6 FINDINGS FROM THE INCEPTION PHASE CASE STUDY OF RECONOMY

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The Swedish International Development Cooperation Agency (Sida) launched RECONOMY, a regional market systems development (MSD) program spanning 12 countries from the Western Balkans and the Eastern Partnership region, in July 2020. The program is implemented by HELVETAS Swiss Intercooperation. The inception phase finished in December 2022 in the Eastern Partnership region, and in March 2023 for the Western Balkan region. This brief is part of a six-part series developed from a larger case study called "RECONOMY's Inception Phase: Lessons on how to Navigate Complexity". To find out more, visit our Website.

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1 CAPACITY BUILDING SUPPORTS THE LOCALIZATION OF AID

The challenge:

During its inception phase, RECONOMY had to develop structures and systems to allow the program to manage a team based out of six countries, as well as a delivery modality that relied on Implementing Partners (IPs) as co-facilitators – a new approach for Helvetas that promotes a greater **localization of aid** but that meant that different organizations needed to be trained on MSD. In addition, the phase took place during the COVID-19 pandemic - and witnessed a war between Armenia and Azerbaijan, political unrest in Belarus, and the Russian invasion of Ukraine. These challenges were set against the backdrop of having to deliver results within a short time frame, which is especially hard for MSD programs.

How RECONOMY addressed it:

Throughout its inception phase, RECONOMY continuously invested in IP capacity. This investment proved necessary given the varying points from which IPs started in their MSD journey, the different stages at which IPs were onboarded, and an evolving understanding by RECONOMY's core team as to IP's capacity to absorb technical and administrative requirements. IPs receive support from three main sources:

↘ First, part of the capacity-building support was channeled through Helvetas' Advisory Services, a pool of in-house experts that the program has mobilized for its diverse needs. RECONOMY also made use of a regional pool of experts from Helvetas projects in the regions where it operates. In this way, the program (a) effectively utilized the knowledge and experience of staff in the regions, and (b) gave talented individuals opportunities to work outside of their countries of origin, creating opportunities to also build regional capacity.

↘ Secondly, RECONOMY made available an external strategic backstopping team, hired to provide additional support in the roll-out of MSD.

↘ Thirdly, the program facilitation unit (PFU) members provided coaching and continuous support to IPs.

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2 ADAPTIVE MANAGEMENT AND A CULTURE OF SHARING DURING THE INCEPTION PHASE HELPED THE TEAM ADJUST TO EVOLVING NEEDS

The challenge:

Much of RECONOMY's inception phase was devoted to defining RECONOMY's overarching goals and fostering a common sense of purpose and direction between the stakeholders involved: Sida, Helvetas, and Implementing Partners (IPs). The breadth of objectives and geographic coverage posed a particular challenge in limiting the remit of RECONOMY and developing a shared understanding of what the program is about, within a complex operating context.

How RECONOMY addressed it:

The core Helvetas team continuously adjusted its approach to respond not only to external events but also to evolving program and IP requirements. A key enabler of RECONOMY's ability to introduce these adaptations is the team culture the program deliberately created, with a heavy emphasis on knowledge and responsibility sharing placed by senior management. This approach promoted evidence-based decision-making despite the team's geographical dispersion. Some adaptation examples include:

↘ **Operations:**
  • The establishment of an IT Portal that allows for real-time sharing of data and acts as a repository of knowledge among team members and between the team and Sida.
  • Development and roll-out of an Integrated Risk Management System based on scenario planning in response to the uncertain operating environment in which RECONOMY works.
  • Systematization of environmental and climate change (ECC) considerations through the Environmental and Climate-related risks and opportunities checklist.

↘ **Management:**
  • The onboarding of an Operational Manager to support consolidating systems and procedures.
  • A switch from six-monthly to quarterly financial reporting requirements from IPs, in response to low budget utilization rates and a need for increased oversight.
  • Explicit requirements that financial reporting should be done in English.

↘ **Technical:**
  • The pivoting of certain partnerships from IP to market actors in response to the realization that the role would be a better fit.

