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Labour
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MARKET SYSTEMS
DEVELOPMENT FOR
DECENT WORK

► Bending the rules.

How to use a systemic approach to improve the rules of the game

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August 2020



► Introduction

Rules and regulations have a considerable influence on every sector, business and worker. Because of this, changes to the rules of the game¹ can have a substantial impact on many different businesses and workers alike. A change to business registration processes, for instance, can bring access to newer, higher value markets not only to dairy producers, but also to furniture-makers, organic vegetable producers, and small-scale garment producers. Such changes can, in turn, help businesses grow and mature and enhance their ability to offer workers more and better jobs.²

¹ The rules of the game include all rules and regulations that may be relevant in a given sector including policies, standards and legal frameworks, as well as social norms and cultural behaviours, which allow to ground and regulate a sector's functioning and performance. Despite their differences, in this paper, they are also accounted for as the "business environment", which is "a complex set of policy, legal, institutional, and regulatory conditions that govern business activities", as defined by the Donor Committee for Enterprise Development.

² The International Labour Organization (ILO) defines Decent Work as the "aspiration that all women and men are able to work in conditions of freedom, equality, security and human dignity. More information on Decent Work can be found on the ILO [website](http://www.ilo.org).



Nevertheless, while rules are important and can bring wide-sweeping change at scale, many market systems development (MSD) projects (see Box 1) often focus mainly on sector-specific, market-driven or business-focused interventions.³ So why don't more projects work on rules, regulations and business environment when they aspire to foster systemic change?

Working to change rules and regulations can involve addressing a number of constraints: low available public resources; low-skilled or poorly incentivised government staff (i.e. putting personal over public interest); election cycles that change staff and their priorities; and bureaucratic processes that are unresponsive to rapid market-level changes. Needless to say, it can be very slow and risks not yielding any benefit at all, which is not very enticing for projects that typically operate in three- or four-year timeframes and want to achieve results during the project period.

Still, some market systems projects (see Box 2) have worked to shift rules and regulations and learned a few lessons along the way. In this guide, [the Lab](#) takes those lessons, complements them with research findings on the political economy, policy development and regulatory change, and synthesises them into concrete actionable recommendations. The aim of this guide is to help MSD practitioners effectively identify, develop and nurture initiatives that can bring meaningful regulatory change. It is structured as follows:

- ▶ **Part 1:** What are the “rules of the game” and why are they important?
- ▶ **Part 2:** Why do market systems projects work around the government?
- ▶ **Part 3:** Practical guidance for driving change.

³ The Donor Committee for Enterprise Development defines business environment reform approaches as having the “aim to reduce the costs and risks of business activity by improving poor government policies, laws and regulations, and by stimulating competition through new market entrants”.

Box 1. What is market systems development?

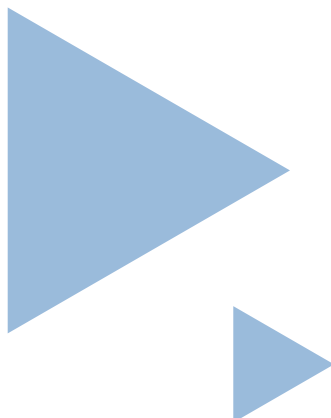
A market system is made up of the many ‘**supporting functions**’ and ‘**rules**’ that shape how well a market works for poor women and men. Supporting functions – such as information, skills, infrastructure, finance and access to markets – inform, support and shape a market. The ‘rules’ – such as policies, business standards, social norms and culture – guide daily attitudes and behaviours within the market.

The [market systems development approach](#)⁴ aims to address the underlying causes of problems that exist in the market, which means understanding and tackling the issues that create problems in the first place. It focuses on selected markets⁵ (be they commodities, like the soybean value chain, or whole sectors like [construction](#)) to address specific decent work deficits. To achieve this, projects invest in promising innovations, involving existing public and private stakeholders that can spur more inclusive market growth. The objective of market systems development projects is to generate an impact that is both:

- ▶ **Sustained.** Projects achieve lasting behaviour change with public and private actors by aligning interventions to stakeholders’ incentives and capacity. Impact continues long after interventions end because actors see organisational value in continuing the new way of working; and
- ▶ **Scaled.** Since constraints to industry growth are removed, change is replicated and mainstreamed across the sector – rather than being only confined to the actors that the project directly works with.

⁴ ILO The Lab, 2019. Policy brief: *A systemic approach to creating more and better jobs*. International Labour Organization.

⁵ In the market systems development approach, markets, sectors and value chains terms are used interchangeably. They are the core part of the system chosen by the project for implementation. The breath of a system can be different from project to project, hence having an impact on the position of rules in the system.



