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## **Making Markets Work for the Poor** Case Studies Series

A common framework for learning and managing  
change – Experiences from SDC regional  
programmes in the Balkans and South Caucasus

David Elliott, The Springfield Centre  
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**Employment and Income Division**  
Freiburgstrasse 130, CH – 3003 Bern  
Tel. ++41 31 322 10 65, Fax ++41 31 323 08 49  
[e-i@deza.admin.ch](mailto:e-i@deza.admin.ch)  
[www.deza.admin.ch/ei](http://www.deza.admin.ch/ei)

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*This case is one of a series exploring the application of the Making Markets Work for the Poor approach to different areas of private sector development. This document represents the views of the author and does not imply the expression of any opinion whatsoever of the SDC, Employment and Income Division.*

# 1 Introduction and background

This case is based on two SDC initiatives using Making Markets Work for the Poor (M4P) as a uniting framework against which to position, learn and improve the performance of the employment and income related portfolios of SDC regional programmes.

The process was piloted in 2004 at the initiative of the then Head of the SDC Cooperation Office in Kosovo, with the support of colleagues of the SRP-D<sup>1</sup> for Eastern Europe and the CIS. The process reviewed and benchmarked a wide range of projects across Kosovo, Albania, Macedonia, Serbia and Bosnia.

In 2005, the CIS Division of SDC expressed an interest in building on the Balkan experience and to apply an M4P framework to the employment and income related projects in its South Caucasus regional programme. Like the Balkans, this process is aimed at supporting knowledge sharing, critical reflection and improved performance at a project level. However, as the regional programme is in transition from a relief to a more development-oriented phase, the objective also encompasses two additional elements:

- Technical assistance to projects through a partnership process between SDC, the Springfield Centre and the project implementing agencies (which currently means Accion Contra el Hambre), and
- An evidence based approach to inform and develop a new regional strategic orientation and associated programming in the sphere of employment and income.

This case draws liberally from both experiences. It is based on written exchanges, project reports and feedback from projects and SDC.

## 2 Rationale, objectives and process

### 2.1 Rationale

Since 2001, the SRP-D had funded the implementation of a number of programmes in the Balkans with a clear employment and income objective.

Concerned to ensure coherence and consistency between these various programmes, SDC decided to elaborate Good Practice Guidelines for employment and income oriented projects in the region<sup>2</sup>. These guidelines were produced in collaboration with the Employment and Income Division (E+I) of SDC who were concerned that project design and orientation should be consistent with and informed by wider good practice<sup>3</sup>.

On this basis, SDC determined to undertake a “good practice review” of the employment and income oriented projects in the region. This process was led by the SDC Kosovo office, which retained a responsibility for regional coordination and exchange with other SDC programmes.

### 2.2 Objectives

A funding proposal for the good practice guidelines was prepared. The objectives of the exercise were defined as:

- The findings and conclusions of the assessment are documented, compared transversally in a systematic manner and related lessons learnt drawn.
- The knowledge of the projects of the region and their relevance contributes to the learning in the existing and the design of new projects.

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<sup>1</sup> Special and Regional Programmes Division

<sup>2</sup> The Guidelines were valid for the countries where the SRP-D is active: in Serbia and Montenegro, in Kosovo, in Bosnia and Herzegovina. Their validity for the other West Balkans countries – Croatia, Macedonia and Albania – was then being confirmed.

<sup>3</sup> These Guidelines draw heavily on the Donor Committee for Small Enterprise Development “Business Development Services for Small Enterprises: Guiding Principles for Donor Intervention”, 2001.

- Improved understanding and capacities of SDC International/National Programme Officers and International/National Project Managers contributes to better design and management of contracted projects.
- A dynamic network of informed stakeholders of the PSD projects shares experiences, advice and support, built on the lessons learnt.
- Informed reflections from project experiences will be fed into the Employment and Income Guidelines, making these more practical, accessible and useable.

The same basic objectives hold for the South Caucasus process.

## 2.3 Process

As shown in Table 1 the project portfolio was split into two classifications of projects:

- Institutional focused – economic and enterprise development centres, and
- Sector focused - primary emphasis on agriculture.

*Table 1: Good practice assessment – participating projects*

Project Name	Country / Province
<b>Balkans</b>	
Promotion of SME in Region of Banja Luka and Tuzla	Bosnia and Herzegovina
Sandzak Economic Development Agency (SEDA)	Serbia
Women's Business Development Project	Kosovo
Kosovo Swiss Dairy Processing and Marketing Project	Kosovo
Swiss Project for Horticultural Development Kosovo	Kosovo
Promotion of Agriculture in Puka District – (AGROPUKA)	Albania
Sustainable Agriculture Support in Albania – (SASA)	Albania
Prilep Regions Enterprise Development Agency (PREDA)	Macedonia
<b>South Caucasus</b>	
Sisian Rural Self-Reliance Development Project	Armenia
Community Based Agricultural Extension Project for local and IDP vulnerable families in Agjabedi and Beylagan districts	Azerbaijan

As clearly shown in the above table, the array of projects is fairly representative of the type of projects typically funded by SDC. Most were in at least their second extension phase at the time of the assessment.

