2) Partner selection' often occur iteratively and in tandem; and '(5) Results-based management' is an integral part of '(4) Implementation and management'.

The desk reviews drew on existing documentation and monitoring data and a limited number of key informant interviews. Interviews were conducted with relevant embassy program officers and other staff; and, where possible, with the implementing agencies for each project. All interviews were structured around a pre-developed interview guide.

We selected the eleven MSD projects for the desk reviews based on the following criteria:

1. **Purposive sampling:** We focused on projects which best fit with the three characteristics of the MSD approach set out in section 2.1.4: facilitation, market systems-centric, and adaptive. While important, this was not a strict consideration for filtering, but a guide to identify those we believed should or should not be included in the sample.
2. **Institutional arrangements:** we included within the sample at least one project from each of the following types of implementing partner: multilateral agencies (e.g. UN etc), independent trusts (e.g. Financial Sector Developments [FSD]), international NGOs and private contractors.
3. **Funding arrangements:** we included within the sample at least three projects for which Sida is the sole funder and at least three projects which have multiple funders.
4. **Phase of implementation:** we ensured that the coverage of projects included a range of phases of the contribution management cycle, including design and appraisal, follow-up (implementation), and completion.

The country visits enabled the team to delve deeper into the evaluation questions. They involved a four to five day trip by one member of the evaluation team investigating in further depth the approach to managing MSD projects, the challenges faced, and lessons learned. Building on the desk reviews, they involved detailed interviews with a wide range of stakeholders involved in the management of MSD projects – including staff from the local embassy, implementing agency representatives, and project stakeholders. Like the desk reviews, all interviews and focus groups were structured around interview guides and templates.

We applied the following criteria for the selection of destinations for the country visits:

1. **Multiple MSD projects:** to maximise the coverage of the country visits and to provide for cross-case comparative analysis, we selected countries which have implemented multiple MSD projects.
2. **Building on desk reviews:** the countries selected included at least one project considered in the desk review.
3. **Buy-in:** before selecting countries, we checked with the relevant embassy staff that they were interested in being involved in the country visits.

Based on these criteria, we selected Ethiopia, Guatemala and Zambia.

Table 3: Desk review project sample

Country	Project
Afghanistan	Road to Jobs
Afghanistan	Stimulating Private Sector for Inclusive Economic Development (SPEDA)
Bangladesh	Women's Economic Empowerment through Strengthening Market Systems (WEESMS)
Sri Lanka	EnterGrowth
Guatemala	Project on Rural Economic Development and Markets for the Poor (PRODERT)
Liberia	GROW
Rwanda	Promoting Decent Work in Rwanda's Informal Economy (Decent Work)
Tanzania	Agricultural Markets Development Trust (AMDT)
Zambia	Musika
Zambia	Women and Financial Inclusion LI-WAY (WIN)
Ethiopia	Livelihoods Improvement for Women and Youth (LI-WAY)

Individual reports were prepared for each case study, which are presented in Volume 2 of this report.

1.3 EVALUATION MATRIX

As noted above, the nine evaluation questions provided the framework for the evaluation. Together with the four overarching elements that underpinned our design (utility, organisational capacity, process evaluation, case-based), they underpinned our data collection, analysis and synthesis. Each question was mapped to data sources, data collection methods and approaches to data analysis and brought together in an evaluation matrix. This was the key tool for how we collated and ordered the evidence collected through the evaluation. The evaluation matrix is presented in Table 4 below.

Table 4: Evaluation matrix

	Evaluation question	Evaluation module	Methods	Data sources
Inception Phase	EQ 1: What distinguishes the MSD approach from more traditional development projects or programs that Sida supports?	Review of MSD approach and best practice	Identification of the key characteristics of the MSD approach compared to more traditional development interventions	MSD and DDD literature Interviews with MSD funders and other relevant organisations
	EQ 2: What does the specificities of the MSD approach imply for funders' management of such projects?	Review of MSD approach and best practice	Look at each stage of the project cycle and implications for rules, guidelines and systems; staff capacities; and organisational culture	MSD and DDD literature Interviews with MSD funders and other relevant organisations
	EQ 3: How have other main funders of MSD projects addressed these implications?	Review of MSD approach and best practice	Identificaiton of other funders' rules, guidelines and systems; staff capacities; and organisational culture supportive of the MSD approach	Documentation from comparator organisations Interviews with staff from other MSD funders and other organisations
	EQ 4: How has Sida's portfolio of MSD projects evolved over time?	Review of Sida's MSD portfolio and relevant practices	Timeline workshop, triangulated with a review of relevant documentation from Sida and interviews	Sida project documentation Interviews and group discussions with Reference Group, Steering Group, and other Sida staff
	EQ 5: What major changes in Sida's practices of relevance to the MSD approach have occurred at Sida, during the life time of the portfolio?	Review of Sida's MSD portfolio and relevant practices	Desk reviews Project visits Synthesis Validation and recommendations workshop	Government policies and Sida guidelines and tools Interviews and group discussions with Reference Group, Steering Group, and other Sida staff

