Doing more business and less aid:

International Labour Organization

the LAB

MARKET SYSTEMS DEVELOPMENT FOR DECENT WORK

THE JOURNEY OF A MARKET SYSTEM DEVELOPMENT PROJECT IN AFGHANISTAN.

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QUICK FACTS ON R2J

DESCRIPTION

- ✓ **Implementation duration:** 2015-2019
- ✓ **Budget:** 9.4 million US$
- ✓ **Sector:** agriculture and manufacturing
- ✓ **Geographic focus:** Northern Afghanistan, Samangan and Balkh provinces (8 rural districts & 2 provincial capitals).
- ✓ **Target group:** rural households
- ✓ **Objective:** more and better jobs in the Northern Provinces to contribute to improved livelihoods and poverty reduction
- ✓ **Approach:** market system development
- ✓ **Donor:** Sida
- ✓ **Implementer:** ILO Afghanistan with technical backstopping from ILO The Lab

RESULTS

49,468
improved jobs for smallholder farmers, women entrepreneurs, service providers and employees in partner companies.

45
partnership agreements with public and private sector.

6,886
people trained (among which 4,365 women) on entrepreneurship and/or sector-related skills .

-50%
livestock mortality rates reduction reported by local herders.

Doing more business and less aid may seem like a crazy idea for a project in Afghanistan. The country is still engaged in a war that has lasted a generation and in which 3,804 civilians died from attacks last year[1]. Foreign aid, which had been keeping the government propped up, has continuously promoted a business culture of government dependence rather than innovation and entrepreneurship. And as military and civilian aid has scaled back – dropping by 40% between 2011 and 2015[2] – the economy has sputtered[3]. The country also continuously ranks as one of the most corrupt in the world[4]. To put it mildly, the investment climate for new business opportunities is poor.

At the same time, Afghanistan has an employment challenge. As one of the youngest countries in the world and with more than 400,000 youth joining a stagnant economy's labour force each year, the number of youth who are unemployed, under-employed or vulnerably employed grows by the day. Research shows that this can be detrimental to security[5] - youth, and in particular, young men who are frustrated about the lack of employment prospects, are more likely to incite violence or insurgencies. As such, creation of sustainable jobs remains a critical issue for Afghanistan's transition towards peace and socio-economic stability[6].

1. UNAMA 2019, "Afghanistan Annual Report on Protection of Civilians in Armed Conflict: 2018".
2. Afghanistan Analysts Network: https://www.afghanistan-analysts.org/the-state-of-aid-and-poverty-in-2018-a-new-look-at-aid-effectiveness-in-afghanistan/
3. According to the World Bank, GDP per capita reduced by 12% between 2012 and 2017.
4. Transparency International: https://www.transparency.org/cpi2018
5. World Bank, "Afghanistan to 2030. Priorities for Economic Development under Fragility".
6. ILO 2012 "Time to move to sustainable jobs – study on the state of employment in Afghanistan".

With an extremely challenging business climate on one hand and an immediate need to create jobs on the other, the Swedish International Development Cooperation Agency (Sida) funded the Road to Jobs (R2J) project[7] to tackle both. The project was designed to address key constraints in the agriculture and manufacturing sectors in Northern Afghanistan such that government and businesses could innovate, compete and create more and better jobs for those who need them most.

To create more and better jobs that could be sustained and reach scale, R2J in collaboration with The Lab implemented an approach which had never been trialled before in Afghanistan – the market systems development approach (see Box 2). Using this approach, the project seeks to encourage market actors to trial innovations that can boost business growth as well as employment opportunities for the local population. The idea behind this is that if the project can find a way for market actors to be incentivised – for example, through increased profits for businesses – those actors will see an opportunity to lead and continue the innovation after the project finishes.

Given the newness of market systems development in Afghanistan, and the limited use of the approach in similar, conflict affected contexts, Road to Jobs has had a lot to learn during implementation. This brief explores how the project navigated early challenges to get businesses, government and business associations on board with new ways of working to create substantially more and better jobs in Afghanistan (see results box).

7. Web resources on Road to Jobs: ILO Lab website, ITCILO webiste and Facebook page.

Box 1: What does most development funding look like in Afghanistan?

When the R2J project was designed, several new initiatives were promoting private sector development, Small and Medium Enterprises (SMEs) and value chains. However, a common feature of these programmes was that they were taking a 'conventional' value chain approach, working on a 'push' basis to deliver services directly to the private sector. These projects were asking themselves "what problems do businesses have and how can we solve them?" instead of questioning "why isn't the market providing solutions to these problems?" and "how can we address the constraints that prevent it from effectively doing so?"

ILO's experience elsewhere, including in fragile contexts, is that while this 'conventional' approach may generate 'quick wins' and have success in helping individual enterprises start and grow, it does not lead to lasting changes in how markets function for the excluded. It can also risk distorting and displacing local market mechanisms rather than promoting incentives and ownership of market solutions.