The distinction of projects between institutional and sectoral was made by SDC in the original Balkans funding proposal. It was anticipated that alternative analytical frameworks would need to be applied for each classification of project. Critically, M4P provided a framework against which *all* projects could be assessed. This was exceptionally appealing for SDC for a number of reasons:

- It gave greater thematic coherence for the entire employment and income portfolio in the respective regions
- With a larger pool of projects, the richness of the assessment process was improved
- Distilling common learning from a wide array of experiences, which is applicable to projects with seemingly different approaches, but ultimately the same objective of improved employment and income results.

An M4P assessment framework was developed by The Springfield Centre and expressed in their tender proposal to SDC for the Balkans process. This was accepted in principle and a contract

stuck. Further work was then undertaken to create an operational assessment guide against which the actual assessments would take place. This guide was developed for the Balkans process, and was refined and applied again in the South Caucasus process. The guide is shown in Annex 1. In essence, it provides a series of closed questions under each of the main elements of the broader M4P framework. For those markets of concern to the project, the guide asks questions such as:

- To what extent is the project concerned with improving the market system, i.e. does the project have a genuinely systemic focus?
- To what extent does the project understand the core market – players, structures and dynamics?
- Does the project have a clear picture of how the “poor” or “disadvantaged” interact with the market?
- Does the project understand how institutions govern and shape the market?
- Has the services, information and infrastructure around the core market been understood adequately?
- Does the project have a clear picture of the underlying causes of market under performance?
- Does the project have clear and sustainable view of how the market will work better in the medium to long term?
- To what extent are project interventions consistent with building sustainable market improvements – building stakeholders into valid roles?

These questions (amongst others) were asked of projects during a two to three day field visit to each of them. This rapid assessment was not an “evaluation” per se, but was clearly evaluative in that its purpose was to facilitate the generation of critical learning, from which the project itself, and others can benefit.

The output from this rapid review process was a report, whose purpose, in the case of the Balkans, was to feed into a regional learning workshop. For the South Caucasus, the report outlined the parameters of a learning partnership process, which involves a combination of training, capacity building and technical assistance to projects and SDC programme officers.

Key findings from these benchmarking processes are report on below in *results and findings*.

### **3 Results and findings**

The good practice assessment guide asks questions built around the core pillars of M4P logic, which are concerned with:

- A systemic approach
- An explicit view of where the poor are within any market
- Understanding markets
- Defining a realistic vision of the future
- Matching interventions with vision

Following this format, key results and findings from the assessment processes in the Balkans and South Caucasus are presented below.

#### **3.1 Systemic approach**

As one might expect from a large portfolio of projects, initial project designs are mixed in relation to a commitment to market development. Some projects are concerned with “markets” and “systems”. For example, SASA was aimed at developing a “functioning market” for organic

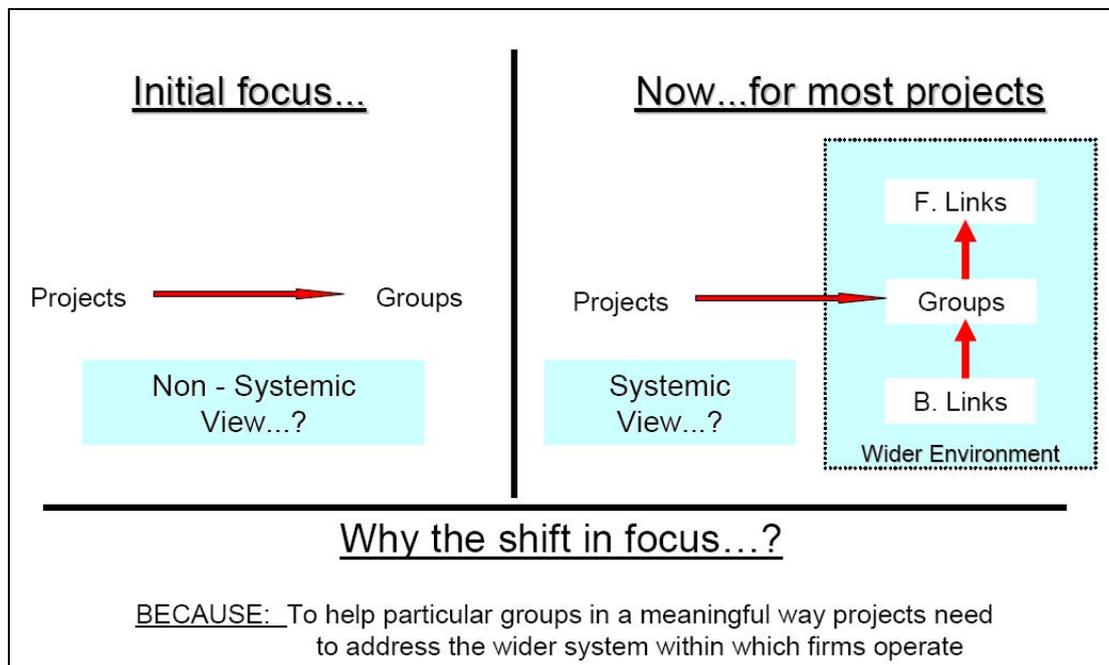
products and emphasises the importance of achieving change throughout the system from producer to consumer.