	Evaluation question	Evaluation module	Methods	Data sources
Implementation Phase	EQ 6: How well has Sida handled the requirements that the MSD approach poses on a funder, in its management of MSD projects? What have been the main supporting and hindering factors for programming and implementing of such projects?	Case study desk reviews 3 case study country visits	Desk reviews Country visits Synthesis Validation and recommendations workshop	Government policies and Sida guidelines and tools Interviews and group discussions with Reference Group and Steering Group Interviews with Sida-funded project staff
	EQ 7: What role has Sida aimed to take at the various programming phases, and what role did Sida actually take?	Case study desk reviews 3 case study country visits	Desk reviews Country visits Synthesis Validation and recommendations workshop	Government policies and Sida guidelines and tools Interviews and group discussions with Reference Group and Steering Group Interviews with project staff
	EQ 8: What lessons can be drawn from Sida's experience with MSD projects regarding its methods of management of such projects?	Evaluation synthesis	Synthesis Validation and recommendations workshop	Government policies and Sida guidelines and tools Interviews and group discussions with Reference Group and Steering Group Interviews with Sida-funded project staff
	EQ 9: What implications can be drawn for Sida more broadly with regards to creating conditions that allow for programming that reflect complex contexts and adaptive management of other types of interventions that Sida supports?	Evaluation synthesis	Synthesis Validation and recommendations workshop	Government policies and Sida guidelines and tools Interviews and group discussions with Reference Group and Steering Group Interviews with Sida-funded project staff

1.4 SYNTHESIS AND REPORTING

Using the evaluation questions as an overall framework, we compared and synthesised data from case studies to draw out key lessons and insights for Sida. The draft results from the synthesis were shared and discussed with Sida staff as elaborated above in Box 13.

1.5 VALIDATION AND RECOMMENDATIONS WORKSHOP

The Validation and Recommendations workshop was held in Stockholm in June 2018. A cross-section of Sida and embassy staff attended. During the workshop, participants discussed and provided feedback on the draft findings from the evaluation and worked with the evaluation team to co-create recommendations emerging from the findings.

2. LIMITATIONS

There are several limitations to our approach and methodology:

1. **The evaluation requires a historical perspective to the assessment of Sida's management of MSD projects since 1999.** In some cases, there are limitations to institutional memory within Sida, particularly given significant turnover of staff both in headquarters and embassies. In addition, not all the changes in practice that we have identified have been documented, meaning that in some cases, we have relied on individuals' recollection of events that took place many years ago. We sought to mitigate this by triangulating evidence from a variety of sources, including multiple interviews (including with staff from Sida, MSD implementing organisations, and other MSD funders) and relevant documentation.
2. **The categorisation of MSD projects has been based on a list provided to us by the Steering Group** (see section 4.1). The extent to which the projects follow MSD principles is likely to be variable. As described in section 2.1.4, the MSD approach is defined by several characteristics, and identifying which projects embrace all these characteristics is not a straight forward process and cannot be done based solely on documentary evidence. However, one of the criteria for selecting the sample of projects for case studies was to ensure that the case studies focused on projects that the evaluation team and the evaluation Steering Group believed most closely followed the MSD approach; and for this sample of projects, the extent to which they have followed the approach (and the factors that enabled or hindered this) were examined as part of the case studies.
3. **Using a case study approach means that we are not able to consider the full breadth of MSD programming across Sida.** We mitigated this through wider

consultations with Sida staff to ensure to the extent possible that the findings can be generalised across Sida's MSD portfolio as a whole.

4. **Our analysis has focused on Sida's MSD projects.** Although this limits the extent to which our findings are generalisable to Sida's broader portfolio, we believe that Sida's MSD portfolio provides a useful case study to inform wider considerations of how Sida can ensure that the right conditions are in place to effectively manage the projects it funds. We have therefore provided our views on the implications of our findings for Sida more broadly and have discussed and verified these conclusions with Sida staff in a number of workshops and interviews. However, our recommendations on how Sida can create the conditions for more effective programming beyond its MSD portfolio are necessarily general and have a relatively narrow evidence base.
5. **We did not assess effectiveness.** The evaluation terms of reference do not require an assessment of the effectiveness of the projects and programs that we assessed in the case studies. Instead, the evaluation focused on Sida's management of the MSD approach.