Box 2: What is a market system development approach?

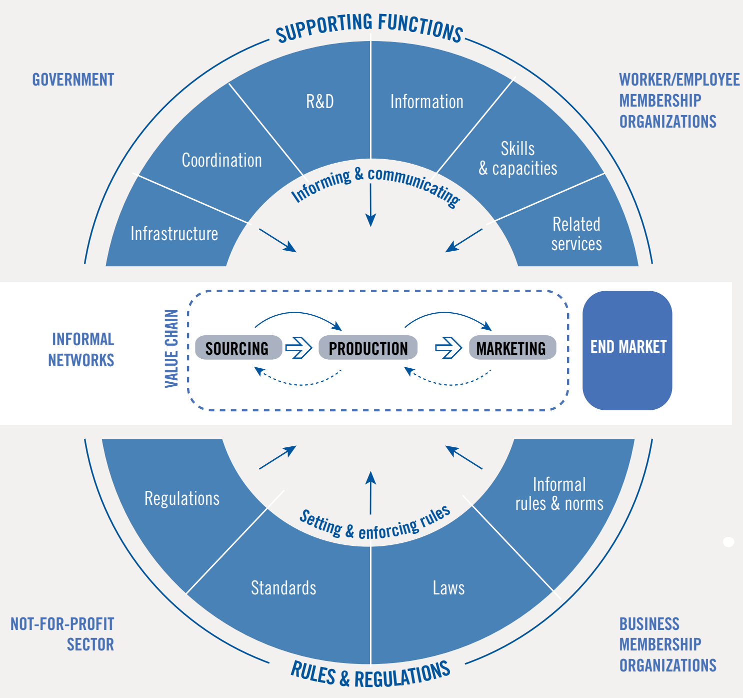
A market system is made up of many 'supporting functions' and 'rules' shaping how well a market works for poor women and men, as illustrated in the 'donut' below. A market systems development approach, in turn, seeks to identify, address and remove constraints that inhibit the growth of more inclusive markets. The goal is impact that is both:

- **Sustained**. Projects achieve lasting behaviour change in public and private actors by aligning interventions to their incentives and capacity to adopt new ways of working. 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 confined to just the actors that the project directly works with.

Projects usually partner with a small number of actors to test out new ways of working and, if successful, then look to get others to replicate the innovation. The activities that projects undertake to encourage partners to change can vary – from 'soft' facilitation tactics such as advice or brokering relationships to 'harder' tactics like financial cost-sharing. Such facilitation is an art – not a science. It needs to strike a balance between support to actors that ends up being too light to overcome resistance to change; and too heavy leading to dependence.

Extracted from the ILO Lab brief:
"A Market Systems Approach to Decent Work", 2016.

MARKET PLAYERS



Lesson 1: A fragile context needs time and adaptability

Most development projects have some challenges along the way – work rarely goes to plan and no one can predict the future. But using a market-driven approach in a rarely tested, fragile context brings in a series of unknowns. And so, challenges in such a context inevitably crop up:

The question was always the same: "Why are you giving money to the private sector instead of helping directly the target group?"

- **Going from aid to business is a conceptual and operational shift.** Promoting less aid, more business and applying a market systems approach was a major conceptual shift for all parties involved. Decades of aid funds and the proliferation of agribusiness development projects had distorted the way the private sector perceived partnerships with internationally financed projects. If approached by a development project, the private sector expected 'free money' or grants to maintain or improve what should be considered core business functions, like paying for electricity bills and salaries or buying new machines and cars. Instead, R2J aimed to incentivise partners to pilot new business models by reducing their risk exposure, for instance by cost-sharing the export of fresh grapes to India to test new market opportunities. But why would companies partner with R2J if they could get free money, with no-strings attached from so many donor-funded initiatives? Inevitably, R2J was viewed with suspicion.

  The development sector was also not used to such an approach either. The question was always the same: "Why are you giving money to the private sector instead of helping the target group directly?" The staff often had to justify their investments and repeatedly defend the vision of changing the system to indirectly impact the poor. This had major consequences on the timing and feasibility of daily operations (see box 3) but also stimulated interesting debates among donors, instigating substantial behavioural changes from some (see box 9).

- **Setting up meaningful partnerships takes time.** R2J operates in a thin market[8] with very few active investors or competitive businesses with high capacity. This meant that it took a lot of time to actually find ca-

8. As per the "Operational Guide for the M4P Approach, thin markets are: "*markets that are relatively uncompetitive in which there are few market players and/or a large number of 'absent' supporting functions and rules.*" p.57, Springfield Centre 2014. See also "The Boss Project in Timor-Leste: Thin markets, thick impact?", The Lab 2015.

pable actors that could drive change. Once these actors were found, they also had to be convinced of the value-add of working with R2J vis-à-vis receiving free money, from other donor-funded initiatives. This also took time. Finding opportunities in these partnerships also takes effort, patience and considerable risk-taking, and the private sector was more risk-averse than originally anticipated.