Box 2. Drawing on practical lessons

The development of this how-to guide drew on the experiences, insights and lessons from six market systems development projects and one business environment reform project⁶, each with a different scope and operating in a different context:

- ▶ Enhancing Nigerian Advocacy for a Better Business Environment – ENABLE (Nigeria);
- ▶ Energy Efficiency in Brick Kilns – EELA (Latin America);
- ▶ Regional Biotrade project (South East Asia);
- ▶ Market Development Facility – MDF (Fiji);
- ▶ Alliances Caucasus Programme – ALCP (Georgia);
- ▶ [ILO Road to Jobs](#) (Afghanistan),
- ▶ ILO Enabling Environment for Sustainable Enterprises – [EESE](#) (global);

⁶ The low number of projects reviewed in this how-to-guide, is a reflection that few market systems development projects have worked in rules development.



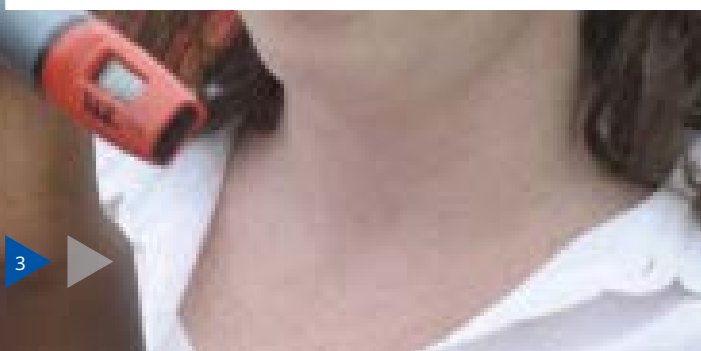
Part 1: What are the “rules of the game” and why are they important?

What are the “rules of the game”?

In market systems development, the rules of the game include the formal (legislation, standards and general guidelines) and informal rules (social norms and cultural behaviours) regulating a socio-political ecosystem. Improvements in rules can be achieved at all levels⁷ (see Box 3) and can include policy development, application and enforcement, as well as awareness raising activities.

As norms and values play a key role in formal rules being accepted and applied, these informal rules need to be deeply understood when trying to change formal rules. Depending on the cultural context, informal rules may, in fact, even be much more powerful than formal rules. This is because norms and beliefs shape social behaviours that incentivise and motivate people to behave in a certain way. Paying attention to these incentives is critical to changing mind-sets and in turn, creating and maintaining regulatory changes.

⁷ Rules development is often likened to higher-level change in the national legislation. However, there are evidently other levels at which rules development can bring about extensive political change.



Box 3. Addressing political challenges at all levels in Georgia

The Alliances Caucasus Programme (ALCP) (2011-2021) is a market systems development programme, which works on improving the socio-economic performance of the dairy, beef, sheep and honey sub-sectors in rural regions of Georgia, Armenia and Azerbaijan, all highly dependent on livestock production.

To support the programme's women economic empowerment focus, ALCP conducted a gender analysis which identified that rural women did not have access to public goods and services, including kindergarten facilities and running water. This was detrimental not only for general well-being and family care but also for clean, quality milk production, which was their main livelihood. Digging further, the project found that most constraints were due to a lack of female participation in political decision-making processes at the local level. Local political rules and entrenched gender biases (informal norms) excluded women from participating in political decision-making processes, which prevented them from influencing community decisions on their economic activity.

To respond to this, the project collaborated with municipalities to give women more opportunities to participate in village meetings, allowing them to have a voice in the community. This resulted in the creation of women's rooms, which allow women to have collective access to essential services in local municipal government buildings. To strengthen its results, this intervention was complemented with support delivered to village representatives to guide them towards political practices more inclusive of women. In turn, this allowed women's participation in political processes at the village level to leap from close to none to 30-40%.

This combination of interventions at all levels proved beneficial to build the project's credibility, improving its credentials and allowing it to work further on the practical operationalisation of a law on gender equality at the national policy level at a later stage. The key take-away from ALCP's implementation is that working progressively at different levels of government is essential to foster sustainable change.

For more info see ILO "[Better cheese, better work: The Alliance Caucasus Programme's Impact on Informality and Working Conditions in Georgia's Dairy Sector](#)", 2020

The major stakeholders overseeing formal rules are almost always public authorities or governing bodies. However, civil society and private market players play a considerable part in decision-making and lobbying processes. Moreover, these can also notably drive the application of standards (see Box 4), which can be particularly valuable when the government does not have the financial capacity to enforce regulations.

Box 4. International food standard application for export promotion in Afghanistan

The ILO Road to Jobs project (2015-2020) aims to create more and better jobs for the most vulnerable in the grapes, poultry, goat and sheep, dairy, cotton, and almonds sectors in Northern Afghanistan.

In the grape sector, Road to Jobs identified that businesses could not export as they could not certify that their products met international food safety standards. From this assessment, Road to Jobs worked with the Control Union, a private certification company, to help a potential grape exporter meet the HACCP food safety standard. Through this intervention, the Control Union identified the potential exporter's quality issues and then accompanied it through a training on the HACCP standards to improve quality and meet export standards. Following this, the Control Union certified the company, which allowed it to market, promote and sell its products abroad. Since then, other potential exporters from various sectors have seen value in applying these standards and going through the certification process.

This example demonstrates that the private sector can play a role in the application of rules, particularly when the government does not have the financial capacity to enforce them.

