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## **Portfolio Development Strategy v1**

June 2013

Samarth-NMDP Leadership Team

## Acronyms

ASI	Adam Smith International
DFID	Department for International Development
ICBS	Implementation and Capacity Building Support
MDF	Market Development Forum
M4P	Making Markets Work for the Poor
NGO	Non-Governmental Organisation
NMDP	Nepal Market Development Programme
PRC	Proposal Review Committee
QSR	Quarterly Strategic Review
STTA	Short Term Technical Assistance
SRP	Strategic Review Panel
TA	Technical Assistance
ToR	Terms of Reference
VfM	Value for Money

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## 1 Introduction

Samarth-NMDP is a five year DFID-funded rural market development programme that aims to reduce poverty in Nepal by increasing incomes of 300,000 smallholder farmers and small-scale entrepreneurs. The programme follows the **Making Markets Work for the Poor (M4P)** approach, seeking to improve the **underlying pro-poor performance** of rural sectors, leading to opportunities for **better access and improved growth** for poor and disadvantaged people.

Samarth-NMDP has developed an Opening Portfolio of projects in five agricultural sub-sectors (ginger, dairy, fish, vegetables, and pigs)<sup>1</sup>. In time, the project portfolio will expand beyond these five projects to capture new opportunities and increase benefits to target groups. New projects are likely to be developed and run in:

- **Current sub-sectors**
  - New projects developed
  - Current projects expanded
- **New rural sub-sectors**
- **New cross-sectors** (i.e. those cutting across a number of different rural sub-sectors, for example access to finance or mechanisation).

This document presents Samarth-NMDP's strategy for developing the project portfolio. Full details on processes and procedures relating to the topics presented here are available in the Business Processes and Government Framework and the Investment Manual.

## 2 Portfolio approach

Samarth-NMDP operates a portfolio approach to development and delivery of interventions. In a portfolio approach a programme maintains a flexible mix of markets, entry points, partners and types of intervention activity. In such an approach, a programme is less concerned with the performance of individual elements of the portfolio than with the overall performance of the portfolio. Unsuccessful elements can be dropped, new elements added and successful elements built upon or scaled up. This drop-add-build approach is harder to achieve with a strategy based on a single partner, entry point or type of activity.

Such an approach has several benefits:

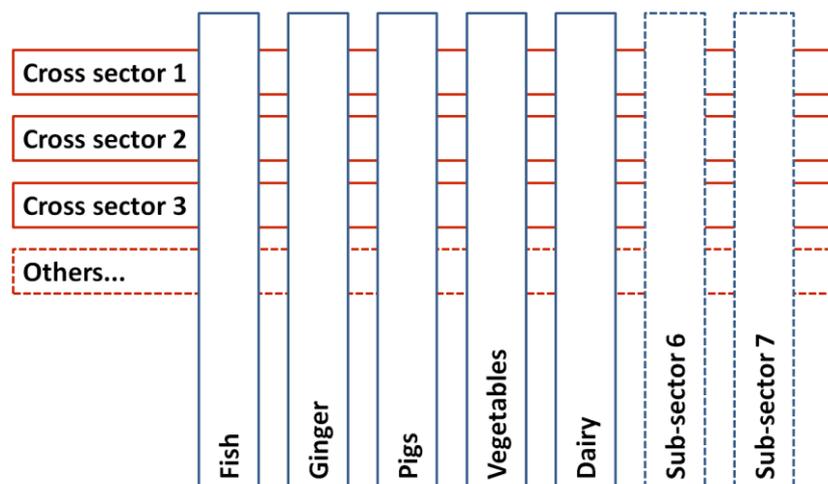
- It **avoids the risk** of programmes putting 'all eggs in one basket'.
- It **permits flexibility** to incorporate new partners and activities according to opportunity and changing circumstances.
- It permits programmes to **maintain a momentum of activity** without relying on pushing a single partner.

The project portfolio is presented in Figure 1 below.

**Figure 1: The Samarth-NMDP project portfolio**

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<sup>1</sup> A 'project' is defined as one or more intervention areas undertaken in a particular market system. It is possible to have multiple 'projects' (responding to different sets of intervention areas) in the same sub-sector.



### 3 Guiding principles of portfolio development

Over the course of the programme, the portfolio will expand beyond the Opening Portfolio by designing and delivering new projects. The principles of new business development are as follows:

- **Consistency and coherence:** new projects and partners will be selected using set criteria.
- **Procedure:** clear protocols for assessment and decision-taking, relative/competitive evaluation against transparent (known) criteria.
- **Diversity and spread:** geography, disadvantaged groups, mix of rural sectors.
- **Accountability:** assessment and selection is clearly documented and follows the procedures presented in the Samarth-NMDP Investment Manual.
- **Partner selection based on merit:** any partners involved will be selected on their ability to effectively undertake required activities.
- Samarth-NMDP will seek to achieve the **optimal blend of in-house and external** (short term technical assistance, or third parties – such as implementing partners) expertise.
- At all times, new business development will be focused on achieving the best possible **value for money**<sup>2</sup>.