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ANNEX 4: LIST OF PEOPLE CONSULTED

INCEPTION PHASE

Steering group:

Name	Role
Gun Eriksson Skoog	Senior Policy Specialist Employment; network coordinator
Åsa Heijne	Senior Advisor Market Development; network hub member
Karolina Hultström	Head of Unit for Learning and Organisational Development Sida Vision project, DDD core group
Pernilla S. Rafiqui	Senior Evaluation and Monitoring Specialist

Kick-start workshop held in January 2018:

Name	Role, Unit, Department at Sida
Elina Scheja	Lead Economist, Chief Economist Team, Department for International Organisations and Policy Support
Eva Ohlsson	Embassy, Monrovia
Verena Knippel	Senior Advisor Capacity Development, Department for Management Support
Rebecka Kitzing-Ivarsson	Senior Advisor Results Based Management, Department for Management Support
Gun Eriksson Skoog	Senior Policy Specialist Employment, Department for International Organisations and Policy Support
Ola Sahlén	Program Manager, Department for International Organisations and Policy Support
Christina Sandberg	Senior Advisor, Chief Controller Team, Department for Organisational Support
Anna Rahm	Head, Contribution Management Process Unit, Department for Management Support
Carmen Lopez-Clavero	Program Manager, Department for International Organisations and Policy Support
Hanna Marsk	Program Manager, Department for International Organisations and Policy Support
Linnea Almqvist	Procurement Advisor, Department for Organisational Support
Pernilla S. Rafiqui	Senior Evaluation Specialist, Department for Organisational Support

End of inception phase workshop held in March 2018:

Name	Role / Unit
Pernilla S Rafiqui	Senior Evaluation Specialist, Department for Organisational Support
Jonathan Francis	Senior Advisor Strategy and Planning, Department for Management Support

Name	Role / Unit
Christina Sandberg	Senior Advisor, Chief Controller Team, Department for Organisational Support
Verena Knippel	Senior Advisor Capacity Development, Department for Management Support
Karin Metell Cueva	Head, Unit for Capacity Development, Department for Partnerships and Innovations
Anna Rahm	Head, Contribution Management Process Unit, Department for Management Support
Rebecka Kitzing-Ivarsson	Senior Advisor Results Based Management, Department for Management Support
Åsa Heijne	Senior Advisor Market Development, Department for Asia, the Middle East and Humanitarian Assistance; network hub member
Felicia Sen	Intern, Department for Europe and Latin America
Henrik Riby	Advisor for Market Development, Department for Europe and Latin America
Anne Kullman	Senior Advisor Business and Human Rights, Department for Asia, the Middle East and Humanitarian Assistance
Sofie Berghald	Senior Advisor Market Development, Department for Africa
Elina Scheja	Lead Economist, Chief Economist Team, Department for International Organisations and Policy Support
Elisabeth Montgomery	Economist and Program Manager, Embassy, Kigali, Rwanda
Elin Carlsson	Program Manager, Embassy, Addis Ababa, Ethiopia

Interviews with Sida staff:

Name	Role / Unit
Elin Carlsson	Program Manager, Embassy, Addis Ababa, Ethiopia
Karin Metell Cueva	Head, Unit for Capacity Development, Department for Partnerships and Innovations; DDD, Ref group member
Gun Eriksson Skoog	Senior Policy Specialist Employment, Department for International Organisations and Policy Support
Rebecka Kitzing-Ivarsson	Senior Advisor RBM, Department for Management Support
Anna Rahm	Head, Contribution Management Process Unit, Department for Management Support; DDD, MSD/M4P initiator
Erik Pettersson	Program Manager, Peacebuilding and Human Security Unit, Department for Asia, the Middle East and Humanitarian Assistance
Elisabeth Montgomery	Economist and Program Manager, Embassy Kigali
Magdalena Svensson	Program Manager, Embassy Lusaka
Åsa Heijne	Senior Advisor Market Development, Department for Asia, the Middle East and Humanitarian Assistance
Elina Scheja	Lead Economist, Chief Economist Team, Department for International Organisations and Policy Support
Karolina Hultström	Head, Unit for Learning and Organisational Development, Department for HR and Communication

