

Making Markets Work for the Poor:
An introduction to the approach

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Introduction

- Overview of **Making Markets Work for the Poor**
 - M4P(or M4P4P, M4P, market development)
- Compare with conventional development approaches
- Review the background of M4P
- Briefly introduce the key elements M4P approach
 - Rationale and objectives
 - Framework for understanding and sustainability
 - Guidance for action and intervention
- Experience, lessons and implications
 - (case studies)

COMPARISON

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Low income African country (US\$270/capita): rural MSEs constrained by lack of information

Project A: 1999--; US\$2.5m/3 yrs; est. av. \$0.5m/yr

Increase info for rural MSEs
"Info is a long term strategic public good"

Peak of 7-8m listeners

Initially 10 stations but dissemination cut as funding cut to \$50k/yr. Other activities remain donor funded:

2 projects

Goal

Outreach

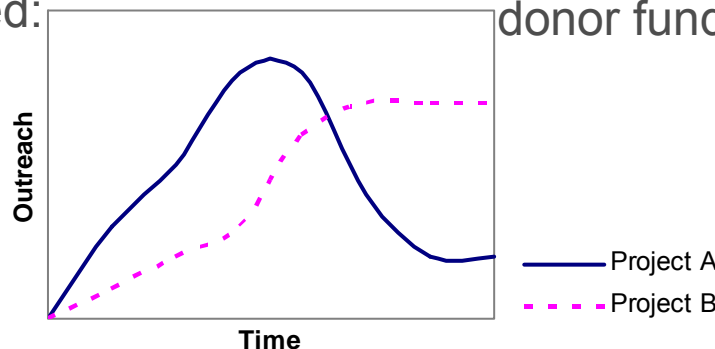
Sustainability

Project B: 1999-2007; ~US\$1.2m

Establish sustainable, effective info for rural MSEs via the mass media

7m regular listeners

24+ stations with MSE independent progs; emerging new progs & support services: no donor funding



What explains the difference?

Provide information to MSEs

Rationale

Make commercial media work better for MSEs in rural areas

Symptoms: what info do the poor need?

Understanding

Causes: understand structures, practices, incentives of media system – why not pro-poor?

Unclear: “A long term strategic public good”, but no assessment of govt capacity or incentives

Sustainability

Explicit: commercial, based on local ownership & incentives, appropriate for local context

Direct involvement & finance:

- info collection
- analysis
- prog production
- purchase airtime
- coordinate

Intervention

Facilitate and catalyse:

- develop own understanding, networks & credibility
- influence, demonstrate & link
- TA to stations & other players
- work through local actors
- no finance to radio stations

The essence of M4P

- **Objectives:** more effective and inclusive market systems for the poor
- Grounded in detailed **understanding** of market systems
- Shaped by an open, justified picture of **sustainability**
- Flexible, multi-faceted **interventions** to crowd in more market activity: light touch, indirect, facilitative

Rationale

Framework

Guidance

BACKGROUND

The “real” world is changing

Poverty reducing

400m less people in poverty (1981-2001)

Globalisation increasing...

- dev countries share of trade 37% (from 28% 10 years before)
- outsourcing of manufacture and services growing



... Old tariffs die hard

Agricultural subsidies

- US - 18%
- EU - 37%
- Japan - 60%

... Poverty remains pervasive

- 17% (1.1bn people) at \$1 per day
- 45% (2.7bn) at \$2 per day

More investment

- developing countries current share of FDI = 27% (doubling in 10 years); growing corporate interest

Competitiveness: the new mantra in the global economy

natural endowments and traditional strengths matter less

Services grow in importance

- as %of GDP
- within general product offers

Traditional public-private distinctions are being challenged

Technology open new possibilities
mobile phone access higher than fixed line in many countries

The “development” world is changing

Emergence of market-oriented thinking in different sectors and agencies eg

“Efficient markets are essential if countries are to reap the benefits of globalisation and to make that process work for poor people” DFID

“Any national strategy to achieve the Millennium Development Goals needs to include a clear framework for private sector growth” Jeffrey Sachs

“The business of business is (not just) business but big business building social issues into strategy” Ian Davis, McKinsey & Co