Rather than focusing on improvement of the system, more commonly, projects are concerned with “helping” a particular group. Overall, at least in their initial phases, a “traditional” concern with helping identified groups (mainly producer groups) – a characteristic of relief and transition projects – was found to be dominant. Often these producer groups were considered in isolation of even direct forward or backwards linkages. For example,

- KSDP’s original design was aimed at directly assisting dairies without including wider forward and backward linkages.
- Agropuka’s design emphasised improving the performance of producers (farmers) and
- SME-Banja-Luka was concerned with directly working with key firms in particular sectors (wood, furniture, textiles, clothing and metal working).
- ACH Sisian focused on direct procurement and delivery to build income-earning assets for self-selected poor groups in a number of villages across the region. In this initial phase, there was no consideration of wider market or economic development issues.

However, as shown in Figure 1, over time most projects have started taking a more systemic view. Why is this? Simply put, to help particular groups in a meaningful way, projects need to address the wider system within which firms operate.

Figure 1: Evolution of systemic thinking by projects



For ACH Sisian, whilst the focus remains firmly on producer groups, the project has started to consider these groups in a wider market context and is now engaged in interventions with partners supplying inputs to producer groups (backward linkages) or procuring outputs (forward linkages) from producer groups. For example, having identified access to quality wheat seeds was a major constraint for targeted wheat producers; the project is now working with a local seed supply company to tackle this issue. In the case of milk producers, the project is starting to engage with a major national milk buyer and processor.

### **Box 1: Relief to development orientation – a systemic shift – ACH Sisian Project**

An external evaluation conducted in March 2003 of the ACH Sisian project in Armenia. It reviewed progress and made a number of observations that would serve as a basis for future operations. It also presented a number of learning points some of which can be broadly summarised as follows:

- The direct transfer relief based approach can achieve a degree of immediate impact and alleviation of certain hardships. However, this impact is on one hand short-lived (i.e. benefits stop altogether, or can reduce rapidly once subsidy is removed) and on the other hand does not ripple outwards beyond the recipient to other poor neighbours / community members.
- A oneway directional “give” relationship can lead to pressures that promote moral hazard and undermine optimal choices – of group selection and supported activities. It can also lead to an undervaluing of support, a lack of application and can foster dependency. When dealing with private business – which the project is concerned with – a two way “give and get back” transactional relationship provides more positive incentives and supports more sustained success and impact.

### **Box 2: Relief to development orientation – a systemic shift – ACH Ajgabedi Project**

An external evaluation of the ACH project in Ajgabedi, Azerbaijan was undertaken in January 2003. Whilst not repeating all the observations and conclusions, a few points are worth repeating here.

- Working with groups can be a useful way of getting into a community and operations moving. However, it is recognised that there is a need for strong economic arguments (i.e. natural benefits of cooperation, such as in milk production) or social reasoning (i.e. strong social history of group cooperation) for groups / cooperative businesses if they are to be sustainable beyond the project (noting that the reason for their initial formation was solely to receive a range of “things” from the project).
- Moving beyond groups to understanding how these groups interact and engage in the local economy is critically important. The evaluation report calls for sustainability to be taken more seriously through “a production systems approach” and through “indirect improvement of the socio-economic context”.
- Limitations of the existing grant policy were recognised and a move to full cost recovery was recommended. Whilst the rationale for this is not spelled-out fully in the report, this recommendation seems to have been made for two main reasons. Firstly, to “revolve” funds and thereby make limited resources go further, and secondly to put project support on a more transactional basis.

#### **3.1.1 Not forgetting where the poor are in a market...**

Development work in the Balkans was arguably more concerned with economic reconstruction than, explicitly at least, poverty reduction. The agenda was more one of growth than poverty. As such, most projects were concerned primarily with business, or output growth.

The South Caucasus was a mixture of the two objectives. The requirement for group members to have some degree of demonstrated economic capacity excluded engaging with the poorest of the poor, but arguably, project agendas were more focused on poverty reduction than those in the Balkans.