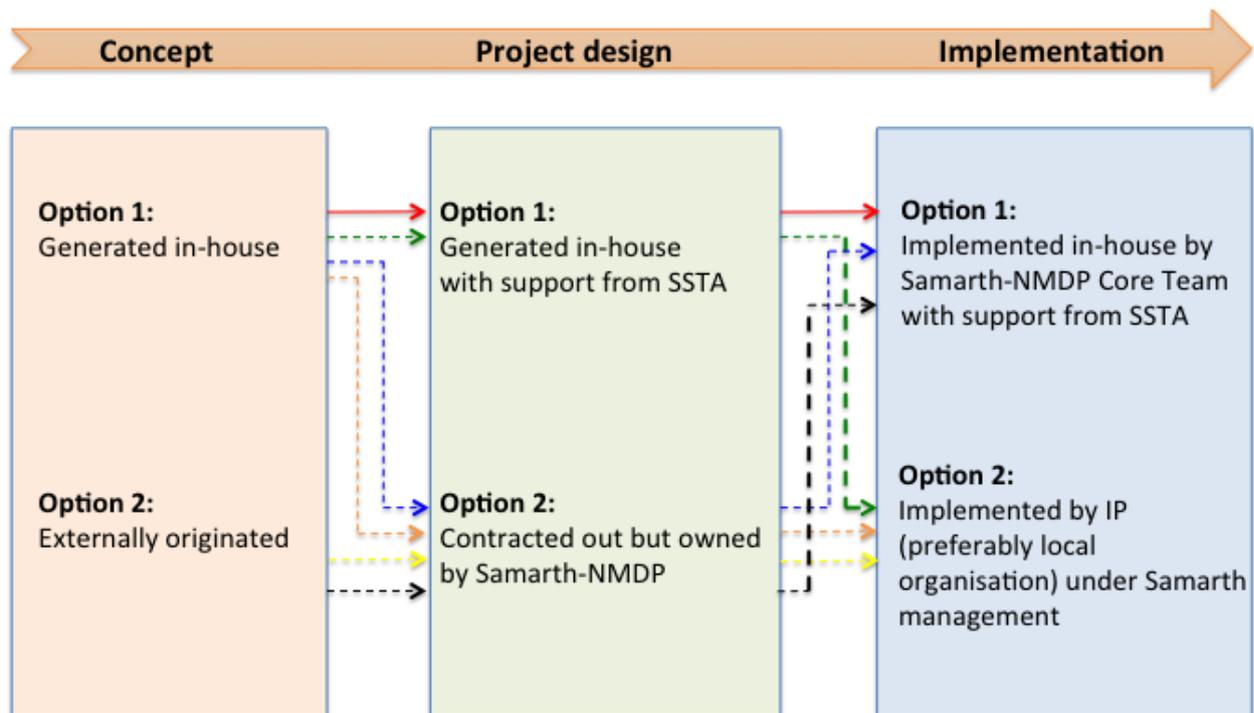
All Samarth-NMDP procurement follows international best practices, ensuring competitive and transparent processes. Full procurement procedures are presented in the ASI Nepal Standard Operating Procedures and the Samarth-NMDP Investment Manual.

### 4 Portfolio development process overview

The portfolio development process consists of three stages; **concept generation, project design and project implementation**. Each stage is presented in detail below.

<sup>2</sup> See Samarth-NMDP's Value for Money Framework

Figure 2: The business development process



In-house concept, project design and implementation as depicted by Option 1 is the preferred route for Samarth Management. It ensures control and ownership by Samarth NMDP through the whole process. In-house implementation means a larger core team than there is at present, so in the interim other out-sourcing options are available. Increase in Core Team is expected in Year 3 of the programme.

This process will be flexible as well as transparent, with several permutations for drawing on both in-house and external expertise for each of the three main stages of portfolio development (PD). These are indicated in the chart above whereby each permutation is individually color-coded. The Samarth-NMDP Management Team will decide how each of the permutations will be used depending on several factors including quality of concepts received and potential of external parties to effectively undertake the task.

The process will be carefully managed by Samarth-NMDP. Any technical assistance or third party organisations involved will work in accordance with Samarth-NMDP principles to ensure consistency and quality of delivery. Third parties involved at any stage of the process will be expected to sign up to conditions of operation regarding compliance with standard operating procedures and commitment to the Samarth-NMDP management processes.

Assessment criteria will be used at all stages of the portfolio development process to ensure consistency with the programme's strategic objectives and for quality control. More detail is provided in the following sections.

#### 4.1 Stage 1: Concept generation

The default position is to encourage new ideas to be generated by the **Samarth-NMDP Core Team** as this is where the most relevant experience in pro-poor market development lies. However, ideas for new concepts from outside of the Core Team, including from interested **third parties**, are welcomed.

Concepts are presented using a standard Samarth-NMDP Concept Note format (see Annex 1) which is available either in hard copy upon request or electronically on the Samarth-NMDP website. The concept note template is therefore available to any party wishing to submit a concept note to the programme. The template covers:

- Brief description of the project (Sector/value chain overview)

- Relevance to poverty reduction
- Growth/access potential
- Feasibility – current distortion, actors, competitiveness
- Coherence to portfolio

#### 4.1.1 Core team (Option 1 – Figure 2)

Core Team members can submit project concepts at any time. Concepts may be generated from field-level experiences (e.g. identifying an opportunity to start a new intervention in a current sub-sector) or from a deliberate drive to generate new concepts (e.g. identifying new sub-sectors with high pro-poor growth potential). The General Manager is responsible for driving generation of in-house concepts.