Name	Role / Unit
Eva Ohlsson	Program Manager, Embassy Monrovia
David Wiking	Head of Department for Operational Support
Henrik Riby	Advisor for Market Development, Europe and Latin America Department
Christina Sandberg	Senior Advisor, Chief Controller Team
Sara Ulväng Flygare	Program Manager, Embassy Afghanistan

Interviews with secondary stakeholders:

Name	Job Title	Organisation
Ben Taylor	Director	The Springfield Centre
Jim Tanburn	Coordinator	DCED
Mike Albu	Director	BEAM
Steve Hartrich	Technical Officer – Market Systems Development	The Lab at ILO
Francesca Brown	Private Sector Development Head of Profession	DFID
Patricia Seex	Former Private Sector Development Head of Profession	DFID
Kristin O’Planick	Market Systems and Enterprise Development Specialist	USAID
Peter Beez	Coordinator Focal Point e+i.	SDC
Natalie Rast	Program Manager	SECO
Valerie Bersetbircher	Deputy Head of International Labour Affairs	SECO
Julie Delforce	Senior Sector Specialist, Agricultural Development and Food Security	DFAT

IMPLEMENTATION PHASE

Interviews with Sida staff:

Name	Role / Unit
Joakim Molander	Former Chief Evaluator
Kristin Olson	Unit for Democracy and Human Rights
David Wiking	Head of the Department for Operational Support

Case studies:

Afghanistan: Road to Jobs

Name	Role	Organisation
Niklas Eklund	PO	Sida
Emma Nilenfors	Head of Afghanistan Unit	Sida

Name	Role	Organisation
Tonderai Manoto	Chief Technical Advisor	ILO
Mattias Lindström	First Secretary	Swedish Embassy Kabul

Afghanistan: SPEDA

Name	Role	Organisation
Sara Ulväng Flygare	PO	Sida
Fazal Ahmad	Regional Manager, Market Development Program	AKF
Saleem Naseri	National Manager SME Development and SPEDA II Project Manager	AKF
Per Danns	Counsellor	Swedish Embassy Beirut & Damascus
Zawadi Balaile	Controller	Sida

Bangladesh: WEESMS

Name	Role	Organisation
Majeda Haq	WEESMS Program Officer	Sida
Olof Sandkull	Former WEESMS Program Officer	Sida
Mr Reazul Islam	National Controller	Sida
Deepak Khadka	Country Director	iDE
Sara Tailor	Country Representative	The Asia Foundation
Saroja Thapa	Team Leader	iDE
Jessica MacArthur	Program Director	iDE
Junayed Jamal	Deputy Team Leader	The Asia Foundation

Ethiopia: LI-WAY

Name	Role	Organisation
Elin Carlsson	LI-WAY Program Officer	Swedish Embassy Addis Ababa
Annika Nordin Jayawardena	Head of Development Cooperation Section	Swedish Embassy Addis Ababa
Elmi Nure	Program Officer, Climate and Environment	Swedish Embassy Addis Ababa
Olof Sandkull	Advisor	Sida
Karin Brataas	Controller	Sida
Timoteos Hayessu	SNV team	SNV, Addis Ababa
Worku Behonegne	SNV team	SNV, Addis Ababa
Yeshiwork Tewodros	SNV team	SNV, Addis Ababa
Mahlet Seifu	Deputy country director	Mercy Corps, Addis Ababa

Name	Role	Organisation
Michael Jackson	Chief of party for PRIME	Mercy Corps, Addis Ababa
Tesfu Kahsay	Thematic Team Leader	Save the Children International (SCI), Ethiopia
Melaknesh Ayele	Market Facilitation Specialist LI-WAY (MA)	Save the Children International (SCI), Ethiopia
Zukir Elmi	Senior Program Manager LI-WAY (ZE)	Save the Children International (SCI), Ethiopia
Heather Oh	Deputy country director	TechnoServe, Addis Ababa
Tinbit Daniel	Senior program officer	TechnoServe, Addis Ababa
Ama Netey	Donor relations officer	WFP, Ethiopia
Yohannes Dest	Program policy officer, refugees	WFP, Ethiopia
Awol Adem	Program policy officer climate service	WFP, Ethiopia
Raylaura (Laura) Cantave	Strategic Partnership Officer	WFP, Ethiopia
Mulugeta Lemeneh	Country director	Farm Africa, Addis Ababa
Asaye N	Senior program officer	Farm Africa, Addis Ababa
Aseged Assefa	Manager, Private Sector Development Hub	Ethiopian Chamber of Commerce and Sectoral Associations (ECCSA)
Mr Getachew	Responsible for the Empowerment of Women Entrepreneurs (EWESDA) project by Amhara Women Entrepreneurs Association	Ethiopian Chamber of Commerce and Sectoral Associations (ECCSA)
Frerik Kampmann	Case officer, development cooperation and trade	Embassy of the Netherlands

