GUIDELINES FOR GOOD MARKET DEVELOPMENT PROGRAM DESIGN
A managers' perspective, Draft, September 2014

GOOD PROGRAM DESIGN IS A KEY FACTOR CONTRIBUTING TO THE SUCCESS OF MARKET DEVELOPMENT PROGRAMS. UNFORTUNATELY, TOO MANY CURRENT DESIGNS HAVE MAJOR FLAWS, WHICH PREVENT PROGRAMS FROM BECOMING SUCCESSFUL EVEN BEFORE THEY GET STARTED.

Why starting a dialogue on guidelines for good program design?

We believe that a market development approach like Making Markets Work for the Poor is the best way to be successful in achieving lasting economic growth in developing countries. Also, this approach has the potential to generate the best value for money.

However, realizing this potential of 'sustainable and efficient impact as scale' has proven to be difficult. In fact, the track record of many market development programs, and private sector development programs more broadly, has actually been disappointing when compared to what could (and should) have been achieved. Fifteen years after the publication of the 'Blue Book' – the donor guide for small enterprise development – we do see successful interventions here and there, but we do not see too many successful programs. In other words, we have been getting better at designing interventions that work and achieve results, but we have not been getting better at designing the programs able to 'produce' such interventions on a *consistent basis*.

We do have the 'hits' that excite us about the potential of the market development approach and development assistance in general, but producing these hits is often still a matter of 'hit and miss'.

We as implementers believe that following two key factors underlie this lack of consistency in program performance and are the main hurdles to successful program implementation:

    I.   Program designs are rarely based on what works. They normally have many elements that unintendedly prevent effective implementation.

   II. There is a serious lack of capacity and skills to implement programs successfully and nothing is done to address this outside programs.

With this seven page document, we would like to start a dialogue on what makes programs consistently successful and how to prevent program design from being a hurdle to sustainable and efficient impact as scale.

In starting this dialogue we acknowledge that the persons in donor organizations responsible for the design of new programs often have to go a complex process to get programs approved. Nevertheless, despite this political reality, we believe that there is sufficient 'room for maneuver' in this process to incorporate lessons from the field to program improve design.

Lessons from the field and implications for program design

We gained our management experience in programs designed to improve the working of market systems around small enterprises and farmers, instead of providing direct support to beneficiaries. Working in an indirect, systemic manner makes results more likely to last beyond the lifespan of a program and makes them achievable at scale.

We want to emphasize that we attach much importance to value for money – development assistance needs to be efficient and effective in order to make a meaningful change in the lives of millions and be seen by the taxpayer as a cause worth supporting. We do not want to be a drop in the ocean, nor do we want to be seen as excessive. The lessons from the field and implications for program design outlined below stem from our thinking on how to deliver aid in the most effective and efficient manner in order to create sustainable results at scale – in other words, how to deliver the best value for money in development practice.

Our programs – as well as many others – operate in complex and dynamic environments (systems), in which results are not easy to predict upfront. This complex reality cannot be ignored when the purpose of develop assistance is to stimulate social change (as opposed to providing hand outs). Our programs can only be successful if we embrace this complexity and constantly challenge our understanding of how these systems work, learn from our experience and adjust activities where necessary. Programs based on an oversimplified perception of reality and designed to deliver simple, 'one size fits all' quick fixes are unlikely to be successful. Program design must respect the implications of operating in a complex environment.

One of the key lessons for good program design that we want to highlight in this paper is that:

I. The *competence of local experts* is perhaps the single most important factor for successful implementation in complex environments. More than anything, there is a need for donors to invest in skills and expertise.

Other key lessons in relation to good program design are:

II. Having *flexibility in terms of how to engage with whom* for the disbursement of development funds, so as to be able to engage the most suitable local partners in the most efficient and effective manner.
III. Having the *flexibility to adjust program portfolios and activities*, based on learning of what works and what does not in complex environments.
IV. Having a program governance structure that monitors and steers decision processes and capacity rather than activities.
V. Having *enough time* to build up a program, build up staff capacity, learn, become truly effective, and have the time to reap the benefits from this process.
VI. Having *realistic expectations* about what a program can achieve within a specific time frame and context to avoid forcing a program into quick wins over lasting results.

The table below can give guidance how to include these lessons from the field into program design.

LESSONS FROM MANAGERS	IMPLICATIONS FOR GOOD PROGRAM DESIGN
1. STAFF	

GOOD PROGRAM DESIGN SHOULD…

1. Systemic (market) development requires that National Experts take center stage in program analysis and implementation.

    International experts, short-term and long-term, cannot substitute for National Experts as it is very difficult for them to capture the subtleties of a complex local business environment; they can support operations, but National Experts need to be at the heart of them.

2. Systemic (market) development requires high quality staff with: (a) an analytical mindset able to understand the underlying forces in complex markets; (b) specialist insight derived on the ability to do, amongst others, primary field research; and (c) creativity to come up with tailor-made, innovative development solutions.