“Globalisation is neither new nor a folly, but a global movement of ideas, people, technology and goods, benefiting the people at large”

Prof Amartya Sen

“Economic output has traditionally been visualised as commodities and goods. This economic vision grows less accurate each year...The growing importance of services means that knowledge – how to do things, how to communicate, how to work with other people – is becoming ever more important” The World Bank

“If we stop thinking of the poor as victims or as a burden and start recognising them as resilient and creative entrepreneurs and value conscious consumers, a whole new world of opportunity will open up” CK Prahalad

A greater willingness to acknowledge failures eg World Bank’s *“insufficient guidance”* to governments on private sector development

The origins of making markets work for the poor In different spheres of development, similar experiences...

Agriculture

“The key requirement is to engage “in ways that are non-distorting, market-oriented and capable of generating net benefits for the poor” Joffe et al

Water

Previously seen as the preserve of government, now growing recognition of the need to develop public: private arrangements. In 1990s, approx. 25% of investment came from the private sector

Business services

Transparent, documented
experience review process in 1990s

Livelihoods

“A more imaginative approach is needed, rooted in stronger understanding... of institutional development in economic growth, with market development one part of that institutional development”

Dorward et al

Financial services

“To achieve its full potential, microfinance must become a fully integrated part of a developing country’s mainstream financial system” CGAP

...a shift towards a M4P approach

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Different fields: similar experiences

<i>Typical experience</i>	Agricultural extension	Business services
Performance Outreach Sustainability Impact	Limited, marginal areas neglected <i>“Chronic inability”</i> to manage delivery One-size-for-all does not work; disincentive to private sector	Low coverage, usually below 5% Only for as long as subsidies last No correlation between use of official services and performance
Reasons for performance	Over-rigid, standardised view of services Failure to work with other actors, including the private sector	Narrow and incorrect view of business services and of govt role Support for inappropriate providers
Challenges	Developing effective and valid roles for public agencies in partnership with private players	Developing new roles for different players: govt, membership organisations and private sector

Defining a more facilitative
role for development agencies

M4P: what it is... and what it is not

■ It is...

Rationale

- Objective of more effective and inclusive market systems for the poor

Framework

- Grounded in detailed understanding of market systems
- Shaped by an open, justified picture of sustainability

Guidance

- Flexible, multi-faceted interventions to crowd in more market activity: light touch, indirect, facilitative

■ It is not...