#### 4.1.2 Third parties (Option 2 – Figure 2)

Samarth-NMDP operates an ‘open door’ policy for new concept notes, accepting submissions from any interested party at any time. Information on this policy will be made widely available for example through regular events, a standing offer on the Samarth-NMDP website, and through word-of-mouth.

#### 4.1.3 Assessing concepts

Concept notes will be assessed at quarterly intervals in advance of the Quarterly Strategic Review (QSR). Samarth-NMDP will ensure consistency of assessment by using set technical assessment criteria, in part, and ranked with other concepts. New concepts must fit within the portfolio, contribute effectively to programme objectives, and that where external organisations submit concepts, they are assessed for their ability to effectively deliver.

Project concept notes are assessed by the General Manager, with input from other senior staff members as required. The outcomes of concept note assessments are recorded in the Portfolio Development Tracking System.

The three steps of concept note assessment are as follows:

- Technical assessment
- Assessment of fit with current portfolio
- Organisational assessment

##### *Technical assessment*

Concept notes will be collectively assessed relative to each other and the best ones will be selected using assessment criteria listed below:

Criteria	Sub-Criteria	
<b>Poverty Reduction Potential</b>	No. of people in sub-sector	
	No. of poor people in sub-sector	
<b>Pro-poor Growth Potential</b>	5-10 year growth trends	
	Growth in income opportunities (for the poor)	
<b>Intervention</b>	Measurability of impact on the poor within 3-5 years	

<b>potential</b>	Availability of agents of scale with high leverage potential	
	Potential for crowding-in of market players	
	Low incidence of other donors/ with conflicting objectives	
	Feasibility with given resources and capacities	
<b>Other Public Priorities</b>	Sector lies within government priorities/strategies	
	Opportunities for inclusion of disadvantaged groups, including for increasing women's economic empowerment	
	Opportunities for positive impact on the environment	

### *Assessment of fit with current portfolio*

Assuming the concept note passes Stage 1, an assessment will be made of the strategic 'fit' of the proposed project with the current Samarth-NMDP portfolio. The portfolio approach requires a balanced mix of projects – across rural markets, entry points, and types of intervention activity. For example, some projects may offer opportunities outside of agriculture and others may offer greater opportunity for the inclusion of disadvantaged groups – even if overall outreach may be lower. If the portfolio is becoming skewed in a particular direction it is likely that projects offering 'more of the same' will not be approved. The criteria presented in Step 1 above will be used to ensure that the portfolio comprises the optimal mix of projects to achieve overall programme objectives.

### *Organisational assessment*

For any concept note submitted by third parties<sup>3</sup> that pass Steps 1 and 2 of assessment, Samarth-NMDP will conduct an assessment of the prospective partner's ability to effectively deliver a project with Samarth-NMDP (i.e. their will and skill). The assessment covers three main topics – capacity, motivation/incentives, and buy-in/expectations (see Annex 2 for the full assessment). This assessment will be taken into account when deciding whether to proceed to project design with the same organisation that submitted the concept note, or not. External organisations who proceed to 'Stage 2 – Project Design' will be required to sign up to compliance with specific Samarth-NMDP management and operational procedures prior to engagement, which will constitute a 'contractual' relationship for project design. Failure to adhere to the 'contractual' relationship could result in termination of the relationship.

In summary, the assessment for project design and/or implementation includes consideration of:

**Capacity.** This relates to the overall capacity of the organisation, including:

- How well do the key counterparts understand the M4P approach?
- What resources were committed during the process?
- Are inputs dominated by one or two individuals or is it a team effort?
- How much support they are likely to require

**Motivation and incentives.** Strong capacity and a compelling concept note don't, by themselves, prove that an organisation will be an effective Implementing Partner. This section assesses the motivations of prospective partners for wishing to join the programme. Issues to consider include:

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<sup>3</sup> Concept notes generated within the Samarth-NMDP Core Team will not be subject to a Stage 3 assessment.

- Does the prospective Implementing Partner understand the nature of the relationship they would have with Samarth-NMDP (i.e. it is not a grant disbursement or a donor/recipient relationship)?
- If they are 'conditioned into working a way' that doesn't conform to the M4P approach, what are the signs that they are making efforts to change?

**Buy-in and expectations.** Given that M4P is a new approach in Nepal, it is important that organisations recognise that developing a project with Samarth-NMDP is not 'business as usual'. It is crucial that partners buy into the approach and that expectations on both sides are clear from day one. This will be formalized by a signed written agreement between the two parties. Issues to consider include:

- Is the organisation buying-in to the M4P approach?
- What is their view on previous work they have undertaken? Is there any evidence they are trying to repackage past or current work into the Samarth-NMDP project inappropriately?
- Are there any expectations from the organisation that seem unreasonable?

In rare cases where project design will be out-sourced, the third party will be assessed accordingly with an alternative set of criteria that will be more focused on research capabilities, and adherence to Samarth-NMDP expectations<sup>4</sup>.

#### 4.1.4 Rejected concept notes

If a concept note is rejected, the provider of the concept note will be informed within one week of the decision. The General Manager will provide this after consultation with Portfolio & Results Manager. Feedback will be provided wherever appropriate and feasible. The assessment process will be captured in the Tracking System and hard copies the concept note and assessments will be filed.