Even if projects have no requirement for addressing the situation of disadvantaged people per se, as development interventions, it is incumbent upon them to understand where disadvantaged people fit into a market context. Do they, for example participate as producers (dairy) or employees (horticulture) or as consumers? Or is the connection with them indirect – competitive businesses generating more tax revenue and therefore more resources for social investment? Either way, projects should have a convincing view of how the poor engage with markets, and how the project is seeking to strengthen these linkages – or at the very least, to show how projects will not displace markets that may actually be serving the poor anyway.

## **3.2 Understanding markets**

The applied M4P good practice framework defines market systems into three elements:

- *The core market* of delivery and consumption;
- *Rules*, formal and informal, that govern the structure and function of any market;

- *Supporting functions*, which determine behaviour and practices, shape relationships, generate and provide information, knowledge and incentives.

Key findings under each of these headings are given below.

### **3.2.1 Core market**

Concerned mainly with targeted producer groups most projects entertained only very limited analysis of the core market. This applies equally to sectoral and institutional oriented projects. Some typical weaknesses included:

- *Analysis through to final consumers* – market trends and competition. Limited consideration of this due to being primarily production / service driven. Prioritising production outside of market trends is a “classic” development mistake that invariably leads to quantities of unwanted goods.
- *Analysis of business capacities* – generally limited to commenting on producers that are “weak” without any real investigation into exactly why. Without a better understanding of what is meant by business weakness, there is danger of assuming that weakness is generic and applicable to all – whatever the real reasons.

As projects started to move to a more systemic view, their analysis of the core market tended to increase in scope, and in depth. An argument might be made that this is natural – that as projects increasingly embed their operations they naturally develop a wider market focus and more detailed understanding of the core market dynamics. To a large extent, this might be true, and certainly, it would be a mistake for projects to spend all their time analysing and not doing.

However, there is a balance to be struck in “learning by doing”. This is explored in section 3.4 below. The general point being, that whilst there is no “exact balance” between research and action, projects that started with a wider market focus at least knew where they needed to get to. Projects with a narrower focus were forced to expand their horizons through hitting a series of “brick walls” that forced a rethink of focus.

### **3.2.2 Rules**

Emerging from centrally planned economies, the Balkans and the South Caucasus are both immersed in transforming policy, laws and regulations to support market rather than state allocation of inputs and outputs. As the economic blocks that they traded within are eroded, countries in both regions have to negotiate relationships with new trading partners. Many of these trading partners are members of trade “clubs” (such as the WTO, the EU, NAFTA etc), the rules of which can place considerable demands on new members.

These dynamics were reflected in assessment findings. For those projects concerned with product or commodity markets, the arrival of more formal rules is prevalent. It is clear that markets are becoming more formalised in both regions and beyond it in neighbouring (e.g. EU) markets.

Most projects were aware of this trend and assuming that informal rules – embedded in culture and history – are difficult to change, addressing formal rules might well be a more practical option for them. However, questions remain as to whether understanding of these trends and their implications are sufficiently deep.

Likewise, for most projects, the task of engaging with government on standards – for example, on food safety – may be beyond their limited resources but some, KDSP for example, did manage to engage with them directly and successfully.

### **3.2.3 Supporting functions**

Overwhelmingly, the projects are engaged in the direct delivery of services, information and infrastructure. The emphasis projects themselves have given to delivering these kinds of activities is the same priority of many other donor-supported projects. In all countries, especially in key agricultural and manufacturing sectors, there is still considerable donor supported activity – albeit declining but still very evident.

However, a projects' role in providing services directly, often disguises a failure to recognise these as an integral part of the market. This is a wider, characteristic problem in development interventions. Markets are more than simply the supply and demand of products or goods. Functioning market systems need to offer key players the opportunity to learn about new technology trends, make informed decisions, assess risk and reward, improve their knowledge and skills, reduce their costs and increase efficiency, and ultimately improve their competitiveness. In this sense, the Balkans and the South Caucasus are in the same position as others: improved industry competitiveness requires that knowledge and information is injected into market systems more strongly.

What this means in practice - key sources of knowledge and information - will differ from one situation to another but may include, for example, input providers, business networks, specialised media, printed commercial information, government research organisations, universities, membership organisations and consultants.

Most projects' market understanding though does not include a detailed assessment of these potential sources of information. And while these will often be weak – or non-existent – projects that don't at least recognise this in their own market assessments run the risk of falling into a classic development trap. They fail to insert services, information and infrastructure firmly into the heart of our market understanding and allow projects to (mistakenly) relegate them to one-off hits, which although provided justifiably, do not guarantee the same in the longer-term.

### **3.3 Vision of the future**

Just as projects need to have a good understanding of markets and of the key constraints to market development, it is also important that they have a clear view of how markets can operate more effectively and sustainably in the future, beyond the duration of direct project activities.