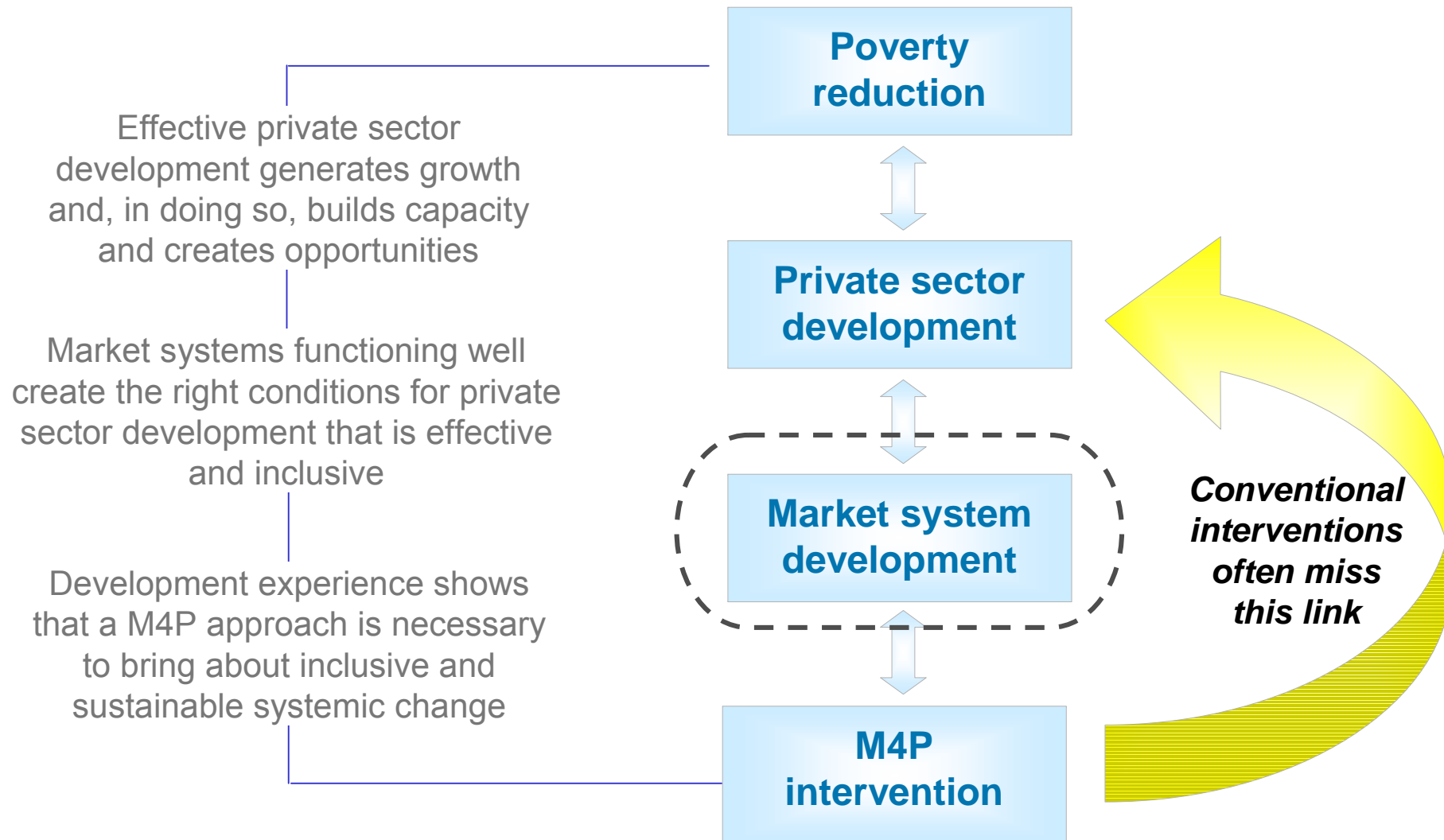
- Promoting “perfect markets”
- Relying on “free markets”
- Focusing “only on the private sector”
- Seeing “no role for government”
- Believing that there should be “no subsidy” in development interventions

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ELEMENTS

rationale

Objectives: the strategic rationale



rationale

What's different about a M4P approach?

Conventional

What problems do businesses have?

How can I help to solve these?