- **A dangerous, dynamic security situation presents unique challenges.** Depending on the region or even the district, the security level[9] varied from relatively safe to highly dangerous. This severely limited the movement of project staff to scope opportunities, visit partners, and monitor results. Some field work in safer areas was possible, but business deals and meetings often had to be held at the project office in the highly guarded UN compound. This did not help engagement with some already suspicious partners. They had to be cleared by security before accessing the compound – countering market facilitation principles that encourage projects to downplay development visibility and set the 'business tone' from the beginning[10]. Not easy to do when you are surrounded by blue flags and development mottos.

Field visits to villages were of course highly restricted as rural territories were often contested between Taliban and government forces. R2J staff have plenty of stories about conducting monitoring visits while hearing nearby explosions or facilitating focus groups under the suspicious gaze of local Taliban chiefs. Risks and restrictions were mitigated by using technology and secondary sources and by building the capacities of local authorities and partners to collaborate.

KEY LESSONS

- Working in a fragile context requires time and adaptability.
- Going from aid to business is a conceptual and operational shift.
- Setting up meaningful partnerships takes time.
- Building the capacities of local partners helps to reach restricted areas.

9. As per the UN Security Risk Management (SRM).

10. See reference 11.

Box 3: Financial services: time is money!

Access to affordable finance had been (unsurprisingly) identified as a key constraint cutting across several sub-sectors. To bring financial services to remote areas, R2J started to broker negotiations between a major financial institution and a telecommunication company to pilot access to finance through mobile phones. The two parties seemed excited by the opportunity and came out with a proposal to kick-off the pilot with some financial help from R2J to de-risk the financial service provider's investment in the innovation.

The agreement had to go through an internal compliance process in the ILO regional office. After several back and forth of justifications and compliance checklist, the agreement was approved… seven months later! Too much time had passed and the initial excitement generated by the proposal had been slowly cooled down by the usual business routine. When contacted by R2J the response from the companies was inevitable: "Sorry guys, that ship sailed a long time ago!" Time is money and development and business can sometimes run at different speeds.

Lesson 2: Be open to the unexpected with grounding in adaptive management

To navigate around the daily challenges of promoting a market systems development project in this environment, R2J had to apply **adaptive management principles**. This type of management calls for a high level of flexibility for which **adjustments are made to respond to changing contexts and new information**[11]. R2J went through an iterative experimentation process in its interventions and partnerships. The idea was to test what worked, figure out what didn't, and then decide which interventions should be scrapped, tweaked for improvement or scaled-up. This **trial-and-error process** distributes both the risk of failure and success over a wide variety of interventions and partners.

Through this sometimes painful 'learning by doing' process, some interventions, which had

11. "ADS Chapter 201: Program Cycle Operational Policy", USAID 2019.

Box 4: Solar pumps: the failure of a solution led intervention

The market systems analysis identified a lack of constant irrigation as one of the main constraints inhibiting grape production. Confronted with the high price of gasoline for irrigation pumps, farmers used irregular and sporadic pump irrigation. This resulted in low productivity and poor quality that didn't meet export market standards. Solar pumps were thus identified as a suitable and feasible alternative as they had a one-time, up-front cost to buy and required little maintenance expense. To finance the up-front cost, R2J brokered a partnership between a solar pump company and a financial institution to get farmers access to a low-interest loan to buy the machines. Despite partners' willingness to collaborate, this intervention couldn't get off the ground. Why?

The problem was, that an NGO had purchased 'free' solar pumps for farmers – but only to a handful of beneficiaries because project budget was limited. It didn't matter that the NGO's project (and money) was coming to an end, farmers still had the hope of getting a free solar pump someday. So why would they bother to take a loan?

been identified as adequate solutions during the inception phase, were dropped because of poor viability (see Box 4) or because they didn't have the right incentives for market actors to adopt the model. Others, like some 'quick win' activities, which initially were considered to have low-impact potential, achieved unexpected results and progressively became long-run systemic interventions (see Box 5).

By the end of 2019, the project had developed a wide portfolio of **32 active interventions**. To get there, the team **signed 45 agreements, rejected 20 to 30 proposals from companies and dropped 8 interventions** because of issues with feasibility, relevance, or not having the right market actors.

A key aspect for **taking go/no-go informed decisions** was the **results measurement system** which allowed R2J to get rapid yet rigorous data on intervention progress, company productivity and impacts to the target group. Monitoring data and intervention manager feedback were presented and discussed during regular progress meetings where the R2J team could reflect on the data and revise their interventions strategies accordingly.

