

# The MaFI-festo

## Boosting development effectiveness through facilitation of inclusive markets and private sector engagement

(A MaFI<sup>i</sup> initiative to change the world)

*Discussion Paper<sup>ii</sup> - Operational Phase*  
(Version: January 2012)

### Introduction:

The thinking and practice about the role of markets in poverty reduction has been evolving in the last twenty years. From stand-alone credit provision in the 80s and early 90s, and access to business services in the second half of the 90s, to an incipient but enthusiastic awareness amongst donors, practitioners and the private sector about complexity and behavioral sciences, knowledge management, learning systems, innovations systems, impact at scale, extreme poverty, volatile contexts, climate change and environmental sustainability<sup>iii</sup>.

The traditional roles of stakeholders such as donors, practitioners, CSOs and private firms, and their modes of collaboration, are also changing fast. This is in turn unleashing previously untapped resources and promoting innovative business models, policies, practices and organizations that will change forever how market systems work.

However, much more needs to be done to change the paradigms, principles, approaches, rules, incentives and procedures that determine the structure and dynamics of the international cooperation system<sup>iv</sup>. Donors and practitioners can (should) work together to make these changes a reality and to do so in ways that have important, long-lasting and positive effects on the scale of impact, sustainability, speed and cost-effectiveness of inclusive market development initiatives.

The MaFI-festo synthesizes ideas, needs and experiences that MaFI members have been discussing since 2010<sup>v</sup>. The discussions have focused on how the current architecture of the development cooperation system is hampering the application of facilitation approaches in inclusive market system initiatives<sup>vi</sup>, but also on the opportunities that could be created if the key stakeholders worked together to improve it.

The MaFI-festo has three main **objectives**:

- To focus the attention of key stakeholders on a small set of strategic changes that are urgently needed if the international development system is to effectively harness the full potential of markets to reduce poverty at scale and protect the environment
- To promote convergence and collaboration between bilateral and multilateral donors, practitioners and academic researchers working in the fields of “aid effectiveness” and inclusive markets<sup>vii</sup>.
- To inspire NGO leaders to promote the adoption of facilitation approaches and practices for inclusive market development programs in their own organizations and networks

... and it is structured around six **sections**:

1. Guiding principles
2. Changing how we work in the field
3. Balancing flexibility and accountability
4. Building the capacity of facilitators
5. Changing what and how we measure change
6. Proposed activities

## 1. Guiding principles

The following guiding principles underpin the design and implementation of the MaFI-festo:

- **Collaboration:** the MaFI-festo will create appropriate conditions for trust, dialogue and mutual understanding between donors, practitioners and other key stakeholders; it is not about one actor asking the others to make changes. The MaFI-festo will promote sustained learning, convergence and collaboration.
- **Engagement:** the MaFI-festo will be used by MaFI members to engage, coordinate and make synergies with other organizations or networks that are pursuing similar objectives.
- **Practicality:** the MaFI-festo is designed to achieve real change that has real impacts on the work of field facilitators. The MaFI-festo is not only about imagining new solutions but also about learning from donors and practitioners who are already embracing market facilitation approaches and successfully changing the rules of the game of the international cooperation system.

## 2. Changing the way we work in the field

### 2.1. Focus on root causes, not symptoms

*“We need to be able to work not only where the symptoms are showing but also where we have seen that the causes are and they may not be close to where the symptoms are. We need to have the license to work on those areas”.* In order to do this, flexibility in intervention planning and implementation is needed, based on a sound preliminary assessment of the market systems. This might have the consequence that there is a need to work in different, connected market chains than the one that was originally targeted, or to work in multiple value chains. *“Sometimes we need to work with more than one market system to achieve sustainability but most templates do not let us talk about these connections. Also donors do not see the relevance if it is outside of the scope of the call”.* Only by focusing on the real root causes, both scale and sustainability can be achieved.<sup>viii</sup>

### 2.2. Focus on resilience and adaptability of the system

*“If you encourage people to invest in specific types of assets you are very prescriptive. We cannot fall into that mistake again”.* More focus is needed on the basic capabilities that enable the poor and other market actors to improve their situation in an ever-changing market environment. *“A huge risk in our work is when the most vulnerable move to new livelihoods strategies that may not work. It is a big responsibility for us if our interventions end up dislodging communities from their traditional livelihoods. If markets behave in unexpected ways, they may suffer extreme stress”.*

A focus on resilience and adaptability of the poor can empower them to adapt to changing environments instead of being locked in a path given by the project. It is important to keep in mind that the resilience and adaptability of the poor is closely linked to the resilience and adaptability of the systems they are part of.