#### 4.1.5 Approved concept notes

Approved concept notes will proceed to the Project Design Stage.

## 4.2 Stage 2: Project design

### 4.2.1 Approach

If approved, project concepts are developed into a) Analysis and Vision and b) Implementation Plan and budget. When complete the project design enters the approval process involving internal and external assessments and final approval by DFID.

The project design process follows a slightly different approach depending on whether the concept note originated within, or outside, the Core Team. The approaches are as follows:

*Project Design Option 1 - Core Team has developed concept note (Figure 2)*

In this scenario, the Core Team is responsible for leading on the development of the Analysis and Vision. If required, the Core Team member(s) responsible can draw in Short Term Technical Assistance at any stage of the process – either to provide specialist inputs, or to share the workload during busy periods.

This option is the preferred option for Samarth-NMDP.

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<sup>4</sup> These will be made available in due course.

*Project Design Option 2 - Third party has developed concept note (Figure 2)*

In this scenario, the third party that developed the approved concept note will be contracted to develop the Analysis and Vision (reasonable proposal development expenses will be reimbursed). The Contractor understands and commits:

- That the Analysis and Vision submitted is the intellectual property of Samarth-NMDP and that all implementation contracts will be let out for competitive bidding by prospective third party implementers (when adequate resources are available implementation will be carried out by Samarth Core Team – expected to be in and beyond Year 3);
- That the analysis is 100% outsourced and has no Sector Analyst or Samarth-NMDP core staff inputs; and
- That thorough primary research must be undertaken during the process and evidenced in the submission (i.e. this is not a desk-based editorial exercise).

#### **4.2.2 Checkpoints**

To ensure that the project design stays on track, and irrespective of whether the Core Team or Third Party is designing the project, two ‘checkpoints’ take place during the process:

*Checkpoint 1:* Analysis and Vision reviewed and approved by the General Manager, Portfolio Manager, and Proposal Review Committee (PRC).

*Checkpoint 2:* Implementation Plan and budget reviewed and approved by the General Manager, Portfolio Manager, Results Measurement Manager (for results chains, measurement plan, impact projection) and Proposal Review Committee (PRC).

#### **4.2.3 Analysis and Vision**

The first stage of the project design process involves detailed analysis of the focal sub- or cross-sector from an M4P perspective and development of a project vision.

There are two options for who formulates the Analysis and Vision:

1. Core team (with support from short-term advisers if required) which is the preferred option; and
2. Contracting an external third party (see Figure 2 above).

If the second option is deemed more appropriate, the third party will sign up to waiver of rights to intellectual property ownership, and the work will be fully outsourced (i.e. no Samarth-NMDP staff will participate in the research behind, or composition of, the Analysis and Vision). This will avoid any conflict of interest for the Core Team enabling it to be objective and impartial for assessment.

The full Analysis and Vision guidelines are available in Annex 3. Topics covered are:

1. Potential for sizeable and sustainable pro-poor change
  - a) Poverty reduction potential
  - b) Growth potential
2. Sub-sector structure and performance
  - a) Mapping of commercial and non-commercial relationships
  - b) Core market performance

3. Constraints analysis
4. Vision statement
  - a) Systemic change(s) required
  - b) Impact on core market performance
  - c) Sub-sector results chain

**Checkpoint 1**

Once complete, the Analysis and Vision will be assessed by the General Manager and Portfolio Manager. Assuming the Analysis and Vision is **approved**, the project design moves to development of the Implementation Plan. If the Analysis and Vision is **rejected**, the General Manager will either terminate the process of proposal development, or provide further support to develop the proposal to the required standard, if appropriate.

The assessment criteria are as follows (see Annex 5 for assessment template):

No.	CRITERIA (Sector Analysis & Vision)	High	Med	Low	Deal breaker
1	Rationale: Clear potential demonstrated for the poor to benefit from 'investing' in this market.				
2	Analysis: Depth/rigour of understanding demonstrated in the constraints analysis.				
3	Vision: Justification for systemic change(s) proposed (valid response to constraints).				
4	Vision: Feasibility of response proposed ability to implement response				

**4.2.4 Implementation plan and budget**

The second stage of the project design process comprises an implementation plan and budget (see Annex 4 for implementation plan guidelines).

The Core Team will later develop the Sector Analysis and Vision into an implementation plan and budget and put out to competitive bid for implementation by third parties under Samarth-NMDP management. When Core Team resources are adequate (expected to be in Year 3), then some projects will be implemented in-house.

In summary, the Implementation plan includes:

1. Intervention area strategies
  - a) Intervention design A: Pilot/innovate
  - b) Intervention design B: Improve and broaden
2. Intervention results chains, measurement plans and impact projections
3. Intervention costing and value for money calculations

#### 4.2.5 Selecting Implementing Partner

In cases where the Core Team has generated and led on proposal development, and where the resources are not available in-house to implement, the programme will select an Implementing Partner to co-deliver as part of a the project team. Implementation contracts will be awarded on a competitive basis via a four-stage selection process. The process is as follows:

1. Awareness of new implementation opportunities is raised through the Samarth-NMDP website and national newspapers. A brief outline of the opportunity is provided.
2. Expressions of Interest are invited, to comprise an organisational profile and capability statement.
3. Expressions of Interest are assessed against the following criteria:
  - Experience of Project Implementation in relevant areas
  - Financial management capacity
  - Innovative approaches to project delivery
4. Shortlisted organisations are notified, provided with a full application pack containing background information about the programme and the Analysis and Vision, and implementation plan then invited to submit **financial proposals** for implementation, which will be compared with the implementation plan prepared by the Core Team.
5. Any new implementing partners joining the project design process at this stage will be required to undergo the organisational assessment (see Annex 2), and will have to sign up to Samarth management and operational procedures.