Good practice, in the sphere of employment and income, would usually envision projects playing the role of facilitating markets – stimulating others - but not being part of the market per se. However, it is clear that many organisations that implement projects see themselves as having a role in the future. For example,

- Agropuka sees itself as a producers organisation that is part of the Puka community and economy;
- The Organic Association of Albania (OAA) wants to have a continuing role at the centre of the developing organic produce market;
- SEDA may have a role in the future within/related to local government; and
- KSDP may well evolve legitimately into an industry quality branding and certification company.

Although these organisations do consider themselves in the future tense, there are fewer examples of detailed assessments of succeeding organisational roles. As is common when donor funds have been (relatively) abundant, the tendency is to believe that these will continue. However, to plan for a future that assumes that donor funds will continue to flow is to create dependency that inevitably will tend to undermine rather than build development. It was not clear that the projects had developed clear succession plans. Therefore, little was evident beyond a general aspiration – which might arguably have been expressed more because of where projects found themselves, rather than emerging from a clear progression towards an objective of being a market player.

Most projects find themselves in a paradox. On the one hand, what they provide now is often primarily specialised knowledge and information to different players in the market. For example, in markets as diverse as horticulture (SPHP-K), dairy (KSDP), honey (Agropuka), loan applications (WBDP) and organic agriculture (SASA), what projects bring to a market situation are primarily specific “soft” inputs that add value in a variety of ways. So, knowledge and information is recognised as being an essential current input for markets to work more effectively. On the other hand, projects' view of the future commonly has no picture how this vital part of a market's

operations will be offered. Therefore, what is deemed to be important now is not given the same importance for the future.

### **Box 3: Donor driven business services in Kosovo**

The following is an extract from field mission notes prepared following an interview with KSDP (as such they are the personal reflections expressed at the meeting only):

“Typically services in and around the sector are provided directly or through a subsidised donor programme. USAID has a cluster based dairy programme; EAR has a programme; hosts of NGOs had / still have programmes; Kosovo Business Services (USAID) is the provider (free) of all business related support to the dairy sector. The list goes on.

Services are typically offered for free. As such whilst it is fairly clear what services need to be in the sector to support its future growth, it is less clear that these services (and certainly their value) are recognised by commercial actors in the sector or by potential suppliers of services.

Some limited embedded services can be observed, for example, by certain dairies to suppliers on animal husbandry / post milking product quality.

The project recognises that to date donors have been all over the sector almost competing with each other to offer more free things than the next donor. Therefore, the experience of consumers of services has been one of the beneficiary rather than client. As such, they have typically taken what is on offer, not necessarily, because they understand / want the service but more to maintain a relationship with donors to see what more they can get (particularly “hard” inputs such as equipment, and practical inputs such as packaging design, advertising, new product recipes etc).

Certainly, KBS (USAID) tried to introduce charging for its business advice and found “clients” disappearing by the truck load.”

## **3.4 Matching interventions with vision**

Analysis and research needs to be matched with interventions that will result in positive change. To do this, project interventions should be based on and consistent with:

- 1) A transparent understanding of the markets within which they are set,
- 2) A picture of how markets will work more effectively and sustainably in the future; and
- 3) Wider international experience of good practice in how to intervene to bring about change.

This section looks at (3) above.

### **3.4.1 Learning by doing – action-research orientation**

Naturally, there is a clear onus on projects (reinforced by donors) to be seen to be delivering. In doing so, projects build a “profile” and of course begin the process of learning by doing. Typically, this was what the inception phase is generally concerned with. It allows projects to find their feet, test initial design assumptions, check out local conditions and partners and build the project team in line with the task at hand.

Essentially, it provides an opportunity for more of an action-research approach – whereby projects have a specific objective and emphasis on genuine learning throughout the phase. From this should emerge a clear and justified focus on where to work (which markets/products), how to work and with whom. Within SPHP-K, for example, activities started with field tests using many farmers and many varieties, and built from this in a series of planned phases.

In reality however, the extent to which projects actually did structure the inception phase towards action-research is again mixed. Few projects set out to use the inception phase to become innovative, cast the intervention net widely and take planned risks. In particular, the opportunity to bring about constructive focus based on initial learning was often not taken.

In such dynamic economies as those in the Balkans and the South Caucasus, it is even more important to be cognisant of change and maintain a flexible response to change. However, with

few exceptions, projects have evolved quite cautiously and in ‘sticking to the knitting’ and generally hardly deviate in terms of approach and focus.

The reason many projects engage in generalised approaches is often that they do not sufficiently understand markets – and therefore have an equally unclear view of just how their interventions will result in positive market change. PREDA’s initial interventions, for example, were based primarily on a very generalised analysis. Similarly, generalised approaches tend to concentrate more on delivery of outputs, rather than combining in project outputs with clear measures of impact.