### 2.3. Invest more in field-based, pre-design phase

We need to *“invest in time for the facilitators to get embedded on the ground and build trust and dialogue with the stakeholders before knowing what is going to happen”.* A pre-design phase paid for by the donors would allow facilitators to do a comprehensive, more realistic and appropriate system analysis. It would also give them time to establish trust and a good relationship with all stakeholders, which forms the basis for successful facilitation work. Field experiences from NGOs who have carried out participatory, field-based, pre-design processes suggest that this phase can result in concrete changes led by the market actors themselves (even before any formal implementation has started!) and helps the facilitators to identify where the energy and interests of the stakeholders are and the types of initiatives they are more keen to lead and own.

### 2.4. Test and promote co-revolutionary experimentation

When we deal with complex systems there is no such thing as “the best solution (or solutions)”. We can only talk about *optimal solutions* for specific contexts. Furthermore, we cannot know in advance what the optimal solutions will be. It is also impossible to predict how a certain approach, mix of strategies or set of optimal solutions will change the system or the situation of marginalized actors therein. To deal with this challenge, complexity experts recommend an evolutionary approach where the system actors have the right conditions to experiment with different ideas, evaluate the results, drop the ones that fail and

fine-tune the ones that succeed. This requires effective organizational learning (both within and across organizations), flexibility and *co-revolutionary* (coordinated and evolutionary) experimentation.

*Co-revolutionary* experimentation requires that teams working on particular aspects of a system (e.g. new business models, technologies, techniques or organizations) create appropriate conditions for the market actors to quickly test the new ideas or hypotheses, evaluate the results, drop the ones that fail and fine-tune the ones that succeed. Furthermore, these teams must move forward in a coordinated way; periodically sharing ideas about how the experiments are evolving and using each other's knowledge to maximize efficiency and appropriateness. *Co-revolutionary* experimentation can be challenging but it can reduce implementation costs, increase impact and maximize learning.

### 3. Flexibility and accountability: the ultimate balancing act

In contrast to the implementers' need for flexibility, donors require a certain level of accountability regarding the use of their funds. But the balance between flexibility and accountability in the context of complex systems and facilitation has to be based on more than appropriate rules and procedures:

#### 3.1. More trust between practitioners and donors: from contractors to long-term partners

There is still a strong tendency to reduce the relationship between donors and implementers to individual tenders, contractual activities and monitoring reports. However, *"trust between donors and implementers is crucial in order to give the necessary flexibility in implementation and room to experiment and look for root causes"*. This is even more critical when dealing with complex, adaptive systems. Only relationships that are built on trust and a sense of partnership between donors and implementers allow for the necessary balance between accountability and flexibility in project implementation.

#### 3.2. Faster organizational learning and shorter feedback loops

*"Even the best plans and assessments are under risk of collapsing given our inability to predict how complex systems [such as markets] can evolve, even in the short run"*. Small variations in the process, such as the presence or absence of a stakeholder, a comment made by a politician in the local newspaper, or how a workshop is facilitated, can produce significant variations or disruptions that cannot be predicted.

Flexibility without learning is a waste of precious resources. Conversely, flexibility with more effective organizational learning systems and shorter feedback loops between stakeholders, implementers and donors produce vital information about what is working or not in relatively short periods of time.

Clear hypotheses and theories of change, a well-structured and participatory pre-design phase, a basic understanding of the market system's structures and dynamics, and more frequent updates of the market situation (inbuilt in the monitoring & evaluation system) can help to establish faster, iterative learning cycles and controlled experimentation processes. The donors should be closely involved and engage with the implementers as "learning partners".