Third party implementers will most likely be local NGOs or consulting companies, active in Nepal. In either case the successful organisation will sign up to Samarth-NMDP management and operational procedures, thus ensuring sufficient management control by Samarth-NMDP Core Team. This will also apply to international NGOs when engaged as appropriate.

#### Checkpoint 2

Once complete by the Core Team, the **intervention area strategies** and **intervention results chains, measurement plans and impact projections** will be assessed by the General Manager, Portfolio Manager, and Portfolio Review Committee (PRC). If **rejected**, the General Manager will either terminate the process, or provide further support to develop the proposal to the required standard, if appropriate. The assessment criteria are as follows (see Annex 5 for assessment template):

No.	CRITERIA (Intervention strategies, results chains, measurement plans and impact projects)	High	Med	Low	Deal breaker
5	Strategy: Contribution of interventions [within intervention area(s)] towards the systemic change(s) proposed.				
6	Strategy: interventions are based on a clear logic (with supporting Results Chain); are consistent with the Samarth-NMDP strategic framework and contribute to the logframe.				
7	Tactics: Appropriate partnerships have been made.				
8	Tactics: Judicious division of responsibilities between contractor and market players.				
9	Evidence of thinking beyond 'proof of concept' and commitment to 'scale-up'.				

10	Extent to which benefits are likely to be sustainable.				
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Upon completion and approval of the above the project design moves to the final stage – preparation of the project budget and value for money calculations. A budget template is available, and is presented in Annex 5 together with the Checkpoint 3 assessment criteria:

No.	CRITERIA (Budget and VfM)	High	Med	Low	Deal breaker
	<b>Value for money</b>				
11	Value for Money: evidence that maximum benefits can be secured for an appropriate level of inputs (Economy: proposed inputs offer good value; Efficiency: appropriate mix of cost-sharing; Effectiveness: sound impact projections, cost per beneficiary and income-to-cost ratio).				

Proposals that pass Checkpoint 2 are approved for implementation. Funding agreements are developed and signed with Implementing Partners (see Samarth-NMDP Investment Manual for full details).

### 4.3 Stage 3: Project implementation

Each of Samarth’s projects will be managed by a group comprising members from the Implementing Partner (where applicable) and Core Team. Project Management will therefore follow a team-based approach that will stimulate efficient flow of information and effective implementation of the project using the range of skills each member of the team will bring (both from the Implementing Partner and Core-Team). The project team approach exists so as to overcome any 'us and them' mentality. In time, it is expected that project teams will function as single entities, with responsibilities effectively determined by project teams themselves.

## Annex 1 – Concept Note

# Samarth-NMDP: Project Concept Note Document

### Template

**Organisation name:**

**Organisation contact details:**

**Sector/market/value chain:**

Theme	Question	Details
<b>Poverty</b>	Estimated number of poor* people that intervening in this sector/value chain could affect?	* poor defined as smallholder farmers or small-scale entrepreneurs under \$2.5/per capita daily consumption
	How do the poor* participate in this sector/value chain (roles)? Do women and DAGs participate differently? If so, how?	
<b>Growth / Access</b>	What are the previous and forecast growth trajectories of the commodity, or access trajectory of service? How has this sector/value chain been performing?	
	What is/are the opportunity(ies) for increasing the incomes of the poor* relevant to this	

	sector/value chain?	
<b>Feasibility</b>	What is the level of distortion in this sector/value chain? Which donor programmes are present, where, and what are they doing/funding?	
	Which organisations (private/public) have a good track record of innovating and investing in this sector/value chain? What significant investments have recently been made or are planned for the near future?	
	How competitive/collaborative is this sector/value chain? What is the maturity of the sector/value chain?	
	What key issues prevent the poor from accessing the opportunities for growth/access outlined above? How simple/complex are these issues to address?	
<b>Portfolio coherence</b>	Is this sector/value chain identified as a public sector priority? If so, which policies are relevant?	
	What relevance does this sector/value chain have to other Samarth-NMDP sectors? How could value be added to existing programme work?	

## Annex 2 – Organisational risk assessment

For any concept notes that pass Stages 1 and 2 of assessment, Samarth-NMDP will conduct an assessment of risks that may affect the prospective Implementing Partner's ability to effectively deliver a project in partnership with Samarth-NMDP. The assessment covers three main topics – capacity, motivation and incentives, and buy-in and expectations. If other risks become apparent these will also be noted.

The questions below provide a guide on potential areas of risk. It is not necessary to answer all of these questions. Rather, the most pressing risks should be identified and recorded in the table at the end of this document. These risks will be taken into account when determining whether to proceed to project design with the prospective Implementing Partner. Samarth-NMDP expects to play a coaching/capacity development role with the majority of prospective Implementing Partners, however, any risks deemed unacceptable – 'deal breakers' – will result in rejection of the concept note.