For more info see ILO The Lab "[Doing more business and less aid: The journey of a market system development project in Afghanistan](#)", 2019



Why work on the business environment in market systems?

Rules and regulations have a strong influence on every market system, so working on them presents clear opportunities for a project to:

► **Support scalable and sustainable change:**

Changing the rules of the game is often necessary to achieve more inclusive and better performing market systems. Unless the rules of the game are changed, the system will continue to function more or less as it had in the past. Fundamental rules are most often established and enforced by government and public organisations, which creates a certain potential for [sustainability](#) as these organisations are more stable and remain in place much longer than projects and than most private organisations.⁸ Government rules and organisations also have an outreach that typically exceeds that of a project. As one project manager put it: *“When you have the government’s seal of approval on an intervention, you have got instant, brilliant, massive outreach with a reasonable degree of sustainability”.*

► **Tackle the challenges that no other MSD project is willing to:** A country’s regulatory environment often harbours deep-rooted constraints that limit socio-economic development, but few projects roll-up

their sleeves to do the hard work of reforming the business environment (see Table 1). As a result, the status quo may only change incrementally. For example, changing the package size for seeds – a common market systems intervention for agriculture focused projects – may bring incremental income increases to smallholder farmers, but does it really change the larger forces that keep farmers in poverty? Facilitating change in the rules and regulations sphere, conversely, can allow programmes to drive progress on the bigger, longer-term, development agenda.

► **Facilitate a deeper impact on the way institutions work and collaborate together:** Working on the rules of the game can facilitate more than policy development, application or enforcement: it can improve the informal and formal policy development process⁹. It can make this process more transparent and inclusive, while keeping stakeholders accountable to each other and helping consolidate a web of incentives and interests. More efficient dialogue between public and private stakeholders can result in more collaboration and a virtuous circle.

8 Springfield Centre, 2017. *ENABLE II, Discussion paper*.

9 DFID and SDC, 2008. *Perspectives on the Making Markets Work for the Poor (M4P) Approach, Paper 7: M4P and the political economy*.



Table 1. Comparing market systems development with business environment reform approaches

	Market systems development	Business environment reform
General characteristics	Bottom-up approach with hands-on private sector-led interventions. This approach channels change using market player incentives to address constraints in the targeted market system.	Top-down approach with high-level interventions channeling national reforms (e.g. tax regime, corruption in public contracting business licensing) and business infrastructure. ¹⁰
Analysis	Focused on the value chain, its supporting functions and business environment at all levels.	Focused on high-level regulatory indicators at the national level.
Interventions	Address systemic constraints present in a specific sector, sub-sector or value chain.	Address constraints faced by businesses in the larger economy.
Stakeholders/Implementation partners	Often facilitated through micro, small and medium businesses or market players delivering support services.	Often with government and businesses' and workers' representatives.

¹⁰ Visit this [website](#) for more information on the ILO approach to business environment reform grounded on the ILC 2007 Conclusions on Sustainable Enterprises.

Part 2: Why do market systems projects work around the government?

If market systems projects strive to foster inclusiveness at scale, and regulatory changes can easily reach scale, why do so few MSD projects engage meaningfully with the public sector?¹¹ Understanding projects' general reluctance to work with the public sector is key before identifying how we can work with them better (see Part 3). In looking at why projects tend to avoid driving changes in the rules and regulations sphere, it appears that constraints are generally related to three different categories: the **project team**, the **project design** and the **political stakeholders**.

¹¹ ILO projects applying the market systems development approach are different in the MSD space, as they have government as a core constituency group, which they meaningfully engage with. Nevertheless, oftentimes other consultancy-led MSD projects tend not to be tied to the same government structure.

Project team

Lack of human capacity and familiarity. Because of their natural bias in favour of private sector-led interventions, MSD project managers tend to recruit staff with business backgrounds. Therefore, most project teams do not have adequate skills or professional experience in the midst to provide technical inputs for policy or institutional development. This limits how well teams



can analyse and understand challenges in the political economy in the first place, and later how they pursue political and social change.

Weak access to policy makers. Many projects do not have strong access to political institutions which limits their voice and agency to advocate for change. Moreover, even with a license to operate and access, it is difficult to be taken seriously if a project has not built relationships and trust with the right public players nor demonstrated success and competence.

Perception of high risk. Considering the high effort required to bring about long-lasting, systemic change at the regulatory level, project teams tend to stay in their “comfort zone”. Given this perceived challenge, projects view political work as too risky and tend to overlook it.

Project design and implementation

Short project timeframes. In general, MSD projects are designed with three- or four-year implementation timeframes, which are short windows to influence formal or informal rules. Addressing some of these deeper challenges can require going through a set of processes: a project may need to approach the right public players, build trust with them, identify the right stakeholders to bring on board and design an advocacy strategy – all through a participatory, multi-stakeholder approach. As projects have pressure to deliver results, they are driven

to pilot less ambitious, private sector-led interventions that can deliver quantifiable results before the project ends.