Guatemala: PRODERT

Name	Role	Organisation
Odilia Lopez	Program Officer	Swedish Embassy Guatemala City
Susanna Nyström	Program Officer	Swedish Embassy Guatemala City

Name	Role	Organisation
Martin Hessel	Head of Development Cooperation	Swedish Embassy Guatemala City
Henrik Riby	Senior Advisor Market Development, Euro-Latin Department	Sida HQ
Jorge Mario Chiquin	Coordinator PRODERT	HELVETAS Swiss Inter-cooperation
Aime Molina	M&E Officer, PRODERT	HELVETAS Swiss Inter-cooperation
Jan Vloet	Country Director	HELVETAS Swiss Inter-cooperation
Kurt Schneider	Country Director	SwissContact
Philippe Schneuwly	Regional Director Central America (based in Mexico City)	SwissContact
Anja Koenig	Entrepreneurship Coordinator (based in Zurich)	SwissContact
Eliane Herrman	Program Officer Partner Programs (based in Zurich)	SwissContact

Liberia: GROW

Name	Role	Organisation
Odilia Lopez	Program Officer	Swedish Embassy Guatemala City
Susanna Nyström	Program Officer	Swedish Embassy Guatemala City
Martin Hessel	Head of Development Cooperation	Swedish Embassy Guatemala City
Henrik Riby	Senior Advisor Market Development, Euro-Latin Department	Sida HQ
Jorge Mario Chiquin	Coordinator PRODERT	HELVETAS Swiss Inter-cooperation
Aime Molina	M&E Officer, PRODERT	HELVETAS Swiss Inter-cooperation
Jan Vloet	Country Director	HELVETAS Swiss Inter-cooperation
Kurt Schneider	Country Director	SwissContact
Philippe Schneuwly	Regional Director Central America (based in Mexico City)	SwissContact
Anja Koenig	Entrepreneurship Coordinator (based in Zurich)	SwissContact
Eliane Herrman	Program Officer Partner Programs (based in Zurich)	SwissContact

Rwanda: Decent Work

Name	Role	Organisation
Steve Hartrich	Technical Officer, Market Systems Development	The Lab at ILO
Martin Clemensson	Consultant	Independent
Helen Samuelsson Dahlstrand	Controller	Swedish Embassy Kigali
Elisabet Montgomery	Program Officer	Swedish Embassy Kigali

Sri-Lanka: EnterGrowth

Name	Role	Organisation
Åsa Heijne	Senior Advisor Market Development, Department for Asia, Middle East and Humanitarian Assistance	Sida, HQ
Per Dans	Counsellor Development Cooperation	Swedish Embassy Beirut & Damascus
Roel Hakemulder	Independent Consultant	ILO
Elisabet Montgomery	Senior Program Manager Private Sector Development and Employment	Swedish Embassy Kigali / ILO

Tanzania: AMDT

Name	Role	Organisation
Malena Rosman	Coordinator Portfolio Management, Deputy Head Loans and Guarantees, Department for Partnership and Innovation	Sida, HQ
Brasio Msugu	Program Officer	Swedish Embassy Dar es Salaam
Michael K. Kairumba	Technical Director	AMDT
Melkiory Ngido	Associate director	Deloitte

Zambia: MUSIKA

Name	Role	Organisation
Cecilia Brumér	Musika Program Officer	Sida
Sara Ulväng Flygere	Former Musika Program Officer	Sida
Anna Rahm	Former Musika Program Officer	Sida
Annika Lysén	Economist/Analyst	Sida
Grace Bwanali	Chair of the Board	Musika
Rob Munro	Strategy Director	Musika

Zambia: WIN

Name	Role	Organisation
Cecilia Brumér	WIN Program Officer	Sida, HQ

Name	Role	Organisation
Annika Lysén	Economist/Analyst	Sida, HQ
Betty Wilkinson	Chief Executive Officer, FSDZ	FSDZ
Veryl Adell	Head – WIN program	FSDZ
Jasper Hatwiinda	Head – Measuring and Communicating Results	FSDZ
Joanna Ledgerwood	Previous Chief Executive Officer, FSDZ	FSDZ
Angela Kalambo	Acting Manager	Catholic Relief Services
Mutale Mukuka	Senior Program Coordinator	Restless Development