### Capacity

- How well do the key counterparts understand the M4P approach? Has engagement been thoughtful and constructive?
- What resources were committed during the process? Are there signs of significant interest/commitment in the process?
- How 'deep' does capacity go? Are inputs dominated by one or two individuals or is it a team effort? What are the backstopping arrangements in place?
- Will counterparts be able to lead implementation and deliver change?
- How much support is the prospective Implementing Partner likely to require in the first 6 months to make a success of a project? [Give an impression of nature of support and the intensity required]
- What is the risk that the counterparts are spreading themselves too thinly? Will they be able to dedicate sufficient time each week/month to Samarth-NMDP activities as compared with other work/priorities?

### Motivation and incentives

- Does the prospective Implementing Partner understand the nature of the relationship they would have with Samarth-NMDP (i.e. not just grant disbursement)? And, do they genuinely want to work jointly (in collaboration) with Samarth-NMDP?
- If they are 'conditioned into working a way' that doesn't conform to the M4P approach, what are the signs that they are making efforts to change?
- Are they working on any other programmes (or receiving money from other donors) in the sector that might compromise a joint project with Samarth-NMDP?

### Buy-in and expectations

- Are prospective Implementing Partners buying-in to the M4P approach?
- What is there a view on previous work they have undertaken? Is there any evidence they are trying to repackage past or current work into the Samarth-NMDP project inappropriately?
- How did counterparts address/react to any concerns raised by Samarth-NMDP?
- Has the prospective Implementing Partner been involved in partnerships / joint implementation projects before? If so, how have they worked, which elements are they wary of?
- Are there any expectations from the prospective Implementing Partner that seem unreasonable?

Risk	Likelihood	Impact	Deal breaker?	Risk Management Approach/Mitigating Actions	Early Warning Signs
<b>Capacity</b>					
	Low Med High	Low Med High			
<b>Motivation &amp; incentives</b>					
<b>Buy-in and expectations</b>					

Risk	Likelihood	Impact	Deal breaker?	Risk Management Approach/Mitigating Actions	Early Warning Signs

## Annex 3 – Guideline: Analysis and Vision

### 1. Potential for sizeable and sustainable pro-poor change

This should set out the current position of the sub-sector with regard to its overall relevance to the poor and key markers of economic growth. It should address, among other points:

#### A: Poverty reduction potential

- The position of the poor women and men employed/engaged in the sub-sector (and other excluded groups) including their number, the role(s) that they play, and the benefits they derive
- Noticeable trends with respect to the roles, household risks, and incomes (benefits) of poor women and men
- Geographic concentration of the poor women and men employed/engaged in the sub-sector

#### B: Growth potential

- Overall size of the sub-sector with respect to volume and value of output, demand (real/latent) and supply interactions, and employment numbers (FTEs)
- Previous (past 5 years) and forecast (next 5 years) growth (or access) trajectory of the good (or service)
- Level of competitiveness and/or collaboration witnessed in the sub-sector between like players
- Headline averages (national/regional) in terms of productivity, quality, and market access of relevant players
- Profile of sub-sector dynamism (level of innovation/change/uptake of new practices) and number of new entrants
- Any particular geographic significance or concentration

### 2. Sub-sector structure and performance

This should set out how the sub-sector is structured with respect to the players and the roles they perform within it as well as a judgment on the functions/rules within the core market system [i.e. ginger, dairy] that are currently being under-performed. It should address, among other points:

#### A: Mapping of commercial and non-commercial relationships

- A sub-sector map with the value/service chain (from 'upstream' to 'downstream') at the centre and the interactions with supporting players and rule-setters ('off-stream'). This should detail the basic flow of value added, number of players, commercial interactions between them, embedded interactions where they exist, and any non-commercial interactions between players. Margins (or ranges) at each level would be useful (if available)

#### B: Core market performance

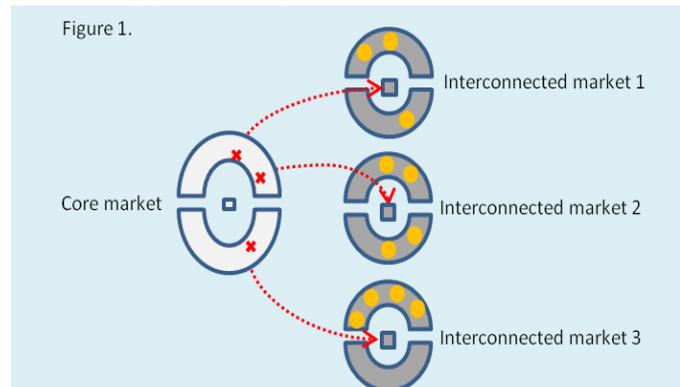
- Detail the functions/activities each type of player (value chain player and supporting player [private, public, association]) undertakes and a brief assessment of how they are performing. For each player, detail how aspects of their business model/tactics [i.e. the way they 'do business'] determines the quality of their performance.
- Detail the formal/informal rules of the game that shape the behaviour and practices of players (the political economy within which the value chain sits and the drivers of change within the sub-sector)

- *Picture: Market system diagram highlighting the problematic functions/rules affecting market performance*
- *Box: Costs of production for the proposed target group (i.e. farmer) under current performance and 'improved' performance scenarios.*