Box 5: Paravet services: when quick wins become long-run interventions

Sheep and goat farmers as well as other stakeholders in the livestock sector identified high mortality rates as a key challenge to sector productivity. The analysis initially pointed to a lack of drinking water and shelter as the principal causes, but after further investigation and some trial-and-error, the stakeholders identified that a lack of veterinary services was the real issue. Extension services couldn't reach remote areas, but small retail shops (without any veterinary background) already sold animal treatments. In collaboration with the Afghan Veterinary Association (AVA), R2J facilitated the training of 18 shop owners to make them qualified 'paravets' that would increase farmer access to animal health services. Nothing remarkable happened in the first two years but in the third year, the intervention suddenly took-off: mortality rates reduced by 50% which resulted in about USD 1.17 million in additional income spread across 46,000 livestock farmers. The intervention built trust between the paravets and farmers and, because the service was highly demanded and mutually-beneficial (farmers get services and paravets get paid), paravets had progressively increased their customer reach and diversified their services. Paravets adapted the model and began to deliver vaccines and treatments to remote areas through informal channels (mainly people travelling to the villages) and to provide phone-based services on how to use them. Paravets also reported that other shops started to replicate their model although without official training.

KEY LESSONS

- Use adaptive management to respond to changes and to make adjustments along the way.
- Distribute both the risk of failure and success over a wide variety of interventions and partners.
- Rely on a rigorous results measurement system and team's feedback to take go/no-go informed decisions.

Lesson 3: Take a multi-prong approach to promote marginalised groups

R2J focused on developing interventions which delivered impact to rural households and in particular, to marginalised groups such as women-headed households and migrant workers, including internally displaced people (IDP) and returnees. An in-depth market analysis helped identify specific constraints to these groups such as limited mobility for women outside the home or the lack of technical skills of migrant workers. Once in implementation, R2J mainstreamed its focus on women and migrants by applying a two-fold strategy: on one side, supporting target group **capacity-building on skills that were relevant and demanded** by companies in the selected sectors; and on the other, **negotiating with companies on inclusive business models**[12] that would increase company productivity while creating decent work opportunities for marginalised groups. The interventions on milk collection (see Box 6), carpet weaving (Box 7) and cotton manufacturing (Box 8) show how R2J worked on both fronts.

> ***One key aspect in designing inclusive and sustainable business models [...] is to facilitate innovations that make 'good business sense' and align to companies' core commercial incentives.***

One key aspect in designing inclusive and sustainable business models is to facilitate **innovations that make 'good business sense' and align to companies' core commercial incentives**[13]. When these incentives are considered within the business model, companies are more likely to sustain the model after project support ends as they will derive financial benefit from doing so. This is how R2J made and sold the case for more and better jobs for the poor to private companies, for instance by co-piloting inclusive working spaces for women or showcasing the advantages of training and recruiting local IDPs for value-added jobs to reduce production costs and improve productivity (See box 7 and 8).

12. As per the definition of the European Venture Philanthropy Association (EVPA), "A business model describes how an organisation creates, delivers, and captures value for itself as well as its customers" , p.2 "VP/SI GLOSSARY", EVPA 2018.

13. Reflections on successful business models have been extracted form Business models for decent work, ILO The Lab 2019.

To achieve this, R2J engaged in long negotiations to build trust with and among market actors. They worked to find the right balance between bearing the risk of innovation and promoting the inclusion of marginalised groups. Finding this balance was often a moving target and the R2J team continuously reviewed interventions and re-negotiated business agreements.

Box 6: Milk collection centres: successful interventions have to stand on their own feet