Workshop with Network for Employment and Market Development, 3 May 2018:

Name	Role / Unit
Anne Kullman	Senior Advisor Business and Human Rights, Department for Asia, the Middle East and Humanitarian Assistance
Åsa Bjällås	Policy Advisor Agriculture & Food Security, Sustainability Unit, Africa Department
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Elin Carlsson	Program Manager Employment & Market Development, Embassy of Sweden, Ethiopia
Elisabet Montgomery	Program Manager Employment & Market Development, Embassy of Sweden, Rwanda
Felicia Sen	Intern, Department for Europe & Latin America
Felix Osok	National Program Officer Market Development & Trade, Embassy of Sweden, Kenya
Gun Eriksson Skoog	Senior Policy Specialist Employment, Policy Support Unit, Department for International Organisations & Thematic Support
Henrik Riby	Policy Advisor Employment & Market Development, Department for Europe & Latin America
Ola Sahlén	Program Manager, Unit for Global Economic Development, Department for International Organisations & Thematic Support
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Sanna Leino	Policy Advisor Employment & Market Development, Department for Europe & Latin America
Sofie Berghald	Policy Advisor Employment & Market Development, Sustainability Unit, Africa Department
Tina Genebashvili	National Program Officer Market Development & Trade, Embassy of Sweden, Georgia

Workshop for controllers, legal and procurement teams, 11 June 2018

Name	Role / Unit
David Wiking	Head of Department, Department for Organisational Support
Petter Kjellgren	Legal Advisor, Legal Services, Department for Organisational Support
Paul Collins	Legal Advisor, Legal Services, Department for Organisational Support
Amanda Håkeborg	Legal Advisor, Legal Services, Department for Organisational Support
Gülser Bircan	Procurement Advisor, Procurement and Internal Services, Department for Organisational Support
Adam Öjdal	Procurement Advisor, Procurement and Internal Services, Department for Organisational Support
Gunnar Tidström	Controller, Unit for Democracy and Human Rights, Department for International Organisations and Policy Support
Katarina Perrolf	Senior Evaluation Specialist, Unit for Evaluation, Department for Organisational Support
Pernilla S. Rafiqui	Senior Evaluation Specialist, Unit for Evaluation, Department for Organisational Support

Validation and recommendations workshop, 12 June 2018:

Name	Role / Unit
Åsa Heijne	Senior Advisor Market Development, Department for Asia, the Middle East and Humanitarian Assistance
Christina Sandberg	Senior Advisor, Chief Controller Team, Department for Organisational Support
Elin Carlsson	Program Manager, Embassy, Addis Ababa
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Elisabet Montgomery	Economist and Program Manager, Embassy, Rwanda
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Karolina Hulterström	Head, Unit for Learning and Organisational Development, Department for HR and Communication
Katarina Perrolf	Senior Evaluation Specialist, Department for Organisational Support
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Verena Knippel	Senior Advisor Capacity Development, Department for Management Support

Workshop for Sida staff, Sida Learning Week, 13 August 2018.

Name	Unit
Alexander Sellerholm	Program Manager, Swedish Embassy, Addis Abeba
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Carl Elmstam	Program Manager, Department for International Organisations and Policy Support
Clement Kirenga	National Program Officer, Swedish Embassy, Kigali
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Thomas Alveteg	Analyst and program officer, Swedish Embassy Chisinau
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ANNEX 5: CONSIDERATIONS TO BE INCLUDED IN SIDA MSD PROJECT MANAGEMENT GUIDANCE

This annex provides some preliminary considerations of what should be included in the MSD project management guidance document.