### 3. Constraints analysis

Drawing on Chapter 2 above, the constraints analysis involves the tracing back of problematic functions/rules that impact on sub-sector competitiveness to their roots. This takes the analysis deeper into the market system – into interconnected systems – and the underlying causes of player under-performance that NMDP will directly address through intervention. It should address, among other points:

- Investigation of each problematic function/rule (as identified in Section 2) as 'markets' or 'systems' in their own right. For each function/rule:
  - Introduce the sets of players [private, public, association, civil, etc] involved in this interconnected market/system
  - Detail the performance of each type of player within this market/system
  - Detail the reasons **why** players are under-performing [note: analysis shouldn't end with 'limited access to XYZ' or 'lack of XYZ' – we have to understand why there is 'limited access to/lack of XYZ']<sup>5</sup>
  - Summarise the impact that this player under-performance is having on the overall functioning of the interconnected market/system and how this ultimately results in the problems encountered by the target group (poor women and men)



- *Picture (figure 1): Market system diagrams highlighting the problematic functions/rules affecting the performance of interconnected markets/systems, where the red crosses represent the problematic functions/rules of the core market and the yellow dots represent the systemic constraints located in interconnected markets.*
- *Box: Detail a bullet-point list of further areas to investigate within each interconnected market/system [i.e. the known 'unknowns']*

### 4. Sub-sector vision statement

Drawing on the constraints analysis, the vision statement will provide a strategic direction for implementation, containing a clear response which identifies the systemic change(s) to supporting functions/rules required and the affect that they will have on 'correcting' or 'improving' the functioning of the market where your target group is employed/engaged (i.e. in terms of competitiveness, output, and impact on the poor).

#### A. Systemic change(s) required

<sup>5</sup> This too will be found by looking at the supporting functions and rules that shape player behaviour (incentives) and practice/performance (capacity) in these interconnected markets/systems.

Describe the proposed solution(s) to resolving the systemic constraints identified. Prioritise and group systemic constraints to form one or more systemic changes for your sub-sector. For each systemic change, the descriptions should encompass:

- How the systemic change represents a departure from ‘business as usual’ in the interconnected markets/systems [*i.e. instead of player 1 doing X, they are now doing Y*] and what partnerships with market players will be necessary.
- A feasibility analysis that informs what interventions may be necessary. Depending on the type of systemic change proposed, may include:
  - Partners’ incentives to invest in adopting a new approach/business model and partners’ capacities to develop/lead on adopting a new approach/business model (i.e. the willingness, or will and skill, of prospective partners taking into account player track records and histories of enacting change or ‘innovating’)
  - Thickness of the market (i.e. number of players and ability to crowd-in) and the availability of champions with leverage (i.e. market players with a network of affiliates, franchises, regional/national presence etc)
  - The current level of, and prospects to attract, investment from the private and public sectors
  - Ease of model being taken up in other parts of the country (i.e. is geography and/or reliance on previous ‘ground-work’)
  - Specific geographic and infrastructure challenges in proposed intervention region as they relate to the systemic change proposed, and the identifiable relationship to market access
  - Conflicting/supporting political economy factors taking into account resistance to change among important players
  - How current or recent donor presence in the sub-sector may negatively impact on the ability of NMDP to take a facilitative market development approach to intervention

## **B. Impact on core market performance**

- For each systemic change, describe the impact that its enactment/adoption will have on the competitiveness of the market where your target group produces/works/consumes. In so doing, comment on how the poor’s own business model (i.e. approach to farming) will change and what the potential is to improve target group performance up to a defined benchmark.
- Assess the feasibility of change from the poor’s perspective and consider the factors that might prevent/preclude them from buying-in to the new ‘model/system’ including their risk, the investments required of them (financing change), and so on. This will inform the nature/design of the activities necessary under each intervention

## **C. Sub-sector logic**

- *A sub-sector results chain which sets out how the systemic intervention(s) envisioned will lead to changes in the market system, which will in turn improve enterprise performance and contribute to poverty reduction.*

## Annex 4 – Guideline: Implementation Plan

### Summary

Summarise the systemic change(s) arrived at in the sub-sector analysis:

- Describe how a change in the supporting system will lead to a change in the core market, and the core market working better for the poor and disadvantaged. This should detail the nature of the win-win relationship (market player[s] and project beneficiaries) envisaged as part of the change to be instigated.
- Assign each systemic change a corresponding intervention area name.

### 1. Intervention area strategies

For each intervention area, specific interventions (and within these, indicative activities) need to be elaborated. These interventions will fall under just one intervention area and their accomplishment will sum to the achievement of one defined systemic change in the sub-sector. Intervention strategies will be required that communicate how change is to be facilitated. Intervention area strategies should encompass:

- What interventions are being proposed to encourage the systemic change to be adopted.<sup>6</sup>
- Intervention designs that capitalise on the opportunities open for change, but that are based firmly on the feasibility assessment undertaken in Section 4 of the sub-sector analysis document. Each intervention designed should encompass two key elements, one for piloting/innovation (A), and one for deepening/broadening (scale-up) (B).

#### Intervention phase one: Pilot/innovate<sup>7</sup>

- Exactly how market players are to be found/have been found for each intervention and the criteria upon which they are to be/have been selected. This should cover their capacities and incentives to change their approach, but also detail other criteria that makes them a suitable choice, i.e. history and track record, momentum behind change, their scale/leverage/influence, etc.<sup>8</sup>
- An indication of what the ‘offer’ made to market players will consist of.
- A set of indicative activities (or groupings of activities, if the intervention targets more than one similar issue) that the project will carry out. Activities will be highlighted as either one-off activities (necessary to kick-start a change) or recurrent activities (where sustainability implications have to be thought through, since they will risk undermining the core business activities of market players).