Perceived lack of feasibility to address deep-rooted constraints. Projects often feel that even where there is willingness to achieve political change within government, institutional and regulatory improvements often end up being very small in comparison to the time and resources invested into them. They find it unrealistic and feel reluctant to tackle deep-rooted systemic constraints present at the regulatory level. Nevertheless, even small, key milestones can often make a real difference in building momentum, which can carry on long after the end of a project.

Disruptions to the delivery of results on traditional interventions. Dedicating time and resources to interventions at the regulatory level has an opportunity cost: it comes at the expense of committing that time to market-based interventions, which are often more likely to deliver tangible results.

Too top-down. Often, development initiatives target the highest levels of governance, under the assumption that these stakeholders will have the largest impact on the largest number of beneficiaries or due to logframe targets which push projects toward the “number of policy changes” made. The challenge is: those working in high-level policy circles are not always aware of the challenges faced by the most vulnerable, and the impact of interventions directed at the top do not always trickle down.

Perceived constraints related to political stakeholders

Misunderstood capacities and incentives. Projects often struggle to find the right ways to incentivise public actors to change the way they work. In working with the private sector, the incentive is clear – businesses are driven by their bottom line and so projects work to develop the “business case” for more inclusive practices at work. On the other hand, incentives for public actors are harder to identify and cover a wide range of possible motivations, often driven by a short-term view. Moreover, their capacities are often underestimated due to a biased judgment from project teams, which leads projects to work around or avoid them altogether.

Lack of accountability. Some country governance systems lack mechanisms ensuring accountability – and often transparency – in effect insulating political stakeholders from the pushback that might otherwise result from bad policy. As a result, projects sometimes struggle to secure meaningful policy changes as some political actors disregard the end result of their policy decisions or even follow their own individual political agenda.

Turnover in government staff and priorities. Political instability, elections and other political rotations change government staff and the priorities they are responsible for delivering. Because of this turnover, projects find it less secure to invest in building solid relationships and trust with public actors than business owners.





analysis. Lastly, the use of regulatory indicators – such as those of the World Bank’s *Doing Business*, the OECD’s *Product Market Regulation* and indicators of Employment Protection – can support project teams to identify strengths and weaknesses in national or provincial regulatory frameworks under study.

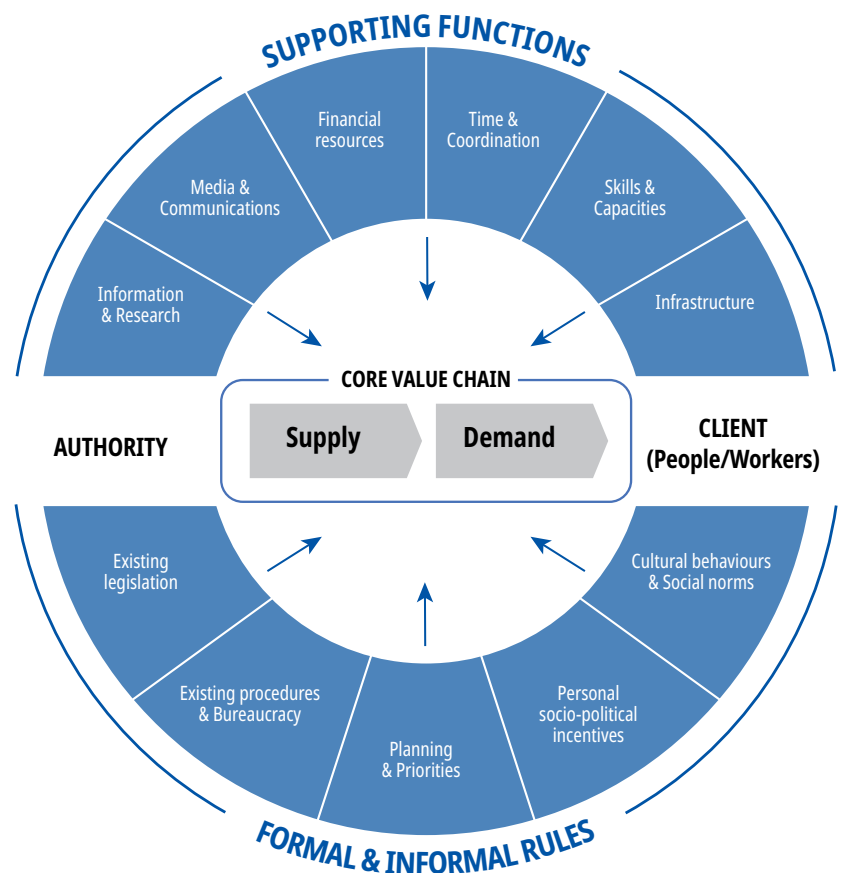
Go beyond a cursory unpacking of the rules and regulations. A project should not limit its analysis of the rules and regulations simply because it thinks it cannot respond to them during implementation. Rules and regulations have a significant impact on businesses and workers in all sectors, and sometimes these challenges can in fact be resolved by the private sector. One way to better understand the challenges at hand is to think about the ecosystem surrounding a particular constraint (see the figure below). This means looking at which supporting functions or rules (formal or informal) cause the inefficiency in the first place. It can also help support more targeted and innovative ideas to address the challenges.