Design and appraisal

Considerations to assess MSD design. This should set out the factors that ensure good MSD project design and what should be specified at the design stage and what should remain flexible or determined at a later stage. Project appraisal should focus on these factors:

- A definition of the **poverty reduction objective and scope** (e.g. geographic area and types of market or value chain to be targeted).
- A **coherent theory of change** which includes a consideration of the system-level changes that will contribute to the poverty reduction objective.
- **Intervention principles**, including facilitation and adaptive management founded on a robust approach to RBM (e.g. the DCED Standard for Results Measurement). The initial design need not include detailed market analysis, but it should set out the approach to this analysis (which should be iterative) and how the analysis will inform ongoing project strategy development and review.
- **Project duration** – project design should reflect a long-term ambition (5–10 years), whether or not funding from Sida is guaranteed or expected beyond a shorter funding timeframe. This will avoid short termism in project design.
- **A high-level budget**, which should reflect the facilitative approach of the project (e.g. a relatively high proportion of resources dedicated to project staff costs).
- **An inception phase** (6–12 months), which provides an opportunity for analysis⁸² and the development of intervention strategies.
- **A well-qualified project team**, including sufficient evidence to provide assurance that they possess the capabilities required for effective MSD delivery and provision for ongoing capacity development (see below).
- **External evaluation** – provision for evaluation, ideally on a longitudinal basis, but as a minimum at key decision points in the project.

The guidance should also stipulate that detailed results frameworks and activity schedules need not be specified in detail during appraisal, given that these should emerge from detailed design during the inception phase.

⁸² Analysis should include the characteristics of the beneficiary group and how it manifests itself in the targeted market systems, the constraints that restrict pro-poor outcomes, and the political economy of change.

Assessing during appraisal the extent to which an MSD project design addresses these considerations requires specialist knowledge and experience. This may in some cases require that Sida commissions external support to the appraisal (or design) process.

Partner selection

Guidance should elaborate the factors to consider in assessing whether prospective implementing partners have the appropriate competencies to deliver an MSD program. These include:⁸³

- **Management:** Intervening in complex and dynamic market systems and working through market players places even greater emphasis on effective management and leadership than in traditional development programs. Management should have the capacity and mindset to create a culture that is open (including about failures) and provides effective mechanisms and incentives for exchange, learning and decision-making.
- **Analysis:** Specialist analytical skills in market systems analysis are essential, especially when taking account of more entrenched societal factors, such as the political economy of specific markets, within the project implementation strategies.
- **Facilitation:** The ability to ‘facilitate’ is an essential competency, made up of a number of attributes, including communication, relationship building, entrepreneurial, coaching and innovation.
- **Measurement:** All team members need some level of capability in monitoring and results measurement as this will be part of their daily activities in adaptive management.
- **Technical:** A strong interest and/or track record in relevant target market systems.

In addition, Sida should assess the culture of the prospective partner with respect to their understanding of and commitment to the MSD approach; the extent to which the culture and management systems are capable of managing risk and accommodating flexibility; and the strength of the learning environment, which includes the extent to which the organisation/program provides time and opportunity for staff to reflect regularly and that learning is captured and utilised.

It is important that such competencies are present in the local team delivering the program – while wider organisational capacities of the implementing organisation are relevant, it cannot be assumed that they will be transferred to the local team.

⁸³ Adapted from the M4P Operational Guide: The Springfield Centre (2014), The Operational Guide for the Making Markets Work for the Poor (M4P) Approach, 2nd edition funded by SDC and DFID.

How to identify and assess the extent to which prospective partners have the required skills and capabilities for implementing an MSD project. Sida should seek to identify and assess these competencies through:

- Examples of other projects where these skills and competencies have been demonstrated successfully.
- References from other clients.
- Interviews or other forms of personal engagement with team members.

Ongoing capacity development. Where prospective partners or Sida have identified shortcomings in the identified core competencies of the implementing team, an explicit and purposeful strategy for developing these capacities should be developed in project design. These strategies could include some combination of the following:⁸⁴

- **Mentoring:** Ongoing mentoring within and between intervention teams.
- **Training:** Structured professional development schemes for teams combining local and international packages ('training of trainers') and in-house skills development ('cascade training').
- **Backstopping:** Recurrent technical backstopping from market system development experts.
- **Staff secondment and exchange:** Secondment of senior staff between programs to share experience and train new staff.
- **Networking and peer learning:** Remote and face-to-face learning.

These activities need to be resourced. In some cases, the partner organisation will have the resources to support some capacity development activities. However, this cannot be assumed and Sida staff should proactively ensure these activities are properly resourced and should promote the use of project funds for capacity building activities.

Options for selecting partners. The guidelines should elaborate the options available to identify and select implementing partners and the rules that surround these options. These include:

- **Non-competitive selection** through the identification of appropriately qualified organisations by the program officer – as is commonplace in Sida.
- **Competitive selection**, either through identifying a short list of not-for-profit organisations who are invited to submit concept notes or proposals in response to terms of reference. The guidelines should elaborate on the process that should be followed for competitive selection. Under the procurement option, further work is required by Sida to clarify the process and options available under the Public Procurement Act, including on the level of detail that should be specified in

⁸⁴ Adapted from the M4P Operational Guide, *ibid*.

project proposals (and contracts) and the process that can be followed to assess the capabilities of implementing teams.