### **3.4.2 Transactional relationships – what you give, and what you expect in return**

How do development projects “leverage” wider public returns from investing in private concerns, which are intent (quite rightly) in pursuing private goals? We know that projects will take productive investment and use it for private return. When commercial banks provide productive investment to businesses, they expect a return in the form of interest payments. Of course, donors and development projects grant rather than to loan money (directly or in kind), but what should they expect in return?

Essentially, for projects to determine what they expect in return, they must have a clear picture of the future in which firms have greater and more sustainable access to things they need to grow and compete. Interventions with individual businesses need to be clear about this how translates into wider change - beyond direct partner beneficiary firms.

This has clear implications as to whom we work with, why, and how we work with them. Two general observations were made:

- Working systemically does not necessarily mean that projects have to have many partners in all spheres of market activity. However, it does mean identifying and working with partners in appropriate parts of the whole system.
- Projects that do better tend to have larger numbers of partners across the whole market system (core, rules and functions).

Transactional relationships are a quid pro quo arrangement where each party knows what they should give and what they should get. They are the essence of commercial relationships between firms. International experience shows that projects with a business-like relationship with partners are more likely to achieve a positive impact than those with (more conventional) one-directional relations – which are more likely to induce under-achieving dependence.

Some projects were aware that their relationships currently are not, in a meaningful sense, transactional, such as:

- In SME-Banja-Luka, firms agree to receive various “things” (free) from the project and their responsibility is to host a consultant and sign an expanded time sheet.
- Agropuka has now changed its previous approach to demonstration events where farmers would be compensated (financially) for attending.

Other projects have increasingly developed approaches to building transactional relationships. In SPHP-K for example, the project has insisted on making “deals” with all partners – even if in some cases the only real reason is to set out the stall (to the partner, and others) that the project is not an easy touch.

### **3.4.3 Building partners in to valid roles**

Giving sustainability practical meaning requires that projects consider key roles in markets and determine who does and who pays for what. Building partner organisations in the right roles is therefore a key part of an integrated approach to sustainability. The extent to which projects were doing this was assessed. Three general points were made:

- *There was limited engagement beyond the direct “supply-side”:* in the case of outside key partner producers (many of whom were clearly being strengthened by project interventions), projects generally did not engage with other players. The problem facing projects was

generally not that they are building organisations in the wrong roles but that they do not interact with enough organisations in the market.

- *Building the project within the market:* some projects (such as SEDA, KSDP and Agropuka) see themselves as long term players in the local market and are building their capacity to remain operating in the market (commercially) after the project exits. However, general development experience shows just how difficult it is for projects – perhaps accustomed to donor funds – to transform themselves into genuinely commercial organisations (earning revenue from private business rather than as delivery agents for donor programmes).
- *Building the project team:* in other projects there is a general expectation that staff will continue offering their services to partners when the project ends – that is, will be paid for those services by their partners rather than the project. However, none of the projects visited actually has a plan for graduating/spinning-off their staff into commercial service providers (though there are some discussions) and there has been little done to prepare the market for recognising the cost/benefit implications of accessing “soft-inputs” – building a market for services and service providers.

## **4 Lessons and learning**

The projects subject to assessment in the Balkans and the South Caucasus represent a typical SDC employment and income portfolio – a mixture of sector focused projects, and institutionally focused projects. The appeal of M4P as a uniting framework against which diverse projects from within each classification could be assessed and experiences benchmarked against each other was very strong for SDC. Certainly, no other framework was being promoted at the time that could achieve this aim. As such, M4P offered a cost effective framework for meeting the primary objectives of improved portfolio quality, performance and impact.

The relevance of M4P to generating common learning was confirmed in the following quote from the recent “Benchmarking Workshop”, “I have the impression that as such the M4P framework was benefiting, too, ACH as an organisation: though the Agjabedi-personnel were able to learn from Sisian-personnel and vice-versa”.

Ultimately of course, investments in the learning and assessment process should yield greater and more consistent impact in SDC funded project interventions. However, there is a long road to travel from a rapid assessment, report and learning workshop to improved project performance and impact. The process can help to frame an agenda of challenges and opportunities reflected at project level, portfolio level and country strategy level. It can help to foster a common understanding between SDC staff, project staff and wider stakeholder staff. It can start the process of building capacities at various levels. In delivering all of this, it can be considered to be a cost effective investment.

However, it is just a first investment along a path towards improved performance and impact. In the case of the Balkans, changes in key personalities and priorities meant the formal process stopped at the workshop stage. In the case of the South Caucasus, the process started only in September 2005 so there is a long way to go. Resources, commitment and interest are both dedicated and evident and after a positive first six months, hopes are high that the path to improved impact will be fully trodden.

The following concluding observations are distilled from a mixture of written and verbal feedback from project and SDC staff involved in the Balkans and/or South Caucasus processes. It gives a flavour of some the benefits they felt for SDC and for SDC funded projects.