Part 3: Practical guidance for driving change

Despite the challenges, several market systems projects have had success in driving change that tilts the rules of the game in favour of businesses and workers. The remainder of this brief unpacks their learnings into five overarching lessons that are synthesised into guidance which can help projects more effectively influence rules and regulations.

1. Start off on the right foot with a solid analysis

Step up your analytical skills. When developing a [market systems analysis](#), most practitioners tend to limit their assessment of the rules of the game, by focusing only on the most obvious policy barriers and rarely delving into the underlying causes of the unfavourable policy environment. Nevertheless, it is paramount to first understand why these rules do not function before a project can target impactful implementation. To do this, projects need to build their capacities or collaborate with specialised experts. They can also take inspiration from business environment reform and political economy analyses¹² to help identify how rules and regulations could be explored more thoroughly during



¹² DFID, 2009. "Political Economy Analysis, a how-to note", *BEAM Exchange*, July. Available at: <https://beamexchange.org/resources/468/>

Identify the right partners and create synergies with existing programmes. The analysis provides an opportunity to get a first read on potential partners for implementation. Here, it is important to develop a list of potential long-term partners and make a quick assessment of their reputation, trustworthiness, incentives and capacities to drive change. Potential partners could include relevant ministries, individuals sitting in local institutions, regulatory agencies, and enforcement bodies, among others. Having a solid understanding of potential partners is crucial for targeting the right people and institutions that can bring about change (see Box 5).

Box 5. Understanding failures and adapting the strategy in Nigeria

ENABLE (2008-2017) was a business advocacy programme designed to promote improved public-private dialogue, ultimately leading to an improved business environment for poor men and women in Nigeria.

In its first 5 years, ENABLE contributed to 82 new or improved public-private dialogues, which led to 13 business environment reforms and benefitted a total of 1.8 million microenterprises. However, it took some time before the results came in. The first time the project engaged with public bodies on legislation, major stakeholders were not interested or engaged and did not understand ENABLE's mandate. So, what happened?

- ▶ At the analysis stage, ENABLE **did not involve the national public authorities** in the data collection process. So when they presented the freshly published analyses, these players felt left out and disengaged in the process.
- ▶ ENABLE initially **engaged with inadequate legislators** because they did not pay attention to these actors' reputations. This was due to a failure to identify and assess stakeholders' underlying socio-political motives during the analysis. They also did not know the incentives and trigger points that could motivate these stakeholders to drive changes.
- ▶ ENABLE **did not start the political engagement process at the right time**, as its team had a poor understanding of the legislative cycle. They started to engage with potential political partners too close to the beginning of an election, which was not ideal for ensuring long-term results that lead to sustainable reforms.

After a slow start, ENABLE re-engineered a way to address the trust and quality issues and delved deeper into actors' underlying motives. They approached negotiations in a more participatory way, bringing more actors around the table and were more transparent on their approach and mandate. ENABLE facilitated public-private dialogue by encouraging actors to discuss issues openly and brainstorm actionable solutions together. This led to more ownership and accountability of the process, which has helped build and sustain public-private stakeholder commitment to understanding issues and building actionable reforms to address them.

2. Take the leap, find entry points and start working on formal rules

One sticking point for projects is *how* to take the first step towards tackling constraints in the formal rules. Knowing where and when to start working can be tricky, is contextual (see Box 6), and can be filled with uncertainty, but the following can help a project get started.

Engage key stakeholders at the outset. As demonstrated in Box 5 (above), it is important to engage with stakeholders from the analytical phase to help identify existing challenges and get buy-in and ownership of the process. Engagement integrates stakeholder insights into the process, makes them more responsible and accountable in the longer run, and creates a basis for future collaboration during implementation.¹³ Nevertheless, although public and private stakeholders will contribute valuable knowledge and insights, one also needs to be aware of their possible vested interests. Conducting the analysis in a participatory way can help prioritise constraints to address opportunities that align to stakeholder incentives to get them done.

Work on existing formal rules. In most countries, much of the needed legislation is already in place, but awareness and application of the rules is lacking. In this regard, projects can be more effective in working to apply and enforce *existing* rules rather than working to create new ones. Such work requires less technical capacities in policy and is more within the comfort zone of most project teams.

¹³ Darnton, A. 2008. *Practical Guide: An overview of behavior change models and their uses*. London: Government Social Research Service.



Box 6. Feasibility check – Where to start in different contexts?

Different contexts present different challenges. The following are some contextual considerations that may help orient your focus:

- ▶ In a **fragile state**, as the political environment is weakened, private sector players may actually be the more stable actors and better suited for building long-lasting partnerships to enhance informal rules.
- ▶ In **thin markets**, a project may have few private sector partners to drive changes. In this context, working on the formal rules of the market system may provide a more direct pathway to scale. However, if this context has limited formal rules, it can also be difficult for a project to build regulations from the ground up.
- ▶ Not all countries have the same **socio-cultural endowment** when it comes to cooperation, organization and other collaborative behavioural mechanisms. In other words, the process may be easier or more difficult depending on the extent to which the country is open and used to constructive social collaboration (through associations, cooperatives etc.).