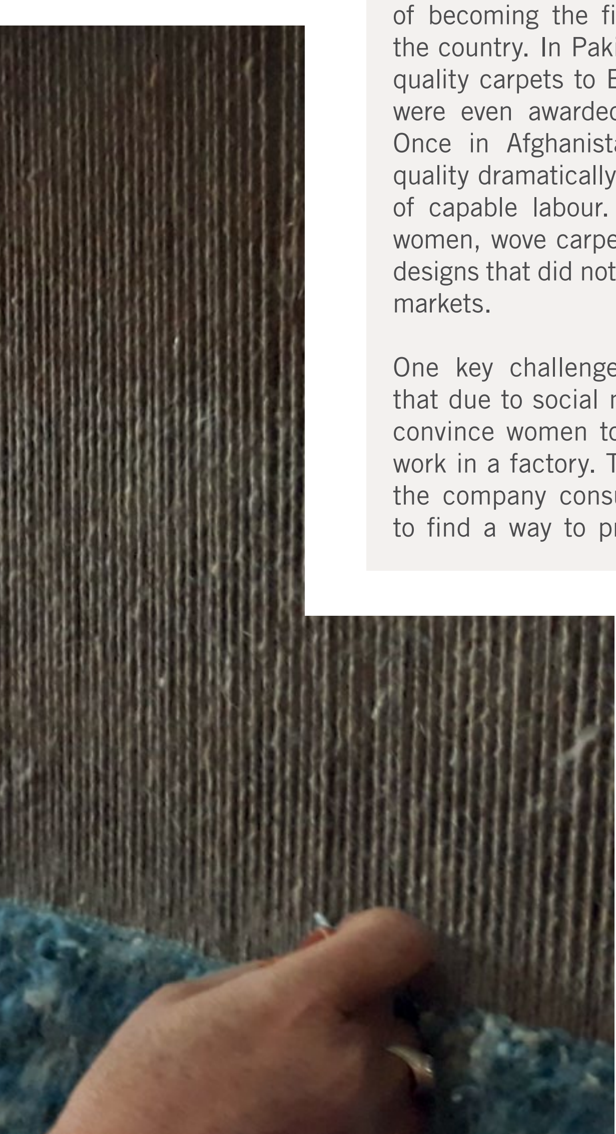
In 2016, R2J partnered with a local dairy company to expand market linkages and services for milk producers. The idea was to re-shape milk supply to the dairy company by establishing rural milk collection centres with cooling systems. The company would benefit from a constant input of high quality milk and increase its production, while (mostly women) dairy farmers from remote villages would have a market for their home-produced milk that would otherwise spoil. With R2J's support to train milk collectors and dairy farmers on animal husbandry and hygiene practices, the company opened three collection centres in the Dawlatabad district and one in the district of Sholgara. The business was did great, 22% of production increase and USD 23,470 of additional income for the company and USD 35,932 for the dairy farmers in less than three years. The model was so successful that other dairy companies started to replicate it.

Box 7: Carpet production: Weaving the path for women inclusion

In Mazar-i-Sharif there is a family business that has produced carpets for four generations. The company recently moved back to Afghanistan from Pakistan with the objective of becoming the finest carpet producer in the country. In Pakistan, they exported high quality carpets to Europe and the USA and were even awarded a prize of excellence. Once in Afghanistan, the production and quality dramatically dropped due to the lack of capable labour. Carpet weavers, mostly women, wove carpets with simple, outdated designs that did not meet the taste of foreign markets.

One key challenge for the company was that due to social norms, it was difficult to convince women to leave their homes and work in a factory. To address this, R2J and the company consulted rural communities to find a way to provide factory access to women while respecting social and cultural norms. Based on this dialogue, the company rented empty local houses to create five community-based weaving centres. They were safe and familiar spaces with kindergarten care facilities to help women better balance their job with domestic responsibilities. Here, 296 women received an R2J-supported training on digitalized carpet designs.

After the training, women started to produce higher quality carpets and with it, came a rise in income. Other women in the community saw the opportunity and requested to be a part of the weaving centres. The company saw the viability of the model and established three more centres in Balkh province. Competitors have also recognized the opportunity and are starting to replicate the model on their own.



Box 8: When training IDPs makes good business sense

The cotton industry had an historical importance in Afghanistan but many Afghans with technical skills in cotton processing and manufacturing have fled the country and others have outdated skills. Not a very conducive business environment for a small cotton yarn processing company in Balkh, which depended on seasonal workers from Pakistan to operate its machinery. Production costs were high and productivity low: the company had to pay for workers' transportation and permits and had to shut the factory down every three months so workers could renew their permits in Pakistan.

In collaboration with an international organisation supporting refugees, R2J made a case to the company on the advantages of training local people (mainly IDPs) to improve productivity. While the organisation cost-shared the purchase of new machinery (see box 9), R2J helped the company temporarily hire four technical experts on cotton manufacturing from Pakistan who trained 45 people (10 women and 35 men) on how to run the machinery. After an initial decline due to the inexperienced workforce, the production started to increase and the company decided to permanently hire two technical experts to regularly train local workers. Nowadays the company has 100 young IDPs employed in the factory and several home-based women workers. With an increased and stable production capacity, the factory has started to receive bigger orders from local companies who traditionally import material from abroad. With in-house trainers who can reproduce designs and update workers' skills, the company is extensively diversifying its products, adding value to the raw cotton to produce textiles, scarfs and even bags for the local market.

KEY LESSONS

- Work on both the supply and the demand of labour to promote inclusive employment.
- Design inclusive and sustainable business models that make 'good business sense' and align to companies' core commercial incentives.
- Find the right balance to bear the risk of innovation without subsidising core business functions.
- Be prepared to review and renegotiate partnership agreements.

The results through the lens of systemic change

Systemic change occurs when market players start to change their behaviour and invest their own resources to sustain an innovation in the long-term. By doing so, they influence the system as whole, because other players adjust their practices to accommodate the change. If a positive change occurs, the system performs better and generates sustainable impact for all the players involved, including the target group.