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3 PUTTING KNOWLEDGE MANAGEMENT, LEARNING, COMMUNICATION AND MONITORING AT THE CORE OF PROGRAM DELIVERY IN A COMPLEX SETUP

The challenge:

ECONOMY's core staff members are based in five different countries, and the Inception Phase has taken place during a period when international travel has been severely restricted because of the COVID-19 pandemic and armed conflict in the regions where the program operates. The core team works through 10 Implementing Partner (IPs) operating out of nine different countries. The program is also expected to leverage Helvetas' presence in the region - meaning there is a need to set mechanisms in place to create synergies with other projects.

How RECONOMY addressed it:

With full support from the Program Manager, the two-person knowledge management, learning and communications (KML-C) team and the Monitoring and Results Measurement (MRM) Manager have piloted a range of approaches that have encouraged sharing and improved the quality of RECONOMY pilot interventions within difficult contexts. For example, at IP and market actor levels, RECONOMY has proactively encouraged networking and exchanges against the backdrop of COVID-19 travel restrictions. These initiatives have resulted in new interventions – such as a joint initiative between the **FDC of Armenia** and **ZIPHouse in Moldova**, which emerged from a discussion that both IPs had at a regional conference organized by RECONOMY. Internally, the KML-C and MRM Managers ensure that knowledge is captured and actioned. During bi-monthly team meetings, coordinators share insights obtained from IPs, which allows the KML-C team to identify opportunities to further explore. These efforts have supported RECONOMY to establish a regional footprint and have contributed to the team's adaptive management practices, as well as to consolidate a team culture with IPs. There is a recognition that as pilots mature, the role of the KML-C component may need to evolve from internal knowledge sharing to the creation of content that supports the team to promote replication.

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4 REGIONALITY, A GUIDING PRINCIPLE THAT IS COMPATIBLE WITH MSD

How RECONOMY addressed it:

RECONOMY faced challenges in defining a program strategy that can work across 12 different country contexts in the Western Balkans and the Eastern Partnership against the backdrop of the COVID-19 pandemic, a war between Armenia and Azerbaijan, political unrest in Belarus, and the Russian invasion of Ukraine. There is consensus amongst team members that regionality is the program's most notable differentiating factor. However, there is also an awareness that putting it into practice is challenging and this is not only from the program's side, as the operationalization of a regional program has had to take place in parallel to Sida adjusting their internal structures to accommodate a regional program. Eventually, due to challenges faced, RECONOMY broke its approach to regionality into steps that promote:

↘ Replicating successful business models piloted in one country in other countries,

↘ Broadening the ambitions of businesses that would otherwise limit themselves to single-country operations,

↘ Supporting partners to increase regional trade.

In addition to determining its regional approach, RECONOMY was expected to hit the ground running from day one. There was an assumption that Helvetas's long-standing presence in several countries in the region, mainly the Western Balkans, would provide sufficient insight into regional market dynamics. However, the institutional knowledge was not immediately applicable to RECONOMY. Further, the intense time pressure under which the core staff and early Implementing Partners (IPs) were put to start interventions and deliver results meant that the diagnostic process was rushed at a time when target groups and delivery modalities were being refined. While keen to explore opportunities around regionality, most core staff and IP members interviewed mentioned that if they could change only one thing about the program, it would be to have had more time to refine their country-level strategy.

During the inception phase, RECONOMY began testing pilots and generating early-stage proof of the viability and inclusion potential of business models. The fact that the program has managed to communicate the regional ambition effectively across levels of program implementation, and that some initiatives are underway, is encouraging – and is aligned with Sida's expectation.

The challenge:

One of the key ideas that Sida wanted to test when they launched RECONOMY was whether MSD could be successfully applied regionally. RECONOMY is different from other multi-country MSD projects. It was designed and conceived as a regional program, with the region being its unit of analysis. This has two implications for the program: conceptually, it is pioneering MSD at a scale that has not been tried before; operationally, it has to design and adapt tools that allow it to manage this scope.