### 4. Building capacity: speeding up the paradigm shift

Facilitation is a mix of art and science; of skills and knowledge. Facilitation is about harnessing the energy of the system and bringing in external energy and information when necessary. It is about helping the stakeholders to find the solutions that make sense to them and that will be owned and driven by them. It is *"about taking the beneficiaries through an experience that will allow them to make decisions themselves through learning"*. Hence, facilitators have to find the right partners, build trust and promote effective dialogue, amongst other key processes that are difficult to master without the right training, mentoring and field experience. This cannot be left to chance; systematic and coordinated efforts to build the capacities of the current and future practitioners are not only necessary but urgent.

#### 4.1. From training courses to capacity building systems

In a context of high rates of field-staff turnover and constantly changing market systems, newly acquired knowledge and skills need to spread quickly within and across organizations, and used by a larger number of staff at different levels (not only field staff but also managers in head offices and donors).

More and better training courses for individuals are necessary but not sufficient to cope with the urgent need to reduce poverty at a large scale in highly dynamic and volatile contexts. Short-term or hands-off

(e.g. classroom, web-based or distant-learning) training has to be complemented with longer-term, hands-on mentoring and/or coaching, sustainable and vibrant communities of practice and local support and learning networks of practitioners and donors.

A systemic approach to capacity building is needed. In other words, an approach that promotes coordination, collaboration and economies of scale between knowledge providers and users, improves the incentives for learning and knowledge sharing, and invests in innovation and controlled experimentation<sup>ix</sup>.

#### 4.2. From “overhead” to core development strategy

Development organisations often complain about high staff turnover in the field. This is especially a problem after having invested in training their staff. This fact should not deter NGOs and donors from building the capacity of the current and future generations of practitioners working on inclusive market development. On the contrary, training them to become effective facilitators and creating conditions for them to collaborate and coordinate interventions can become a development strategy in itself. And last, but not least: more investment on capacity building, professional recognition and cross-organisational collaboration are strategies that can reduce staff turnover rates; especially at the field level.

### 5. Building up the evidence: what and how we measure

#### 5.1. Focus on structural and deeper change

What does sustainability mean in a context of constant change? “The concept of sustainability comes from a very linear way of thinking: this is what we have done and we need to make sure that it continues. We now know that the world changes all the time. The concepts of resilience and adaptation are more appropriate.”

*“The new set of questions [that should underpin this new breed of M&E] has to reflect that sustainability isn’t just about increased income [or jobs ...]. The experiences and skills accrued in achieving resilience, adaptability, self-esteem, identity, confidence, etc. have to outlive the specific sub-sector in which the stakeholders operate during the program’s life. The project is a means to a learning experience that significantly alters behavior over the long-term”.*

We have exaggerated the importance of incomes and jobs as indicators that can tell us useful things about structural change and trends towards adaptability. According to complexity theory, these are some of the most superficial aspects of a system’s structure<sup>x</sup>. They can be easily influenced by external resources but, at the same time, are the least effective points to change the system’s structure and long-term paths of evolution. A systemic M&E approach has to recognize the importance of measuring both changes at levels that lie beneath the surface of the market system and trends towards adaptability, scalability and inclusiveness.

Examples of *deeper* structures are buffers (e.g. savings and storage facilities), relationships and modes of interaction (e.g. trust, transparency and frequency of contracts, and business models), feedback loops, speed and quality of information (e.g. appropriateness of agricultural R&D and price info), the ways in which the system organizes itself and –very important for poverty reduction, how the most marginalized actors participate in this self-organization; the goals of the system (e.g. businesses that add environmental conservation and poverty reduction to their profit-making goal), and the system’s paradigms (e.g. the definition of fairness, rights, “the poor”, equality, etc.)<sup>xi</sup>

#### 5.2. Focus on “systemic beneficiaries”

*“We should not count the number of people directly benefited by us as a measure of our success. Our success should be measured by our ability to re-wire the system so that there is more convergence, collaboration, learning and coordination”*

*“Even if we subscribe to the fact that we will find better ways to target people and beneficiaries, it is very reasonable to assume that the more we pursue a systemic approach the less we will be interacting with the people we want to benefit [the poorest in the system]. Therefore, the concept of direct beneficiaries “is not appropriate in the context of systemic facilitation where other ‘non-poor’ actors have to benefit too”. Furthermore, “it hampers systemic thinking and planning; and discriminates and patronizes already marginalized and vulnerable stakeholders”.*

Effective facilitators strive to create the right conditions *“for the market actors to create and implement optimal solutions that will move the system in the direction of more inclusiveness, productivity and efficiency”*. An excessive focus on direct beneficiaries hampers these efforts, promotes “dumb” subsidies and rewards direct service and inputs provision.