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<sup>6</sup> Interventions within the same intervention area must all be sufficiently distinct from one another, showing to be addressing different aspects of the same issue – i.e. working with different market players to achieve different beneficiary practice changes [note: if they are not, then it is likely that two/three interventions can be reduced to one, albeit with different activities necessary].

<sup>7</sup> All interventions start out as a pilot. The pilot phase usually takes place during year one, with year two as the deepening and broadening phase. However, the pilot can be longer or shorter depending on the type of innovation being piloted (for instance, improved animal breeds may take longer than one year to pilot, whereas a crop intervention, say on rice paddies, may take only 3-6 months)

<sup>8</sup> Note: at the stage this document is developed, it is envisaged that facilitators would have already had some initial meetings with prospective partners to gauge interest and talk through the details of collaboration

## Intervention phase two: Deepen and broaden

- An indication of how responsibilities will evolve/change post-pilot with the first-wave market partner(s). Who will perform and pay for recurrent activities and in what areas might we envisage additional (new) one-off activities performed to ensure that first-wave partners are able to roll-out their new approach and that ownership of the change they have adopted is ‘complete’?
- As above, an indication of which market partners (second-wave) might be brought on board for scale-up (broadening activities) and how they might be selected.
- Second-wave market partners will likely have different capacities and incentives to participate in the programme, and so an explanation of partnership approach under the broadening mandate will be necessary, highlighting how intervention phase two will not be a mere replication of intervention phase one.

For each intervention design, the sequencing and/or simultaneity of activities that makes sense for the achievement of systemic change must also be detailed in a workplan complete with intervention timelines (by activity line) of when activities are due to begin/end. Intervention workplans are likely better suited to other Microsoft (Excel, Project Manager) or web-based applications, and should be annexed to the intervention plan.

## 2. Intervention results chains, measurement plans and impact projections

For each intervention the following will be required:

- Intervention results chain that links intervention activities to market system changes to improved enterprise performance to poverty reduction. This follows a standard format (see [Annex 3](#)), with separate guidance ([Chapter 6](#) in the Results Management System User Manual) available to help project teams draw the results chain.
- Summary measurement plan which sets out indicators of change (qualitative and quantitative) and the ‘when’, ‘how’ and ‘by whom’ of data collection. This follows a standard format (see [Annex 6](#)), with separate guidance available ([Chapter 7](#) in the Results Management System User Manual) to help project teams formulate appropriate indicators.
- Estimations of expected change for each box in the intervention results chain. At the impact level, this should include a summed calculation for outreach and net attributable income change (NAIC) over the four year period where impact will be measured. . This follows a standard format (see [Annex 8](#)), with separate guidance available ([Chapter 8](#) of the Results Management System User Manual) to help project teams make a reasoned estimate of expected impact.

## 3. Intervention costing and value for money calculations

For each intervention it is necessary to calculate anticipated costs, breaking down the items of expenditure line-by-line, noting where costs will be borne by Samarth-NMDP and where contributions from market partners (‘leverage’) is expected. Intervention costs should be clearly linked to the activities (‘systemic intervention’) which has been outlined in each intervention results chain.

These will be summed for each intervention area so that value-for-money (VfM) calculations can be undertaken to realize the net benefits (return on investment) for the work undertaken in each sub-sector. The Samarth-NMDP results measurement team is available to help complete a cost-benefit analysis as part of the VfM calculations.

A budget template in Excel format is available from the Samarth-NMDP Finance and Grants Manager.

## Annex 5 – Proposal assessment framework

Proposal Assessment:

Assessment Date:

No.	CRITERIA	High	Med	Low	Deal breaker
	<b>Sub-sector analysis</b>				<b>X</b>
1	Rationale: Clear potential demonstrated for the poor to benefit from 'investing' in this market.				
2	Analysis: Depth/rigour of understanding demonstrated in the constraints analysis.				
3	Vision: Justification for systemic change(s) proposed (valid response to constraints).				
4	Vision: Feasibility of response proposed (ability to implement response).				
	<b>Implementation approach</b>				
5	Strategy: Contribution of interventions [within intervention area(s)] towards the systemic change(s) proposed.				
6	Strategy: interventions are based on a clear logic (with supporting Results Chain); are consistent with the Samarth-NMDP strategic framework and contribute to the logframe.				
7	Tactics: Appropriate partnerships have been made.				
8	Tactics: Judicious division of responsibilities between contractor and market players.				
9	Evidence of thinking beyond 'proof of concept' and commitment to 'scale-up'.				
10	Extent to which benefits are likely to be sustainable.				
	<b>Value for money</b>				
11	Value for Money: evidence that maximum benefits can be secured for an appropriate level of inputs (Economy: proposed inputs offer good value; Efficiency: appropriate mix of cost-sharing; Effectiveness: sound impact projections, cost per beneficiary and income-to-cost ratio).				
	<b>Sub-sector specific contractor profiling</b>				
12	Competency of interaction with market players/prospective partners.				
13	Competency of contractor to deliver systemic change in this sub-sector.				