### **4.1 M4P as a framework for improving SDC performance**

For SDC, the main benefits of using M4P as a framework for improved learning and practice include:

- A cost effective way of assessing the orientation and performance of seemingly diverse projects all under the employment and income theme
- Generation of cross-cutting and thematic issues of relevance to all programmes

- Fostering a greater cohesion of SDC policy and programming and
- Setting a solid basis for regional learning by SDC programme staff.

Additionally, an observation was made at the Tbilisi workshop<sup>4</sup> that the process might also be useful for engaging wider stakeholders – particularly government and other donors – in the SDC employment and income agenda.

## **4.2 M4P as a framework for improving SDC funded project performance**

For SDC funded projects the main benefits of using M4P as a framework for improved learning and practice include:

- A valuable investment from SDC in supporting improved regional learning and practice generally – validating, or otherwise, project experiences;
- Building greater understanding of common challenges and therefore relationships between project and SDC national programme staff;
- Opportunity to reflect on experiences and challenges directly and in light of similar challenges being faced by “sister” projects;
- Exchanging on experiences around difficult subject areas such as:
  - How to progress from direct provider to market facilitator
  - What dimensions and approaches can be used in weaker markets
  - What does sustainability mean and what strategies can support an “exit”
  - Market understanding challenges in moving from groups to production systems.

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<sup>4</sup> The Tbilisi workshop took place on 8<sup>th</sup> and 9<sup>th</sup> March 2006. It was the South Caucasus equivalent of the Balkans Podgorica workshop held on 3<sup>rd</sup> to 5<sup>th</sup> November 2004.

## Annex

### Good practice framework: key questions<sup>5</sup>

<b>1. Understanding the market:</b> <i>good practice must be grounded in a detailed understanding of markets</i>	
<b>The core market</b>	
What (if anything) is the core market that is the focus of the project's activities? <i>The extent to which the project has defined a market focus – improving the market system - for its work, the basis for market definition (i.e. service, commodity, product etc). Establish here the extent to which the project has a genuinely systemic focus</i>	
<b>Is market development a recognised objective of the project? (i.e. does the project have a focus on addressing causes rather than symptoms)</b>	
What are the wider influences and prospects for the market? <i>The overall big picture: structure, market trends, players, technologies, product development, main channels of value-added, competitive position etc. Establish also the extent and role of donor influence</i>	
<b>Is the identification of wider trend and influence valid, clear and detailed?</b>	
What is the current performance of the market? <i>The level of outreach/penetration, awareness, satisfaction and usage of services or products; profile of demand-side (motivation and preparedness to pay) and supply-sides (capacity and offer)</i>	
<b>Does the project have a sufficiently detailed view of the market performance?</b>	
Where are the disadvantaged (the poor, women, ethnic groups) in the market; what is their current level and nature of market participation? <i>Where (and how) do the disadvantaged fit in and with what status – producers, employees, consumers? Is the way in which market development impacts on the disadvantaged – either directly or through SMEs – clear?</i>	
<b>Has the position of disadvantaged people with respect to the market been accurately assessed?</b>	
<b>Institutions</b>	
What are the most important formal rules impinging on the market? How do they impinge upon the market? <i>Policies, laws, regulations, standards that are most relevant for the market – prioritising those that are most important in affecting firm performance adversely.</i>	
<b>Have those sets of rules that impinge on market performance most directly and the way in which they impact on the market been identified?</b>	
What (and who) are the most important formal mechanisms for enforcement of rules? How do they impact on the market? <i>Differentiate between rules and the processes through which they are implemented – e.g. inspection systems, commercial justice, self-regulatory mechanisms, inland revenue authorities etc.</i>	
<b>Have any relevant issues related to the enforcement of rules been identified and understood?</b>	
What are the most important informal institutions impinging on the market? How do they impact on the market? <i>Business and social norms – practices, trust, networks, culture – and their impact on market behaviour. If there is a business “community”, probe on the norms of business practice.</i>	
<b>Have relevant informal rules and practices been identified?</b>	

<sup>5</sup> NB This is not a framework for recording every aspect of projects but to assess performance against a framework of “good practices” set out in relation to three key headings: understanding the market, future vision/picture and acting to build markets