We need to gain a better understanding of the structures and dynamics of the system and measure changes at those levels, instead of wasting resources trying to establish clear attributions between our interventions and the poor. The focus on attribution should be between our interventions and changes in the system that will lead to and sustain poverty reduction at scale, resiliency and adaptability.

### 5.3. Monitor and evaluate the facilitation system

*“We need an M&E system that is about learning, accountability to stakeholders and adaptive management, and less about bureaucratic procedures, micro-management and supervision”*. In other words, in addition to monitoring and evaluating how the market system changes, we also need to pay attention to the performance, structures and trends of the international aid system that makes facilitation of inclusive markets possible (i.e. the facilitation system).

Examples what such system could measure are: the quality of interactions between donors and implementers, the effectiveness of the learning and knowledge exchange processes, the flexibility and lightness of the procedures, etc.

The Donor Committee for Enterprise Development (DCED), for example, is promoting an approach that moves away from the micromanagement of M&E. Instead, they are promoting the compliance of the M&E frameworks and procedures with a broad and practical standard. They are also advocating for this shift, building the capacity of the implementers to use the standard appropriately and offering audits for projects on their compliance with the standard. However, more has to be done around the issues of collaboration, coordination and learning between the agents who are working to facilitate inclusive market development.

## 6. Activities:

The following are possible activities that could be implemented by MaFI members on their own or in collaboration with other organizations or networks. This is not an exhaustive list; on the contrary, MaFI members are encouraged to come up with new activities, partnerships and synergies.

### Cross-cutting (see The MaFI-festo Dialogues below):

- Preliminary workshops to increase information, awareness and capacity of MaFI members and local practitioners to effectively engage with donors.
- Coordinate and/or participate in spaces that contribute to building an environment of trust, mutual knowledge and respect between the key stakeholders who can drive this initiative forward. These spaces can be seminars, conferences, workshops, informal meetings or webinars. Local Learning Groups linked to MaFI can also play a key role in the dialogue between field practitioners and country donor representatives.
- Put together a list of case studies that illustrate good facilitation practices and/or examples of some of the ideas proposed here. These case studies can help us to unveil links between organizational principles, rules or procedures and effective facilitation, measured in terms of cost-efficiency, scale of impact and ownership by the market actors.
- A webinar series in collaboration with Microlinks and other knowledge platforms/networks such as the M4P Hub and Business Fight Poverty, to discuss the cases, extract lessons and assess their validity as supporting evidence.

### Co-revolutionary experimentation:

- Collection and analysis of existing cases of *co-revolutionary* experimentation (if any), including cases from outside of the development field.
- A team of practitioners, complexity experts, donors and experts in social researchers design and fund one or more programs to field-test the feasibility of *co-revolutionary* experimentation.

### Synergies with MaFI's 2012 work plan:

MaFI is promoting other activities that are not included in detail this list but that will directly contribute to the objectives of the MaFI-festo. For example:

- **The MaFI-festo Dialogues:** a project to promote dialogue, coordination and collaboration between donors and practitioners and move the MaFI-festo forward (examples of the activities that will be implemented are in the cross-cutting section above)
- **The Complexity Dialogues:** a project to promote learning between complexity experts and inclusive market development facilitators.
- **A new breed of M&E:** Online and in-person discussions about M&E in the context of facilitation and complex, adaptive systems: Discussions on MaFI, e-consultations, webinars, conferences, and SEEP's Practitioner Learning Programs (PLPs<sup>xiii</sup>)
- **Local Learning Groups and the Global LLG Network** (a network of LLG champions to boost local learning and coordination)
- **Capacity building of field facilitators:** a systematic study of the frameworks, methods, tools, criteria and indicators used by leading trainers, coach and mentors (with a view to creating a widely accepted CB standard)

Finally, MaFI itself is a mechanism to improve the efficiency of learning, shorten feedback loops, build trust and increase coordination amongst practitioners and between them and donors and researchers.