M4P

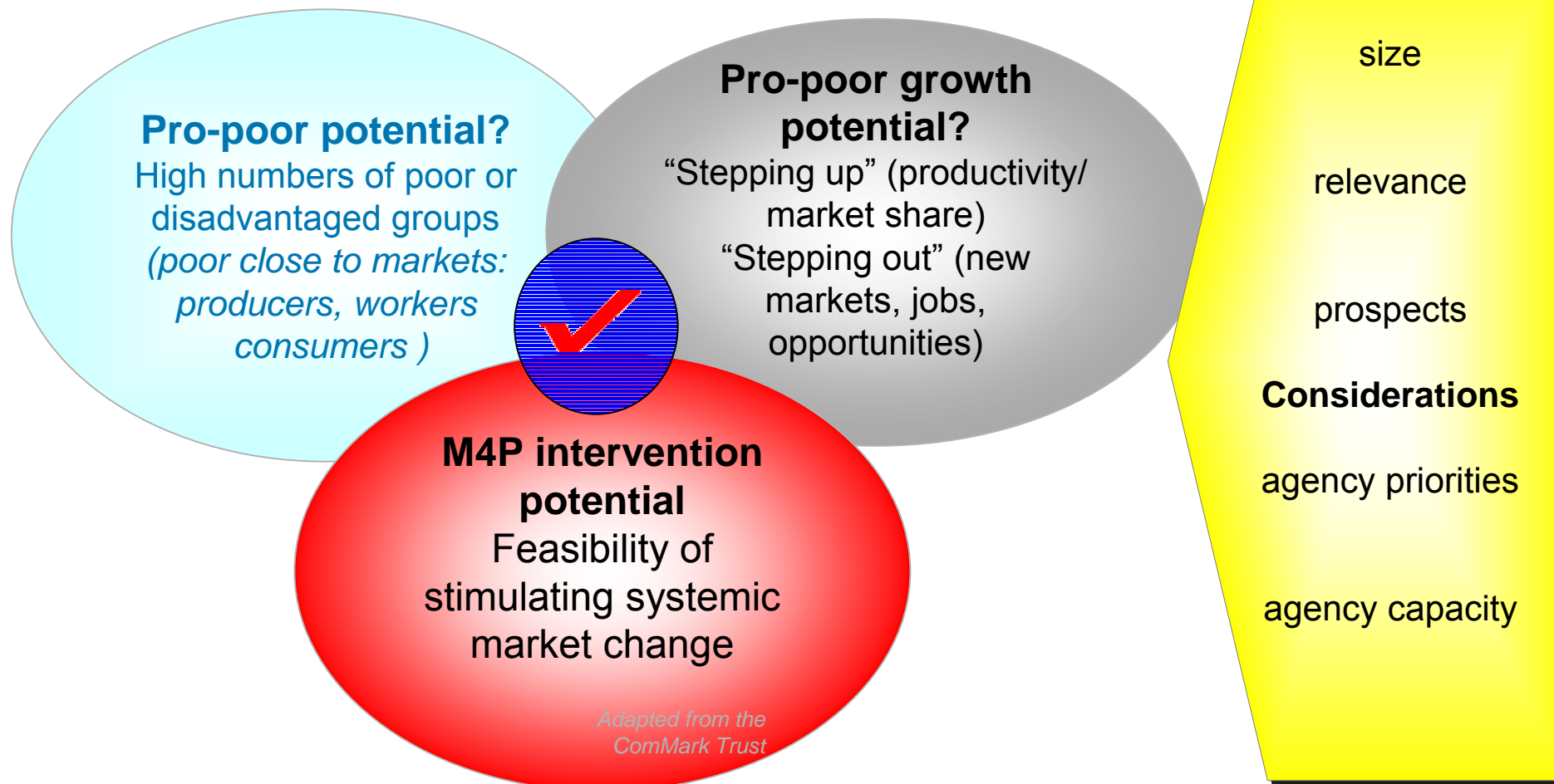
What problems do businesses have?

Why isn't their market environment providing solutions to these?

... Why isn't the market working for the poor?