Use informal behaviour change to facilitate change in the business environment. Engage with the target group early in the process, to clearly understand their motivations for behaving the way they do, and to understand their challenges in engaging and participating in political processes. In this way, a project can help build advocacy skills, which may give the target group direct access to the political table. This can help them voice their concerns, debate, and collaborate on solutions suited to their own context.

3. It is a step-by-step process, so foster incremental change

Working on rules and regulations can be a long journey, full of obstacles along the way. Without losing sight of the more ambitious and longer-term impact, the key is to start slowly with small interventions which, when combined, progress toward a much bigger change over time.

Trust and reputation build up a project's credibility. Projects should first start with interventions in and around the core market and its supporting functions.¹⁴ Prior to getting buy-in from high-level partners, a project must build trust and a credible reputation with all types of partners (see Box 7). Without a demonstrated proof of competence, projects may struggle to have meaningful engagement with stakeholders who can ultimately lead and promote change.

¹⁴ Many rules apply to the whole sector if not to the whole economy and it might not always be advisable to advocate for regulatory reforms at the subsector level, as this might cause market distortions or, in some cases, be politically sensitive (e.g. tax incentives and regulatory preferences given to some and not to others).



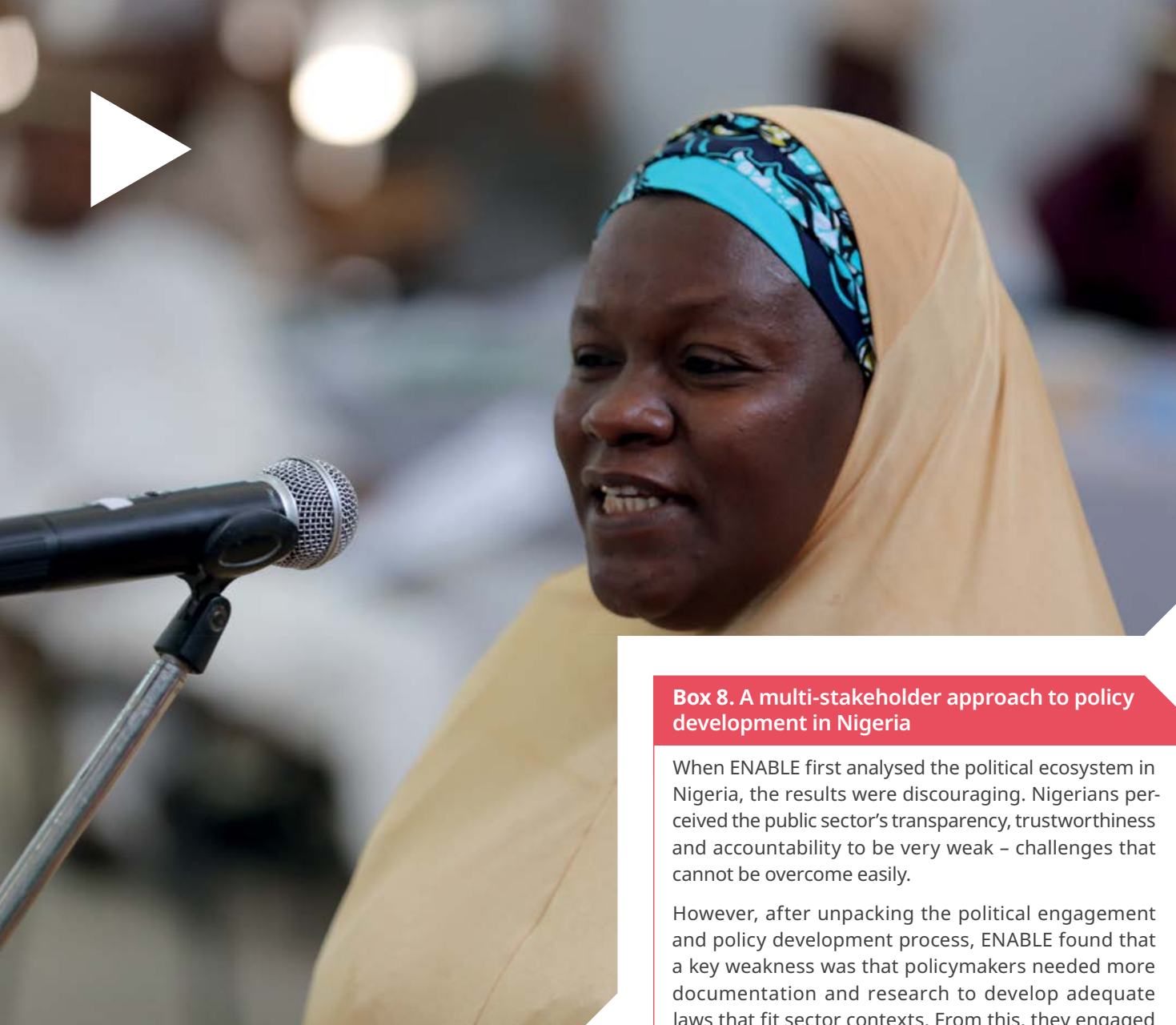
Box 7. From company-level productivity to a nation-wide rebranding strategy in Fiji

The Market Development Facility (MDF) is a multi-country market systems development programme (2011-2022), tasked with stimulating economic growth to enhance the livelihoods of poor women and men as workers, producers and consumers.