Towards the end of the project, R2J and the Lab started to look for preliminary signs of systemic change by applying the Adopt-Adapt-Expand-Respond (AAER) framework which helps to **unpack systemic change and determine whether the innovation actually generated impact**[14]:

14. See "Adopt-Adapt-Expand-Respond: a framework for managing and measuring systemic change processes", The Springfield Centre 2014.

- **Adopt-Adapt: "Are new business models adopted and institutionalised without external support?"** R2J often supported change among market players by co-sharing the risks and the costs of innovations with local companies. The litmus test for R2J was if companies would incorporate these innovations in their daily business and commit their own financial resources to sustain them in the future. This happened, for instance, with the milk collection centres (see box 6) and weaving centres (see box 7), which ***adopted*** R2J's piloted intervention as a new way of working. They increased production by being able to source consistent high quality inputs which increased incomes for the rural poor and in particular, women. Similarly, the textile company (see box 8) first ***adopted*** and then ***adapted*** its staff training by recruiting two technical specialists to train new workers on designs and the use of textile machinery.

- **Expand: "Are the benefits from the innovation expanding and reaching more people?"** R2J strategically supported capable companies to be early adopters of the innovations. By demonstrating innovation success, they influenced other actors to *adopt* and *adapt* similar models. By late 2019, several competitors began replicating similar initiatives in the region. One wanted to create its own milk collection centres but with a stronger focus on upscaling the transportation to the processing station; another had already established weaving centres but wanted to diversify the model by connecting the centres with home-based carpet production. ***Expansion*** happened also in terms of reach, with dairy and carpet companies opening new centres and increasing the number of workers in new districts of the region, independently from the initial R2J-supported pilot. Moreover, building on the new business models, the companies started to diversify their products which entailed an increase of job opportunities and inputs intake. The textile company for instance moved its production from cotton yarn to manufactured textile products (fabric, bags; etc.) and the dairy company progressively ***expanded*** its production to other dairy products, chocolate, and jams. In a way, the scale-up and crowd-in happened both organically and with the intentional support of R2J.

- **Respond: "Are other actors throughout the system changing their behaviour in response to the innovation in the core value chain?"**
  The "***respond***" component of systemic change is the most difficult part to achieve in a market systems project and it usually takes several years to catalyse. However, R2J could already observe that new initiatives were starting to appear in part of the system that had not been directly targeted by interventions and market actors were assuming new and improved roles without the support of the project. A new poultry husbandry company, for instance, decided to train and engage with 1,000 local farmers to raise chicken while the Balkh Chamber of Commerce and Industry (BCCI) started to take autonomous initiatives to contribute to an enabling business environment in the Balkh district (see box 10).