    Such skills are rare and typically need to be honed by on-the-job training and exposure in the field; staff is therefore not a 'ready-made' commodity but needs to be trained on the job.

    Persons with such skills, or the ability to acquire them, are often very talented individuals with an educational background that supports critical thinking who are sought after are typically highly sough after.

3. Systemic (market) development is staff intensive, because analysis, identification of partners and intervention design takes time; the investment in staff pays back in consistent programs with a strong process in place for identifying and managing sustainable intervention; staff numbers will vary in time, in relation to how the portfolio develops (see below).

4. International managers' main tasks are to create the right work environment and to transfer skills to National Experts; which coaching staff needs varies in time. Unfortunately there is not much common knowledge on how to build and guide a successful organization in this manner.

5. These lessons are not different for subcontracts; local development organizations rarely employ the right staff and are therefore unlikely to be successful.

St1 …allow programs to hire the people with the right, but rare profile and offer them a competitive package and an attractive work environment; they are the key to success.

St2 …allow programs to hire the right number of people; staff is not an overhead that needs to be kept as small as possible; they form the beating heart, the engine of the organization.

St3 …allow programs to propose how many staff they need and in which positions; avoid predetermining positions and numbers in the head contract (both national and international).

St4 …allow programs to hire staff based on potential rather than experience and allow time for on the job training and coaching, which initially could be done by international managers and experts.

St5 …allow for arrangements that are conducive for learning and coaching such as a flat organizational structures and simple management arrangements, which allow managers to interact and transfer easily.

St6 …allow for a centralized office to that exchange and learning can take place, instead of considering a centralized office an overhead.

St7 …not allow for prearranged implementing partners; at the start of a program it may discover that since the initial design the environment has changed; as a result inbuilt arrangements may have lost their relevance and may even become a hindrance for effective implementation.

St8 …include civil servants only when incentives and capacity are right.

LESSONS FROM MANAGERS	IMPLICATIONS FOR GOOD PROGRAM DESIGN
2. FLEXIBILITY	

Programs operate in complex and often very dynamic environments. This implies the following:

1. Initial program design may be outdated or may proven to be partially incorrect when the program starts off (the environment has changed since the initial design or the design team could not grabble with complex local realities during the time-bound mission).

2. It is difficult to predict with absolute certainty which intervention models and partnership will turn out to be successful (despite the emphasis on tailor-made design); many factors and forces influence to what extent change will stick; implementation is not a linear 'roll out' – bad partners and interventions models into very successful ones if there is a willingness to learn.

3. A program's portfolio needs continuous adjustment to maximize results; adjustments should be based on increased understanding of what works and what does not, should respond to new opportunities, and should optimize the allocation of resources; this is not a process of random trial and error but of guided optimization based on the notion that not all interventions will be successful.

4. Early in the program, the portfolio should be broad enough to allow for these adjustments and preferably should be designed by the program itself as part of an inception phase instead of written into the head contract.

5. A program should have high-level aggregated targets, not market / intervention-specific ones.

6. A program should have flexibility in terms of which tools it applies (different problems and partners may require different tools).

7. Donor management of programs should not be about activities ('what does the program do'), but about monitoring decision processes, capacity and results ('what does the program intend to achieve and how').

8. Successful interventions have genuine private sector ownership; this results in unpredictable timing and budget absorption; budgets are not easy to predict and will increase in time.

GOOD PROGRAM DESIGN SHOULD…

Fl1 …allow validation of the initial design in terms of:
  (a) Targets;
  (b) Impact logic and approach;
  (c) Focus (geographical, markets, thematic);
  (d) Organizational set up and staff numbers;
  (e) Budgets (total, distribution between years, distribution between budget lines.

Better would be to limit the initial design to a framework that defines the process to make this framework operational and key success criteria; this could be done during an initial 6 to 8 month inception phase.

F12 …allow programs to take <u>all</u> operational decisions, but:
  (a) Have an external steering / advisory body that monitors the implementation / learning process and focuses on strategic decisions.
  (b) Involve host governments in a strategic, monitoring role rather than an approval role.
  (c) Have donor and program agree on overall targets (not on targets for markets or interventions): contract deliverables should define process steps that ensure good outcomes instead of specific outputs.

Fl3 …ensure that a program is large enough to allow for a balanced portfolio of markets and interventions, while being small enough to avoid the need for bureaucratic controls.

Fl4 …accept flexibility (especially in case of activity funds) in yearly budgets and actual spending or add program elements with more predictable spending;

Fl5 …have budgets with few budget lines and allow fungible budget lines.

Fl6 …create space for procurement and grant mechanisms that are conducive for interaction with the private sector.

Fl7 …not pre-select partners in the design phase.

Fl8 …be careful to expect success stories in the first two years.