Fiji used to have a globally competitive sugar industry, which was based on indentured labour. This in part is due to the mass Indian labour presence in the country, where workers had been tied to farms through a partnership that resembles modern slavery. The industry was subsidised, dominated by a state-owned enterprise and open only to holders of an array of specific licenses which were difficult to acquire. Over time, these elements combined led to the industry becoming less and less competitive.

MDF first started to work in the sugar industry by inMDF first started to work in the sugar industry on mechanisation, to make it more productive and less labour intensive, hence reducing the proportion of forced labour. When the intervention took off, MDF worked on inputs and soil conditioning and later moved to develop the much wider input supply sub-market and the sugar-processing sub-sector.

Through this work, MDF built a solid reputation around the capacity to deliver meaningful change, and as a result, the state-owned enterprise asked the project to help re-brand – moving away from bulk exports toward higher value-added sugar exports. To do this, MDF supported public actors to establish a “Made in Fiji” quality standard and expand the processing quality of sugar in the country. By meeting these higher value markets, overall job quality improved to meet international standards, and the sector experienced productivity gains at scale.



Progressive small steps create synergies. Multiple small-scale changes at the regulatory and supporting function levels can build on each other and generate a larger, harmonised change in the market system. As public and private stakeholders increasingly contribute to innovations and change, this may trigger new ideas or collaborations (See Box 8) and allow the project to be more sensitive to local conditions and political realities. Moving slowly with incremental steps helps the project move faster and more effectively than if it pushed for extensive reforms from the outset by:

- ▶ Helping projects better understand the context they operate in, [adapt and learn](#) from experience;
- ▶ Minimising risks by moving in manageable increments as opposed to pushing larger changes with less certain outcomes; and
- ▶ Keeping public stakeholders continuously committed and involved while adding limited financial liability.¹⁵

¹⁵ McMillan, M., Page, J., Booth, D. and Willem te Velde, D. 2017. "Supporting economic transformation", ODI, Approach Paper.

Box 8. A multi-stakeholder approach to policy development in Nigeria

When ENABLE first analysed the political ecosystem in Nigeria, the results were discouraging. Nigerians perceived the public sector's transparency, trustworthiness and accountability to be very weak – challenges that cannot be overcome easily.

However, after unpacking the political engagement and policy development process, ENABLE found that a key weakness was that policymakers needed more documentation and research to develop adequate laws that fit sector contexts. From this, they engaged with a group of corporations to bring solid economic assessments on sector performance in exchange for a seat at the table during political meetings. Reinforcing each other, public and private player incentives created momentum for the policy development process to move more efficiently. To complement this successful first step and further enhance the capacity of public authorities to draft comprehensive, structured and well-designed policies that could be better applied and enforced, ENABLE engaged with the Nigerian Bar Association, which provided pro bono support to the state on qualitative legal rules promoting private sector investment and growth.

Based on such early multi-stakeholder collaboration successes, the project fostered a bottom-up approach to policy development. This process allowed local stakeholders to take ownership of the analysis and shape the response through informed decision-making. Involving more stakeholders improved the accountability, efficiency and transparency of the policy development process.

Quick wins can overcome “entrenched behaviour”.

Betting on less systemic “quick wins” can be a strategic short-term move to help projects start working at the governance level. For example, a project may invest in delivering a capacity development training to political representatives or pay for a study visit, which could make them feel more engaged in the reform process. These types of interventions can build public and private stakeholders’ interest, keep them seated at the table and increase the likelihood that they will drive more systemic interventions in the long-term.¹⁶

4. Use incentives, data and storytelling to motivate stakeholders

It can be a tall order to get public sector actors on board with new initiatives. A project intervention, whatever its intention, can be perceived as extra work. So how can a project get stakeholders to take on new initiatives?

Find the right incentives. Understanding private stakeholder incentives is relatively easy – they often relate to profitability. Although corruption can complicate interactions in some public arenas, projects can use a number of non-economic incentives to motivate collaboration. When building relationships with these stakeholders, incentives including political reputation can be used to drive participation in the reform process.

¹⁶ ENABLE, no date. “The ENABLE project I Nigeria”, *Evidence paper*.

Understand the tension between immediate vs. long-term priorities.

Sometimes public stakeholders are pressured to act on lower level policy changes to address immediate issues (e.g. waste collection) rather than much broader and extensive issues (e.g. air pollution, biodiversity, recycling practices, etc.). Although it may be difficult for projects to find the right balance between supporting immediate issues and more comprehensive ones, projects can support a few immediate priorities to get a seat at the table, and slowly start contributing ideas towards longer-term priorities over time.