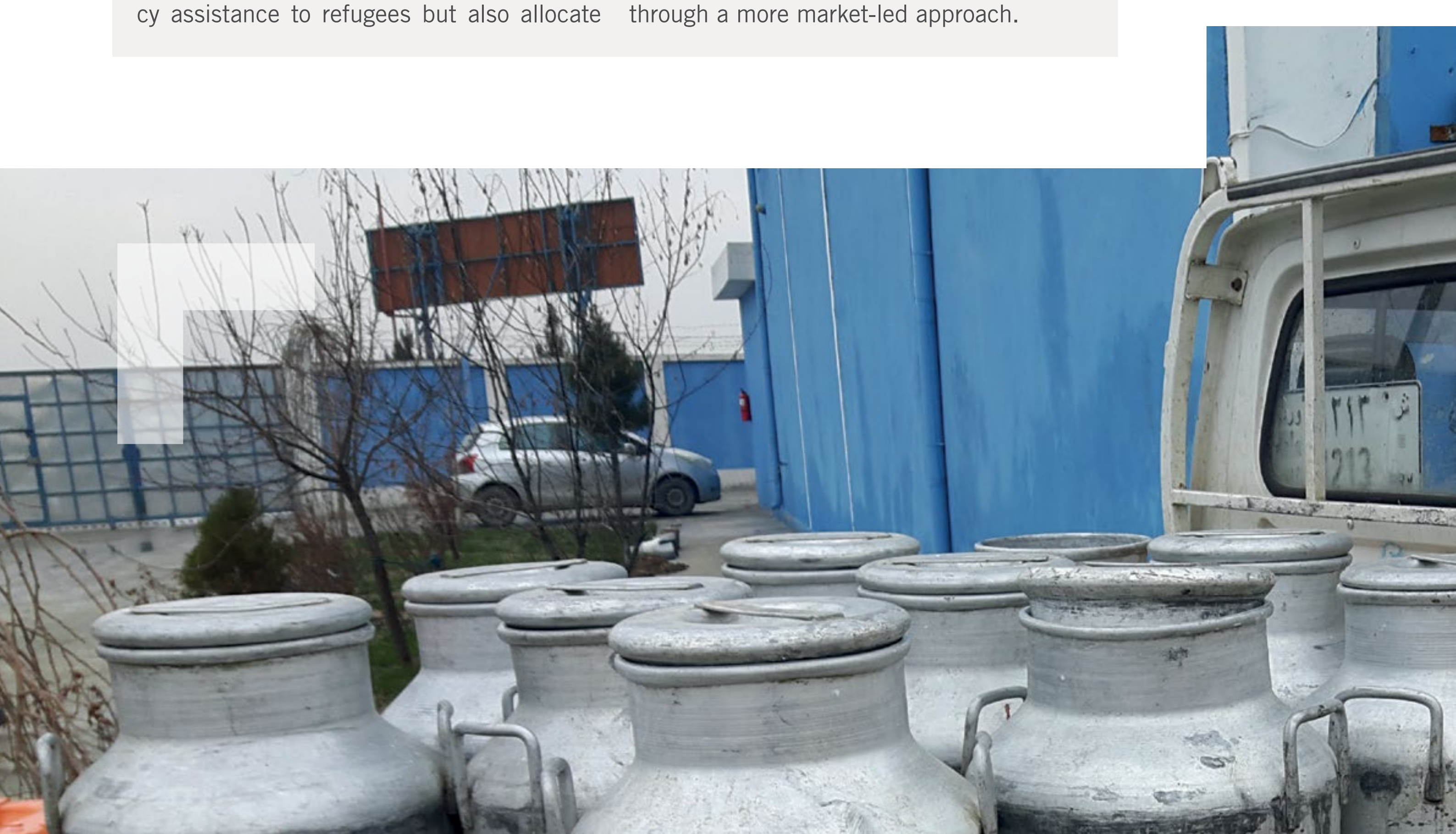
KEY LESSONS

- Unpack systemic change to determine whether the innovation actually generated impact.

Box 9: Influencing donors towards more systemic interventions

Afghanistan is an aid intensive environment and, as a result, many projects unintentionally distort the market, such that when donor money leaves and can no longer support a business or service, the supply-demand transactions around that supported service collapse. Rather than avoid such distortions and look exclusively for niche markets – R2J looked for opportunities to engage with donors to tackle the problem and 're-orient' their funding to implement more systemic and suitable interventions.

R2J partnered with an independent humanitarian organisation that provides emergency assistance to refugees but also allocate grants to start-ups and companies that are led by or benefit refugees. R2J helped the organization to pilot more cost-shared (i.e. less grant-based) collaborations with the private sector to reduce the risk of investing in businesses that have a high failure rate and limited potential to generate jobs for refugees. In one of their joint initiatives, this organisation and R2J ran a business plan competition specifically targeting high potential agricultural value chains, where business plans and grants were part of a competitive process led by local financial intuitions instead of projects. This showed a major mindset shift of addressing poverty challenges through a more market-led approach.



Box 10: Balkh Chamber playing a catalytic role

The Balkh Chamber of Commerce and Industry (BCCI) was a strategic actor given its potential to influence different market actors and contribute to a more conducive business environment. Unfortunately, however, at the start of the project they were ineffective in delivering on their mandate. To help BCCI better leverage its position, R2J helped them strengthen their entrepreneurial and technical skills through a few ‘champions’ on the BCCI management team. They jointly worked to convene multi-stakeholder coordination platforms where market players could exchange on the challenges and possible solutions to improve how sectors functioned.

After this initial push, BCCI became more service-oriented and started to pilot several initiatives on its own. The chamber conducted a survey to better understand member demand and then started to provide technical advisory and business development services such as: entrepreneurship trainings, IT and dispute mitigation services, fairs and expositions set-up. BCCI successfully negotiated with embassies for easier and faster visas processes for member business trips and has approached commercial chambers in key countries (Kazakhstan, Kyrgyzstan, Pakistan, India, and even Germany) to propose or scope for export opportunities.

In less than 3 years the Chamber increased its membership from 140 to 1,000 companies. A manager at BCCI reported, “*R2J helped us to change our business model […] it was the first time that a donor asked us to take the lead. We have learned to take this coordination role and to raise our visibility to attract more members*”.