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5 **INCLUSION** – STRIKING A BALANCE BETWEEN COMMON AND CONTEXTUALED APPROACHES IN A REGIONAL PROGRAM

The challenge:

When designing RECONOMY, Sida wanted to test were whether inclusive and green economy approaches were compatible in the framework of a regional MSD program. While there is a shared understanding at all levels of the program about the importance of being inclusive, what inclusion means in practical terms for RECONOMY is still unclear. A reason for this is that the definition of Gender and Social Inclusion (GESI) has evolved during the inception phase. For example, in the Technical Document that Helvetas prepared in June 2020 (before the program started), there is mention of the fact that *"the program's vision and strategy to addressing gender is driven by the MSD approach, in particular integrating Women's Economic Empowerment (WEE) into the approach."* By September 2021, in the Design Report, *"RECONOMY is able to segment the target groups beyond the rubric label of women, the youth, or others who are excluded and disadvantaged. For this, the program uses a three-pronged approach of segmentation that combines (i) socio-economic, (ii) location-based, and (iii) health-related causes of being disadvantaged and excluded".*

How RECONOMY addressed it:

The definition suggested in the Design Report does not seem to have been adopted by team members. Indeed, team members perceived that beyond data disaggregation, RECONOMY was not maximizing its potential to be intentional about inclusion. GESI mainstreaming is a challenging area for many MSD projects, as it is often understood as something that can only happen once the viability of a business model is established. There is evidence to support that this approach leads to implementers to approach GESI as an add-on instead of a fundamental to the inclusive business model.

An added difficulty for RECONOMY is that it is one further step removed from the beneficiaries than most of the other MSD programs that Helvetas is managing, as it works through Implementing Partners (IPs). This means that it is harder for RECONOMY to influence the behavior of market actors, who are ultimately the ones who, by adopting inclusive business models, will effectively deliver inclusive outcomes.

It is encouraging, however, that there is an acknowledgment of the need for improvement, as well as a willingness to learn amongst core staff and IPs.

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6 HOW TO MAINSTREAM ENVIRONMENT AND CLIMATE CHANGE CONSIDERATIONS INTO A REGIONAL MSD PROGRAM

The challenge:

The MSD community is trying to keep pace with the effects of environmental degradation and climate change that affect our planet. RECONOMY is one step ahead of many projects on this front. As explained in the Design Report, "For the program, environment and climate change, and inclusive economic development are not competing objectives." However, most MSD programs that are trying to be intentional about Environment and Climate Change (ECC) face the issue of lacking guidance: there is no blueprint for mainstreaming ECC into MSD.

How RECONOMY addressed it:

By having a full-time ECC Manager onboard, the program is supporting Implementing Partners (IPs) and core team members to move beyond a do-no-harm approach (the level of ambition of most MSD projects) to the development of intentional approaches to ECC mainstreaming. Recognizing it is not always straightforward for IPs to understand how to operationalize ECC considerations, the program has developed an internal checklist covering the variety of environmental considerations which may arise during the market system analysis and implementation of interventions. The checklist aims to improve IPs understanding of the impact of ECC trends and risks on the systems where they operate, prevent possible negative impacts of the interventions, and build the capacity of IPs. This is possible because of a top-down culture that champions ECC and empowers the team to be proactive about it.

Recognizing that ECC looks different in different sectors, RECONOMY has adopted a portfolio approach to ECC mainstreaming that is built around four types of pilot interventions (in line with ILO guidance): certain interventions take place in green sectors. These include initiatives championed by partners such as **EECG** for energy efficiency or **REDI** for waste management. Another category comprises interventions in conventional sectors where the program is looking for opportunities to increase the environmental sustainability market players. These include interventions in textile and apparel, agriculture, or tourism. Thirdly, some interventions deal with increasing the potential of certain sectors to support the green transition. This would comprise interventions that promote the role of ICT as an enabler, such as **Climate LaunchPad**. Finally, the program is realistic and understands that work in certain sectors such as BPO will have to follow a Do No Harm approach when it comes to ECC matters.

Despite the challenges of mainstreaming ECC, RECONOMY has made progress in including the measurement of green jobs and skills. For instance, the program uses sectoral and skills-based approaches to define green skills and jobs. The sectoral approach is simplified, and it focuses on all jobs in "green" sectors. The skills-based approach relies on the skills which may contribute to greening the economy.

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