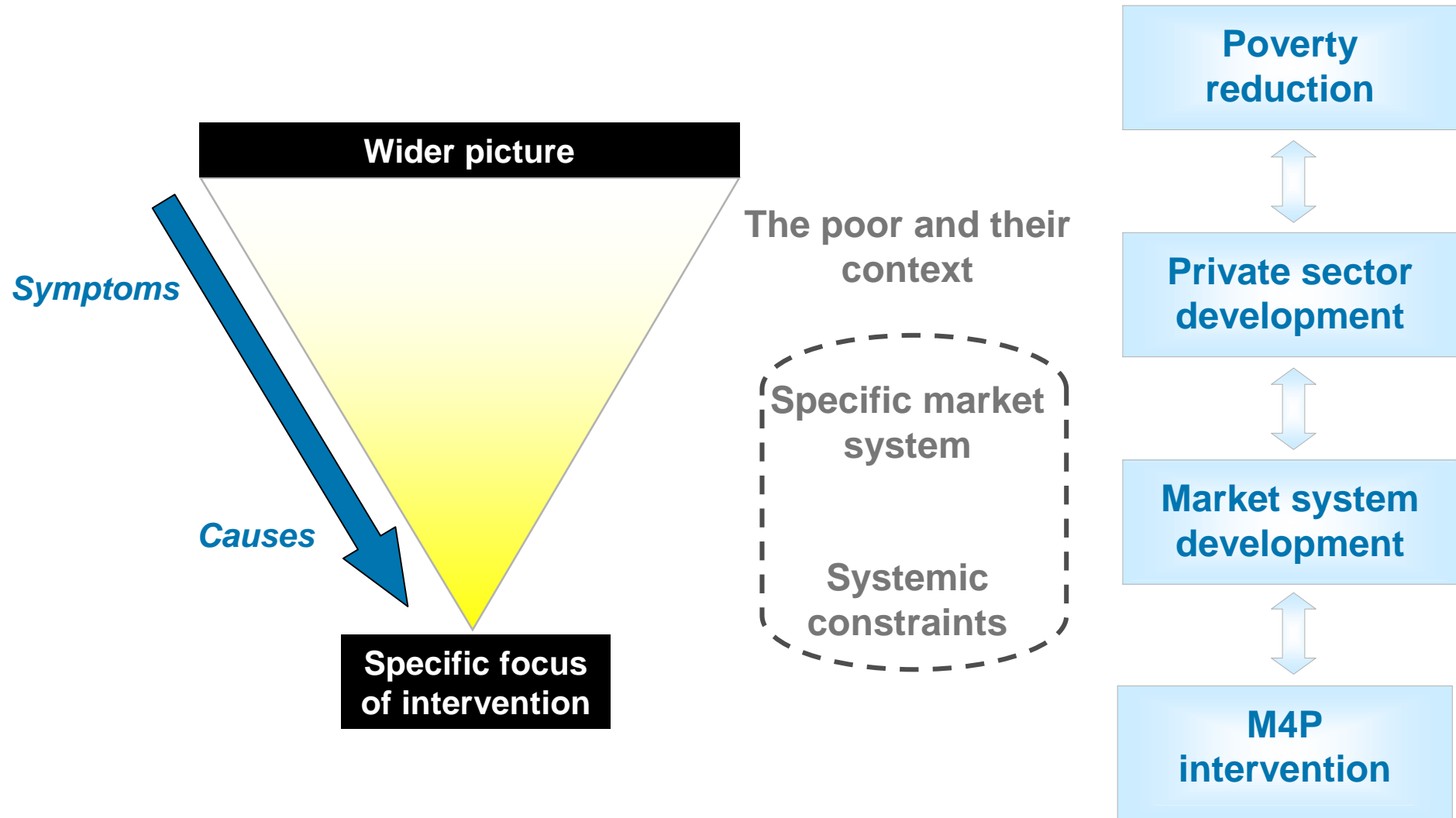
rationale

Defining pro-poor focus



framework

Understanding the poor in systems

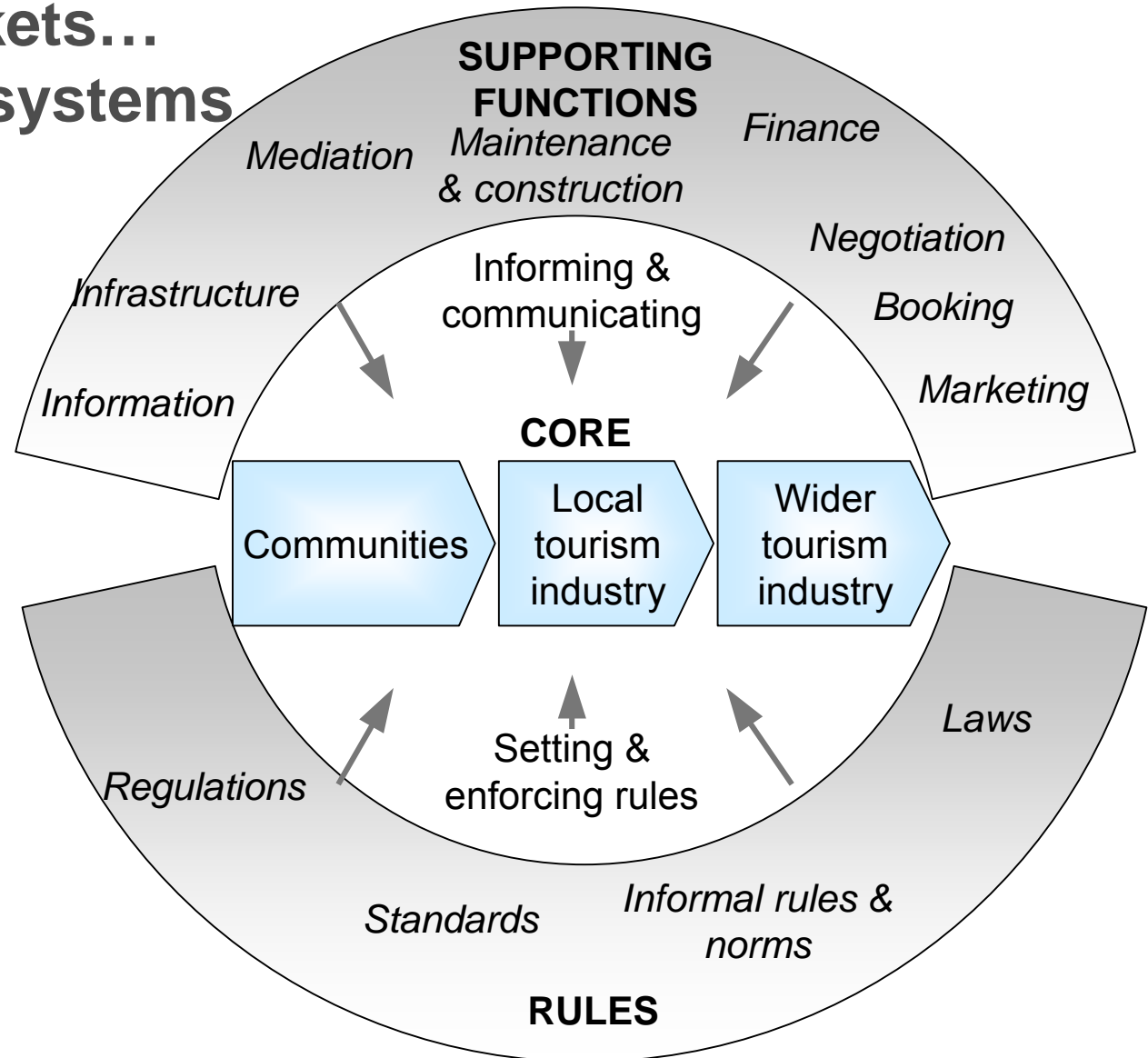


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framework

From markets... to market systems

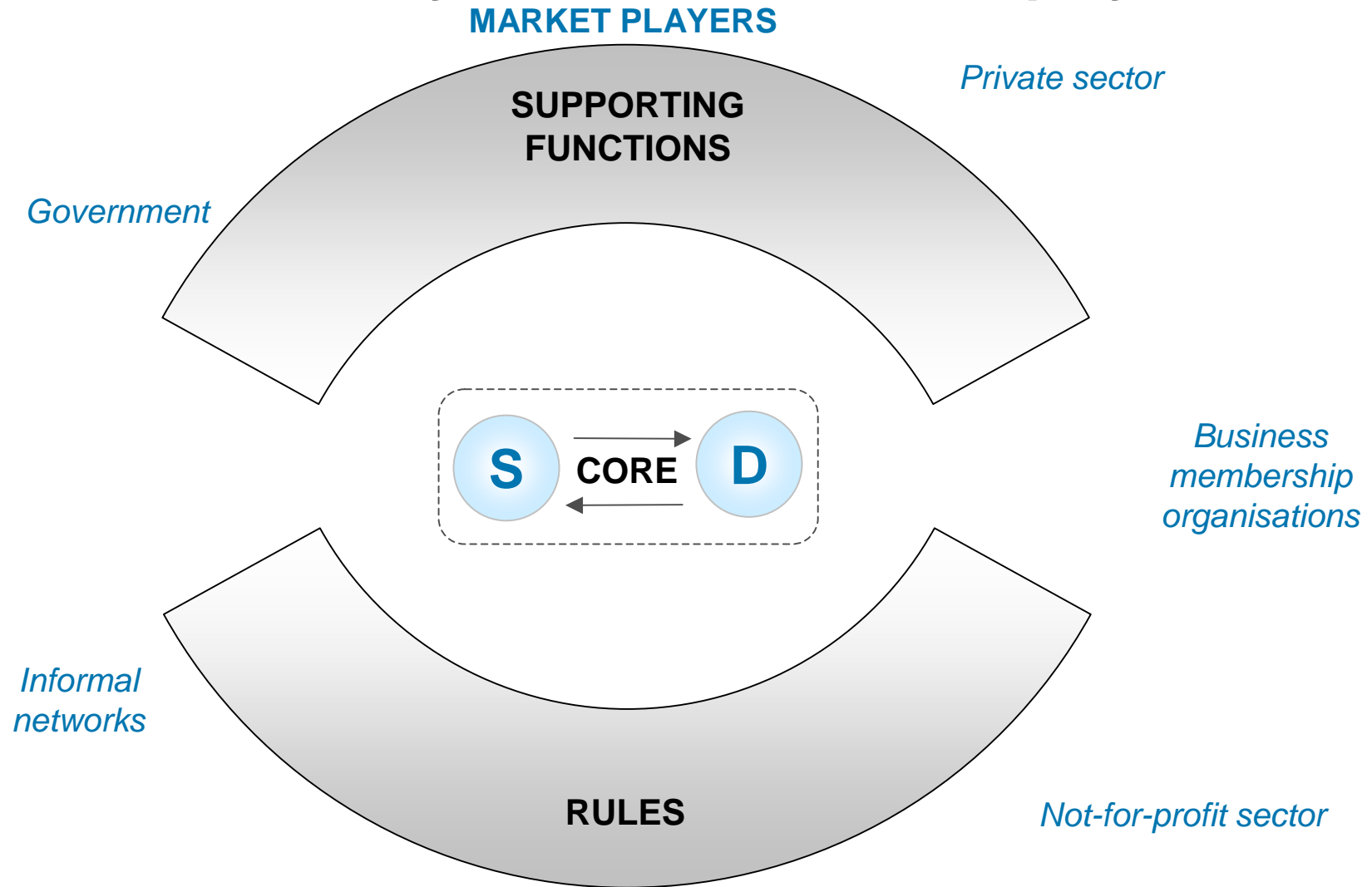
Eg community-based tourism



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framework

The market system: functions and players



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framework

Developing a realistic picture of sustainability

Functions	Players	
	Who does?	Who pays
Business training/advice	<u>NGO</u> / PS	<u>Donor</u> /PS internship
Advocacy	<u>NGO</u>	<u>Donor</u> / members
Finance	<u>NGO</u>	<u>Donor</u>
Construction & maintenance	PS	<u>Donor</u>
Joint venture mediation	<u>NGO</u> / PS	<u>Donor</u>
Booking	<u>NGO</u>	<u>Donor</u>
Marketing and branding	<u>NGO</u> / PS	<u>Donor</u>
Information	<u>NGO</u>	<u>Donor</u>
Standards	<u>NGO</u>	<u>Donor</u>