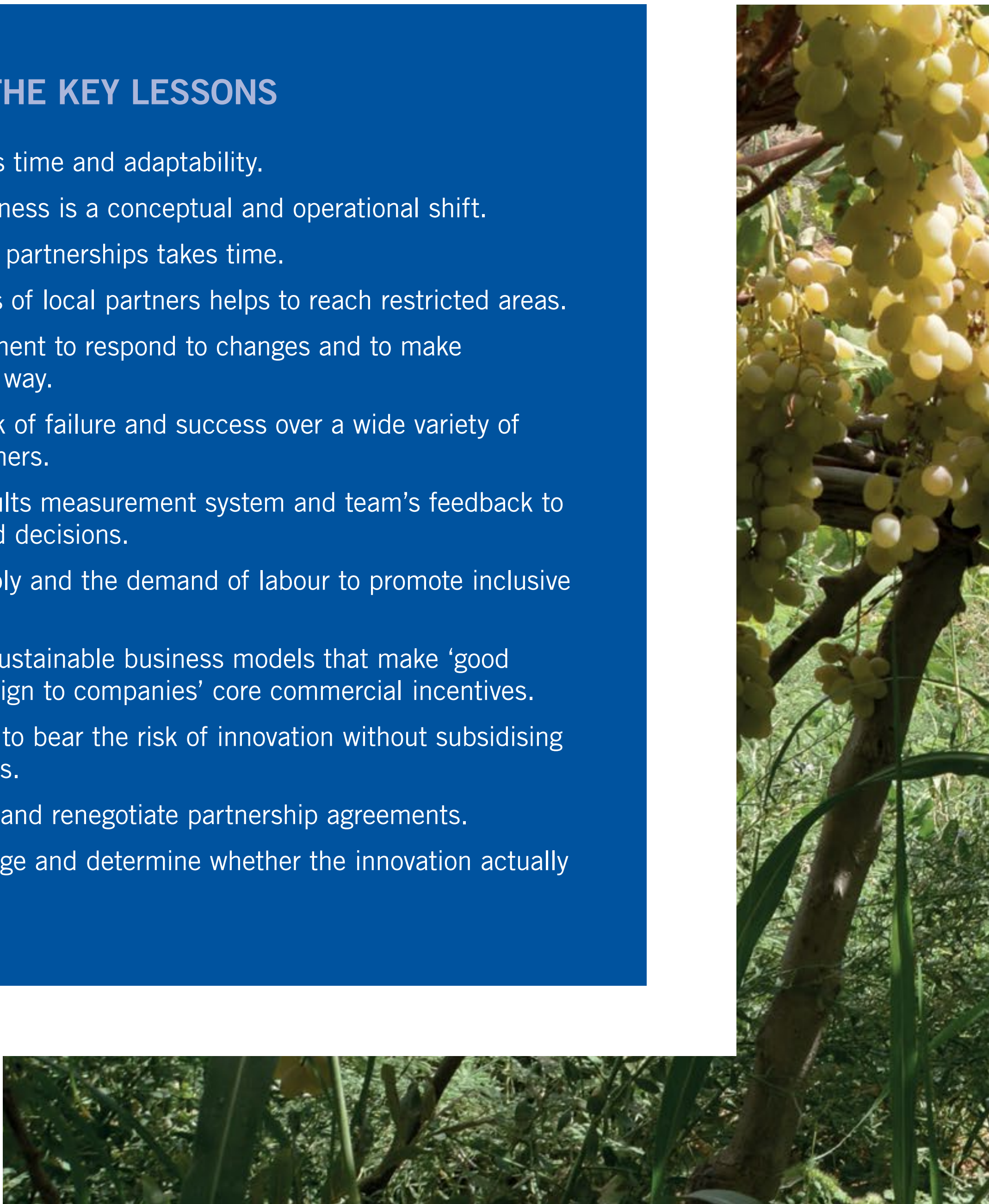
In conclusion…

Undeniably, Road to Jobs has achieved outstanding results in less than 4 years of implementation: 49,468 improved jobs for workers, intermediaries, companies, entrepreneurs and farmers in selected agricultural and manufacturing sub-sectors.

Through a trial-and-error process of negotiation, pilots, failures and successes, R2J has shed some light on the relevance and feasibility of applying market system development to employment creation, private sector development and, to some extent, peace-building in fragile settings. At the very least, it has shown that doing more business and less aid in Afghanistan isn’t so crazy after all.

SUMMING IT UP: THE KEY LESSONS

- A fragile context needs time and adaptability.
- Going from aid to business is a conceptual and operational shift.
- Setting up meaningful partnerships takes time.
- Building the capacities of local partners helps to reach restricted areas.
- Use adaptive management to respond to changes and to make adjustments along the way.
- Distribute both the risk of failure and success over a wide variety of interventions and partners.
- Rely on a rigorous results measurement system and team's feedback to take go/no-go informed decisions.
- Work on both the supply and the demand of labour to promote inclusive employment.
- Design inclusive and sustainable business models that make 'good business sense' and align to companies' core commercial incentives.
- Find the right balance to bear the risk of innovation without subsidising core business functions.
- Be prepared to review and renegotiate partnership agreements.
- Unpack systemic change and determine whether the innovation actually generated impact.



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the LAB
MARKET SYSTEMS DEVELOPMENT FOR DECENT WORK

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Road to Jobs
راه برای اشتغال

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