

# Doing adaptive management at Sida

## Lessons from the market systems development approach

**There is a recognition within the development community that ‘traditional’ approaches to development programming often have failed to address underlying causes of poverty. The Market Systems Development (MSD) approach provides an example of an alternative, adaptive management approach, to better deliver large-scale, sustainable development impact to poor and disadvantaged people. But what are the implications with regards to organizational capacities for a bilateral donor like Sida of supporting its partners to work more adaptively?**

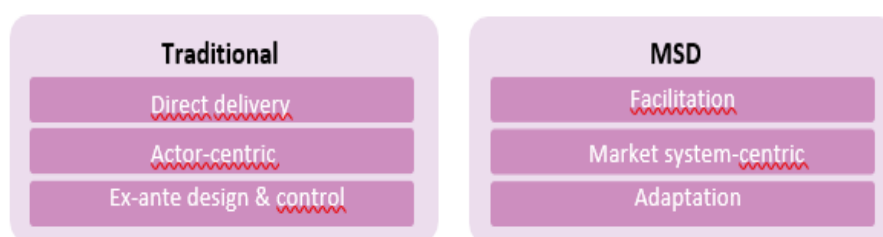
The evaluation focuses on Sida’s management of MSD projects, that is projects applying the MSD approach, with a purpose to i) contribute to improved MSD programming by Sida through better management practices across the project cycle, and ii) to generate recommendations on how Sida can create conducive conditions for systems approaches and adaptive programming more generally. It assesses Sida’s organisational capacity for adaptive management, that is to support its partners in working adaptively, in three dimensions: leadership and culture, staff capacities and skills, and systems and procedures.

### *Traditional versus MSD approach*

MSD provides a framework to understand the institutional underlying causes of negative development outcomes as well as a method of intervening in market systems to achieve poverty reduction sustainably.

Simplified, the MSD approach differs from more traditional forms of programming that rely on direct delivery of funds or services to targeted actors, in a fashion where design and follow-up (including detailed project plans and budgets) are agreed upon in advance.

MSD is characterized by *facilitation* to stimulate and support changes and engage a broad set of actors. Intervention design is *market-centric*, based on an analysis of how a market system is failing poor people. The project design itself evolve in an *adaptive* manner, with room for experimentation. Monitoring systems are designed to provide real-time information to improve performance. Successful activities are scaled-up while unsuccessful are adjusted or closed.



***Sida's systems need to balance flexibility and accountability***

To achieve systemic change, projects typically have to be long-term, with the early years dedicated to piloting and experimentation. Funders need to set up procurement, commissioning and systems that allow agency and space for adaptive projects to operate. Contracts and agreements need to balance legal accountability with room for adaptation. The evaluation found no major impediments to MSD programming in Sida's funding agreements and Sida is perceived by implementers to be approachable and flexible as long as proposed changes are well evidenced and justified. However, clear and transparent guidelines are required regarding the degree of flexibility available to implementers in adapting interventions and when Sida engagement or approval is needed. 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 to inform adaptation.

***Stronger leadership endorsement needed to embed adaptive management at Sida***

The evaluation did not see 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 identified. The evaluation recommends that leadership should more actively and consistently support and incentivise a culture of experimentation and active learning to inform adaptive management. Such an endorsement would contribute to improved programming in numerous ways, for example endorsing and embedding the approach in developing country strategies, resourcing quality assurance systems to ensure that project design is conducive to adaptive management and in ensuring that Sida invests in building organisational and staff capacities conducive to adaptive management.

***Sida's appraisal process does not consistently ensure adaptive programme design***

The evaluation found that Sida's appraisal of programmes is framed to assess more traditional programmes with predefined detailed plans and budgets. The appraisal process of MSD programmes more prominently need to consider the requirements of adaptive programming approaches. In doing so, 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 and hence should not require or accept detailed project design, plans or indicators before comprehensive diagnostics, analysis and relationship building has taken place.<sup>1</sup> Further, a more nuanced assessment of programmatic risk is needed which includes 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.

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<sup>1</sup> The recent changes to Sida's contribution management system (Trac 7.0 and associated guidance) recognizes the need for more flexible and pragmatic assessments of when activities and results should be specified in the appraisal process than was previously the case.

***Finding MSD partners with the right skill sets is critical***

The selection of qualified implementing partners is crucial to the success of a project. The evaluation found that Sida's appraisal process focus on 'general capabilities' such as organisational structure, governance, general management and financial management systems.<sup>2</sup> 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. The evaluation concludes that the relationship between Sida and its implementing partners is critical – Sida needs to support and encourage a learning culture of the projects we fund. 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.

***Sida's MSD portfolio***

Sida has funded a total of 35 projects, of which 27 were running in 2018.

The average duration is 4.6 years with an average budget of SEK 78 million.

Sida relies on a variety of implementing partners to manage the MSD projects it funds, such as 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.

***Adaptive approaches require more time and resources***

The evaluation recognizes that MSD projects normally require more staff time and resources to keep abreast with developments and to ask critical questions about project strategy, results, failures, adaptation and learning, for the funder and the partner alike. Sida therefore 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.

***Capacities for results based management and evaluation - a crucial investment for adaptive management***

Effective results based management 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. The 'Donor Committee for Enterprise Development Standard for Results Measurement' provides a well-established good practice for results based management in MSD that can be used by partners and funders to facilitate long-term sustainable change<sup>3</sup>. The evaluation found that about half of the case study projects reported that they follow the 'standard', yet there is no evidence that theories of change were used to review project progress, or to adapt

<sup>2</sup> The recent changes to Sida's contribution management system emphasises more clearly the importance of considering implementing partners' capacity for adaptive management in the appraisal process than previously.

<sup>3</sup> <https://www.enterprise-development.org/measuring-results-the-dced-standard/>

projects in the light of new information or changed circumstances. It further concludes that Sida is not systematic in ensuring that its MSD projects apply strong results based monitoring. Few Sida personnel working with MSD have extensive training, guidance or experience in results based management, a deficit that needs to be addressed. Mainstreaming the use of theories of change and the ‘standard for results measurement’ across Sida’s MSD portfolio would strengthen results based management.

The evaluation team notes that evaluations have been used inconsistently as a tool in the MSD projects, leading to missed opportunities for course correction and strategic learning. It recommends that commitments to evaluation are made in project planning and that longitudinal evaluation contracts could be considered where evaluators work with implementers at the outset to ensure that the project is evaluable and to support and complement project monitoring.

### ***Adaptive management approaches applicable beyond MSD***

The evaluation concludes that MSD is not intrinsically different from how most development cooperation should be pursued. Several of Sida’s other fields of work – for example democracy, human rights and freedom of expression, gender equality, 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.

**2018:2a Sida Evaluation Series: Evaluation of the Market Systems Development Approach. Lessons for expanded use and adaptive management at Sida. *Volume I: Evaluation Report***

**2018:2b Sida Evaluation Series: Evaluation of the Market Systems Development Approach. Lessons for expanded use and adaptive management at Sida. *Volume II: Case studies***

The evaluation was commissioned by Sida. It was carried out by an evaluation team from Itad between January and September 2018. The evaluation team included Tim Ruffer (team leader), Helen Bailey, Stefan Dahlgren, Patrick Spaven and Mark Winters. The evaluation included eleven case studies of Sida’s management of the market systems development approach in Afghanistan, Bangladesh, Sri Lanka, Guatemala, Liberia, Rwanda, Tanzania, Zambia and Ethiopia. The evaluation can be downloaded from [www.sida.se/publications](http://www.sida.se/publications)