LESSONS FROM MANAGERS	IMPLICATIONS FOR GOOD PROGRAM DESIGN
3. SUSTAINABILITY and SYSTEMIC CHANGE	
1. Sustainable outcomes triggered by systemic changes render long-term value for money but take considerably more time and effort to realize than short-term fixes. Programs need to be given sufficient time and resources to design truly sustainable and systemic interventions. 2. Programs have to make trade offs between aiming for long-term, lasting change or early wins; a program can aim for 'low hanging fruit' to have some results early on, but cannot compromise on its systemic approach and opt for short-term fixes. Compromising on the criteria that make an intervention sustainable in one case undermines the position of the program to negotiate these criteria in another case.	*GOOD PROGRAM DESIGN SHOULD…* Su1 …provide sufficient time and incentives for a program to pursue a systemic approach, instead of creating pressure to deliver results early on. This can, for instance, be done by asking the program to define which systemic changes it aims to achieve and how, at an appropriate time into the program and writing this into the head contract as a contract deliverable. Su2 …make a clear choice for a systemic approach and accept the implications in terms of resourcing (e.g., staffing), timeline and the criteria that are part of this approach Efficient and effective, consistent programs need a coherent, interlocking design; compromise programs are not likely to work.
LESSONS FROM MANAGERS	IMPLICATIONS FOR GOOD PROGRAM DESIGN
4. TIMELINE and DURATION	
1. A market development program goes through a number of stages towards the above mentioned 'guided optimization' of efforts and resources: First 2 to 3 years (a) Learning from field analysis and, simultaneously, building team capacity; (b) Translating and testing learning by launching initial market-related activities; Mid-term, around year 3 (c) Reflection on what worked and what did not, and, based on this, adjustments; After mid-term (d) Adding systemic elements and achieving scale. 2. The first two years of a program lay the foundation for delivering success later on; a strong team should take shape and the initial activities should show 'how success looks like'. 3. Programs should have strong internal yearly targets for staff capacity and initial market changes; the indicators to measure these should be agreed upon and could be used by donors to monitor whether a program is on track.	*GOOD PROGRAM DESIGN SHOULD…* D1 … allow programs to have a duration of five to seven years; a 'go or no go' point could be built into the design after two or three years. A design with a duration of only two to three years with a possible extension does not allow a program to phase and plan properly. D2 …include a performance monitoring system for the donor that respects the program stages; the system should focus on the required capacity early on in the program, which includes: (a) Staff capacity to analyze and engage; (b) Credibility with the private sector; (c) Quality of strategies; (d) Process oriented management systems; (e) Managing a portfolio with enough potential for impact; (f) Assessing early signs of change in support markets. D3 …allow external reviews to respect the same program stages and preferably includes a series of review moments, each with a phase-specific agenda, executed by the same review team.

LESSONS FROM MANAGERS	IMPLICATIONS FOR GOOD PROGRAM DESIGN
5. LEARNING ORGANISATION	
1. The complexity and the inherent need for adjustments require programs to become a genuine learning organization, but also one that acts on the lessons. 2. Learning is not about simple market facts; many elements of how markets behave are hard to capture in documents (for example, the working of the economy, understanding private sector partners, their real incentives and interests.) 3. Learning does not only come from attending training programs; learning is a continuous process and comes from being part of the whole implementation cycle (assessments – implementation – results measurement) and (nearly) all research efforts related to this Field exposure to new markets and new countries stimulates learning. 4. The requirement of being a learning organization means that staff retention needs to be high; this puts significant demands on the working conditions of local staff.	*GOOD PROGRAM DESIGN SHOULD…* L1 …ensure that an internal learning (M&E) system is in place; this system should be about drawing lessons for all experts in the organization; in order to do so, at regular intervals internal discussion sessions should be held to review findings from the field and extract lessons. L2 …include a role for the donor to checks the analytical and self-reflecting culture throughout the program. L3 … ensure that (nearly) all research is done by program staff, while only specific technical research and maybe larger impact assessments are outsourced; consultants should support instead of replace them. L5 …allow for sufficient budget to invest in program (for training and exchanges with other programs) and to retain staff.
LESSONS FROM MANAGERS	IMPLICATIONS FOR GOOD PROGRAM DESIGN
6. IMPACT	
1. The first impact figures can often not be expected until year 4; projections based on changes in the support markets can allow for more credible projections. 2. A theory of change with a timeline can be a good basis for an agreement between donor and implementer on when what is reported. 3. Impact measuring systems take time to setup; this should be started early on in the program. 4. In complex environments it is very hard to understand impact (impact can be very diverse), let alone having it measured by outsiders; a system of internally measuring and external quality control is the best option in most cases. 5. Good internal impact measurement starts with staff being able to articulate the impact logic (result chains) of a particular intervention, define indicators, and think through which measurements tools how and when to be used.	*GOOD PROGRAM DESIGN SHOULD…* Im1 …ensure a realistic expectation of when impact can be expected, based on a realistic theory of change. Im2 …have a good internal impact measurement system initiated latest by the end of year1; this system should be in place / functional in year 2. Im3 …test key indicators early on. Im4 …consider having an external system audit done; the DCED audit system can be considered.

This paper was produced after lengthy discussions and on personal title by the following managers of Market Development Programs:

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