Do you have great ideas, comments, questions or disagreements that could improve the MaFI-festo?

Are you doing something similar and would like to make synergies with MaFI?

Please get in touch with MaFI's facilitator Lucho Osorio at [luis.osorio@practicalaction.org.uk](mailto:luis.osorio@practicalaction.org.uk)

Thanks!

## Endnotes:

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<sup>i</sup> The Market Facilitation Initiative (MaFI) is a working group of the SEEP Network, with the technical support of Practical Action. More about MaFI: <http://bit.ly/aboutmafi>. More about the SEEP Network: <http://www.seepnetwork.org>

<sup>ii</sup> Special thanks to all MaFI members whose contributions have taken the MaFI-festo this far. A list of all key contributors will be added to the final version of the MaFI-festo.

<sup>iii</sup> For an interesting discussion about the evolution of enterprise development theory and practice over the past 22 years and an analysis of the hot topics for the future, see “A 20/20 retrospective on enterprise development: in search of impact, scale and sustainability” by Linda Jones and Alexandra Miehlebradt in the *Enterprise Development & Microfinance Journal*, Vol. 20 No. 4, December 2009.

<sup>iv</sup> Also referred to as the “international aid system”

<sup>v</sup> A synthesis of the discussions until May 2011 can be found at <http://slidesha.re/mafifesto1>: “MaFI-festo: facilitation friendly principles and rules for inclusive markets”, Working paper, revision 15 June 2011, edited by Marcus Jenal and Lucho Osorio-Cortes. Another important milestone was a MaFI meeting in Washington, D.C., in June 2011, where members of MaFI (both practitioners and donors) used this synthesis to discuss about the progress made until then and the issues and challenges ahead. The aim of this meeting was to draft the foundations for viable strategies and concrete action points around the issues identified up to that moment, and to share examples where facilitation-friendly principles, rules and procedures are making a difference on the ground. Important contributions to the issue of capacity building were also made by a group of participants of the M4P Conference in November 2011: <http://www.m4phub.org/conference2011/schedule-and-conference-materials.aspx>

The quotes in this document come from the June 2011 meeting and were made anonymous for better readability.

<sup>vi</sup> *Inclusive market system development* will be used throughout the document as an equivalent to M4P and VCD.

<sup>vii</sup> Collaboration with private firms and other key stakeholders such as national and local governments, chambers of commerce and sectorial research institutions is welcome. However, MaFI members agreed to keep a strong focus on the collaboration between donors and practitioners during the first stages of implementation.

<sup>viii</sup> “The key principle, called the ‘principle of the system boundary’, is that the interactions that must be examined are those most important to the issue at hand, *regardless* of parochial organizational boundaries” (Peter Senge (2006), *The Fifth Discipline*). This principle underpins the need for a radical rethink of the architecture of the “aid system” because the thematic, organizational and budgetary silos of donors and NGOs impose restrictions for facilitator to “keep an eye on the issues”.

<sup>ix</sup> The details of what a systemic approach to capacity building is are beyond the scope of this document but will be clarified by MaFI members and others as the MaFI-festo evolves.

<sup>x</sup> What Donella Meadows calls “numbers”, the “constants and parameters” or the “stocks and flows”. Examples of these are: national debt, taxes, subsidies, standards, amount of land set aside for conservation each year, number of beds in hospitals, number of vaccines applied in a year, etc. Meadows, D. (2008), *Thinking in systems: a primer*, edited by D. Wright, Sustainability Institute, pp 145-165. For a summary see

[http://en.wikipedia.org/wiki/Twelve\\_leverage\\_points](http://en.wikipedia.org/wiki/Twelve_leverage_points)

<sup>xi</sup> Idem

<sup>xii</sup> PLPs are designed to bring practitioners together to learn about a specific issue and to share their lessons with other practitioners around the world.