Tell a good story. To get public and private stakeholders on board with an idea, a good story can be valuable. It can help stakeholders buy-in emotionally, have a clear vision of the anticipated impact, and most importantly, understand and imagine how their work builds toward a bigger picture.



5. Be creative

Although the private sector is widely recognised as an engine of growth and creative initiatives, private-sector-led innovation is impossible without the right enabling conditions.¹⁷ So how can business environment reform work also be as innovative (see Box 9) as the private sector?

Transform external circumstances into political drivers of change. When external events occur (e.g. social pressure, economic crisis, burst in [youth unemployment](#), etc.), a project can leverage these as political drivers for reforms. For example, in the economic recovery from COVID-19, governments will have pressure to act. Here, a project can support the government to effectively take-on quick reforms which can also tackle longer-term challenges.

Think wider than specific reforms, change the reform process. Changing the way the reform system works can have a dramatic impact on how public authorities engage, discuss, formulate, apply, enforce and communicate reforms. To do this, projects need to first diagnose why the reform process does not work better and then try to target small, incremental changes within it. If done effectively, projects can generate a self-sustaining system where public and private stakeholders collaborate to build more effective and inclusive rules of the game¹⁸.

¹⁷ Mazzucato, M. 2018. *The Entrepreneurial State*, Penguin Books: London

¹⁸ Laric, M. 2012. "Systems change in the business enabling environment, Investment climate practice note", *UK Department for International Development*.

Box 9. Looking into the innovation toolbox

Looking for some innovation inspiration? The following three examples show some less conventional ways of influencing rules and regulations.

- ▶ **Advocacy & Dialogue:** Projects can influence influencers, for instance, in advising and preparing worker unions, employer organizations and civil society organizations to advocate their interests to government.¹⁹ However, to ensure that their efforts do not fall on deaf ears, it may be worth simultaneously building capacity to political forces to listen, discuss, and respond proactively.²⁰
- ▶ **Information & Research** can help stakeholders advocate for and defend their interests, participate in debates and take informed decisions. This is a key building block in driving regulatory change.
- ▶ **Dissemination** is key for communicating progress made in the reform process and promoting new political changes. Enabling the timely and effective dissemination of existing policies to the public guarantees that people are aware and understand how they should respect them. This can in turn support the use of lighter and simpler changes in enforcement mechanisms.

¹⁹ Cowan-Gore, I. 2020. "Silver bullet or last resort? Business Membership Organisations in MSD", BEAM Exchange, June 25th, Available at: <https://beamexchange.org/community/blogs/2020/6/25/business-membership-organisations-msd/>

²⁰ Cowan-Gore, I. 2020. « Market systems and Business Membership Organisations, Who should we work with and how can we get to scale?», BEAM Exchange, Available at: <https://beamexchange.org/resources/1362/>



Final Points

Despite their importance in consolidating changes in market systems, rules and regulations are often ignored by MSD projects. This is often due to the way project teams are structured, how projects are designed and implemented, and their limited understanding of the political environment and its underlying incentives.

Based on a review of six market systems projects and one business environment reform project as well as some complementary desk research, this paper has demonstrated why the rules of the game are important and how programmes can address their underlying constraints. The research shows that this can be done through a more solid analysis of the political economy and its stakeholders; finding strategic entry points to create momentum (e.g. building on existing formal rules); using incremental steps with local stakeholders; working with political stakeholders' incentives and; continuously innovating within the context of the business environment.

Rather than shying away from the challenge, MSD practitioners need to change their mind-sets and recognise that influencing the rules of the game can often have a significant catalytic effect on systemic change. It is not about changing a country's entire regulatory or legislative system, but rather working on key milestones that can support a clearer line of impact. When projects address some of the key constraints within the rules and regulations sphere, they have a huge opportunity to bring meaningful, wide-scale and sustainable change that can create inclusive market growth and more and better jobs.

Key take aways:

- ▶ Make market systems more inclusive by addressing constraints in the rules of the game.
- ▶ Scale, sustainability and systemic change require longer-term government engagement;
- ▶ Start on the right foot with a solid analysis;
- ▶ Take the leap, find entry points and start working on formal rules;
- ▶ It is a step by step process, so create momentum to foster incremental change;
- ▶ Use incentives and storytelling to motivate stakeholders;
- ▶ Be creative.





Acknowledgements

The paper was written by the ILO Lab project. Ines Bentchikou was the lead author, and worked with David Elliott (ENABLE), Kolja Leiser (EELA), Adrián Montalvo (EELA), Gladys Triveño (former Minister of Production in Peru), Andrew Wilson (Regional Biotrade project), Paul Keogh (MDF), Helen Bradbury (ALCP), Tonderai Manoto (ILO Road to Jobs) and the ILO EESE programme team to extract the above findings. She is very grateful for their deep insights and key contributions on their own experience and practical knowledge. This research was only possible thanks to their expertise in market systems development, business environment reform as well as broader policy development and enforcement. The author would also like to thank Merten Sievers, Stephen Hartrich, Matt Ripley, Simon White, Elisa Mandelli and Aatif Somji for their key technical contributions and review.

Ines Bentchikou, August 2020.



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