Implementation

Clarity on role of Sida in managing MSD programs. As a funder, Sida should be closely involved in adaptive management, creating an enabling environment for adaptive programming and delivery.⁸⁵ In considering this, the guidance should draw on that already established by SDC⁸⁶ (see Box 14 for some examples from the SDC guidance), outlining the roles, responsibilities and relationship between the funder and the implementing partner and ensure this guidance is tailored to the Sida context. The guidelines should elaborate on what program officers should hold implementers/facilitators to account for and how to assess this.

Results-based management

Sida program officers are responsible for ensuring the RBM system is quality assured. A robust RBM system is key to ongoing learning and adaptation and to mitigating risk. Programs should be held account for the strength of their RBM system. As a minimum, we recommend project RBM systems should align with the principles of the DCED Standard and that there is a clear protocol for reviewing and revising the results framework.

The guidelines should elaborate on the appropriate considerations for assessing the strength of an RBM system.

Third party monitoring, evaluation and learning (MEL)

Third party MEL is a potentially valuable tool to support MSD project management and Sida staff must ensure that it is used strategically. Guidance should elaborate on the options available for third party MEL, including:

- Support to the development of RBM systems and ongoing review.
- Results verification.
- Longitudinal impact evaluation.
- Periodic project performance review.
- Discreet learning activities.
- Ex post evaluation to support organisational learning at the portfolio level.

Guidance should elaborate on how evaluations should be used and the role of Sida in commissioning evaluations. Sida should take an active and engaged role in the drafting of terms of reference for evaluations of their MSD projects, irrespective of

⁸⁵ This relates to how procurement, commissioning, and systems for accountability are set up to 'allow' agency and space for an adaptive project to operate. It also requires that funders support and encourage a learning culture in MSD projects. See Box 10 in the main report for further detail.

⁸⁶ SDC (2016) Monitoring and Measuring Results in Private Sector Development.

whether or the implementing partner is directly responsible for commissioning the evaluation through project funds.

Evaluation methodologies should account for an MSD project's unpredictable, adaptive and non-linear nature. It is also important the evaluation team is familiar with the MSD approach and have or are able to acquire in-depth understanding of project interventions and context.

Box 14: SDC guidelines on the role of a funder program manager

The program manager needs to guide the implementing agency. Clarity is needed on:

- What the funder aims to achieve.
- What and how results should be reported.
- The roles and responsibilities of both partners: the program manager and the implementing agency.

The program manager needs to create the conditions for the implementing agency to operate, to ensure that the implementing agency has the necessary human and financial resources to implement the program and to ensure the implementing agency has a clear mandate to implement.

The program manager needs to ensure the implementing agency has, or builds, capacity to implement, capacity to manage MSD programs and interventions (analyse, develop and implement) and capacity to monitor and measure results (assess, analyse, use and report).

The program manager's involvement changes over time. For most programs and implementing agencies, the program manager will be more involved in the beginning: to provide clarity, to create conditions and to ensure that the implementing agency has or builds the capacity to deliver. Most of this is addressed during the design and inception phase. The investment by the program manager in these early stages pays off in the form of less involvement during the implementation phase, and more importantly, a more effective program achieving more sustainable impact. The intensity and roles vary, and program managers require a certain flexibility to manage the partnership which could be characterised as 'situational leadership'.

Evaluation of the market systems development approach

Lessons for expanded use and adaptive management at Sida

Volume I: Evaluation Report

This report presents the findings of an evaluation of Sida's management of the market systems development (MSD) approach. It aims to inform thinking on how Sida can best manage its growing portfolio of MSD programs. Beyond this, it provides insights relevant to Sida's wider support to complex and adaptive programs. The evaluation identified several factors that affect Sida's ability to ensure that conducive conditions are in place for effective MSD programs and good development programming more generally. Sida's relatively flexible framework of rules, guidelines and systems for project management provide the space needed for staff to innovate and manage adaptively. But for this to happen consistently and effectively, Sida needs to invest more deliberately in building the capacity of its staff in relevant areas. In addition, leadership and incentives are key to shaping a culture of active experimentation and learning. This needs to be supported with clearer guidance for those involved in the design and appraisal of MSD projects; and strengthened oversight of project performance, including through adjustments to Sida's contracts and funding agreements.



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