<b>Services, information and infrastructure</b>	
What are the main services (embedded or fee-based) offered currently in the market, how are they offered and by whom? <i>The nature of services (fee-based, informal, embedded?); private business or public information, infrastructure-based; profile of supply-side (capacity and offer). What these allow market players to do – innovate products, access markets, enhance skills, develop linkages, adhere to new standards etc?</i>	
<b>Has the services, information and infrastructure around the core market been understood adequately?</b>	
What has been the experience of the key market players in consuming these services? <i>Profile of demand-side (motivation and preparedness to pay); the level of awareness, satisfaction and usage of services; evidence of supply-demand mismatches</i>	
<b>Has the impact of services, information and infrastructure on business been understood adequately?</b>	
<b>Core market summary:</b> draw on above, to identify specific underlying systemic causes of weak market performance (i.e. systemic constraints)	
What are the underlying causes of the market's overall performance? <i>Why isn't the market working?</i>	
<b>Have the underlying causes (distinguish from symptoms) of market's overall performance been identified in-depth?</b>	
If different, what are the core reasons why the participation of disadvantaged groups is currently weak?	
<b>Have the specific causes of the poor's participation been identified?</b>	
Given these constraints, what are the most important strategic challenges to be addressed? What should be the priority areas of focus for interventions?	
<b>Have specific challenges and constraints that are addressable through interventions been identified?</b>	

<b>2. Future vision/picture</b> (think beyond the normal project time – 3-5 years from now)	
How will the core market operate – who will deliver the core market's product/service and who will pay for this? <i>Probe here for the roles of key players in the market – government (specifying which parts), BMOs, private sector, not-for-profits – and the reasons that underpin these roles. Ensure that "paid for" analysis is realistic and is not reliant on donor funds. Emphasise transparency.</i>	
<b>With respect to the core market, has a realistic, detailed and valid view of sustainability been developed?</b>	
How will appropriate rules be developed and enforced? <i>Focusing on the most important rules – policies, regulations, standards etc. – impinging on the market (and identified earlier), how will these "work" in the future?</i>	
Who will undertake (who does?) and pay for (who does?) this?	
<b>With respect to institutions, has a realistic, detailed and valid view of sustainability been developed?</b>	
How will services, information and infrastructure be provided?	
Who will undertake (who does?) and pay for (who does?) this?	
<b>With respect to services, information and infrastructure, has a realistic, detailed and valid view of sustainability been developed?</b>	

<b>3. Acting to build markets</b> <i>Probe here for the extent to which the practice of intervention is consistent with market analysis, has shifted from a direct delivery-relief orientation, is likely to achieve market development (rather than distortion) and is consistent with wider international good practice principles.</i>	
What is the specific focus and objectives of intervention? How does this relate to a market analysis and constraints? <i>For example, product development, information, capacity development, information, research, transactional support etc. Establish whether a project focus is on delivery of outputs and extent to which</i>	

<i>these are consistent with market development.</i>	
<b>Does the project have an appropriate have appropriate objectives and focus?</b>	
What positive market development impacts have been achieved?	
<b>Irrespective of the project's objectives, is discernible positive market change evident?</b>	
How does the intervention approach build ownership for the vision of a functioning market and of the specific roles of different organisations within this? Is it doing this?	
<b>Is the project building ownership for market development – and for partner organisations different roles within this?</b>	
What is the nature of the project's relationship with its partners? <i>Probe: what is the nature of the project's relationship in terms of timeframes, contracts, incentives and "soft" factors? To what extent does the project have a productive, transactional relationship with partners?</i>	
<b>Does the project have an appropriate relationship with its partners?</b>	
Who are the partners of the project and why is the project working with them? <i>Is the orientation and competence of partners appropriate for the project's objectives?</i>	
<b>Is the project working with "the right" people and organisations?</b>	
What type of assistance is being offered by the project? <i>For example, technical assistance, finance, information, training.</i>	
<b>Is the type of assistance being offered appropriate?</b>	
How has the project built in an appropriate degree of flexibility in a project design, reflecting the changing, dynamic nature of markets and the need for flexibility to deal with this? <i>Probe for features of project design – such as relative emphasis on outputs versus impacts.</i>	
<b>Is the project design and implementation sufficiently flexible to allow it to pursue market development?</b>	
How much – in terms of resources (money and other) – is the project giving? <i>Compared with the potential benefits from intervention is this scale of inputs justifiable?</i>	
<b>Is the scale of resources appropriate and proportionate?</b>	
What is the background of the project team? <i>Probe for closeness to partners, competence with respect to technical challenges, soft skills, understanding of the facilitation task (development-business bridge)</i>	
<b>Is the capacity (skills, knowledge, attitudes) of the project team appropriate and sufficient for the task?</b>	
Has the project identified appropriate indicators of "plausible" change and practical means of measuring these? <i>Probe: has the project a similarly practical approach to assessment of higher-order impacts in relation to business and social change and proving impact?</i>	
<b>Is the approach to M &amp; E assessing discernible market change?</b>	
<b>Approach summary</b>	
<b>Is the offer right?</b> <i>Is the combination of objectives, assistance, relationships and skills appropriate?</i>	
<b>Is the intervention achieving development (or distortion of) the market?</b> <i>The acid test: is the intervention causing positive, additional change? Do discernible positive impacts outweigh any crowding out or distortionary impacts?</i>	