Market research	<u>NGO</u> / PS	<u>Donor</u>
Legal services	PS	<u>Donor</u>
Conflict arbitration	<u>NGO</u>	<u>Donor</u>
Regional planning	<u>NGO/PS</u> /Govt	<u>Donor</u> / Govt
Advice to government	<u>NGO</u>	<u>Donor</u>

framework

Market systems: key points

- Market systems are not just private, but multi-functional and multi-player
- Market systems are interconnected and interdependent
 - Rules and supporting functions are often parts of other market systems
- Conventional market failure/public goods arguments are often based on a narrow understanding of markets and are static... not very helpful for guiding intervention

framework

The centrality of sustainability to M4P

Conventional

Sustainability not operationalised

General but ill-defined aspiration for the future

M4P

Sustainability placed at the centre of strategy and action

Exit strategy = entry strategy

Builds a realistic, transparent picture of the future:
private and public

guidance

Intervention design and implementation

Conventional

General support for

(a) macro reform

and

**(b) Direct delivery
of support to
target groups**

M4P

**Specific support aimed
at addressing
market constraints
through limited
interventions**

- finite
- focused
- facilitative

**Indirect interventions,
rely on intelligence,
influence & leverage**

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guidance

The essence of facilitation

- To stimulate market players to perform valid roles (they're currently not doing/not doing well)
- Strategy for intervention is to determine a "pathway to crowding in" ...
- ... Which recognises
 - importance of indigenous ownership
 - interventions are time defined with finite resources
- ... Which establishes credible exit strategies from outset, against which progress can be measured
- This pathway, rather than a step-by-step handbook, guides what facilitators do in practice

In general this means...

**Catalysing: initiating, motivating & linking...
getting others to do things... ..
"crowding in" not "crowding out"**

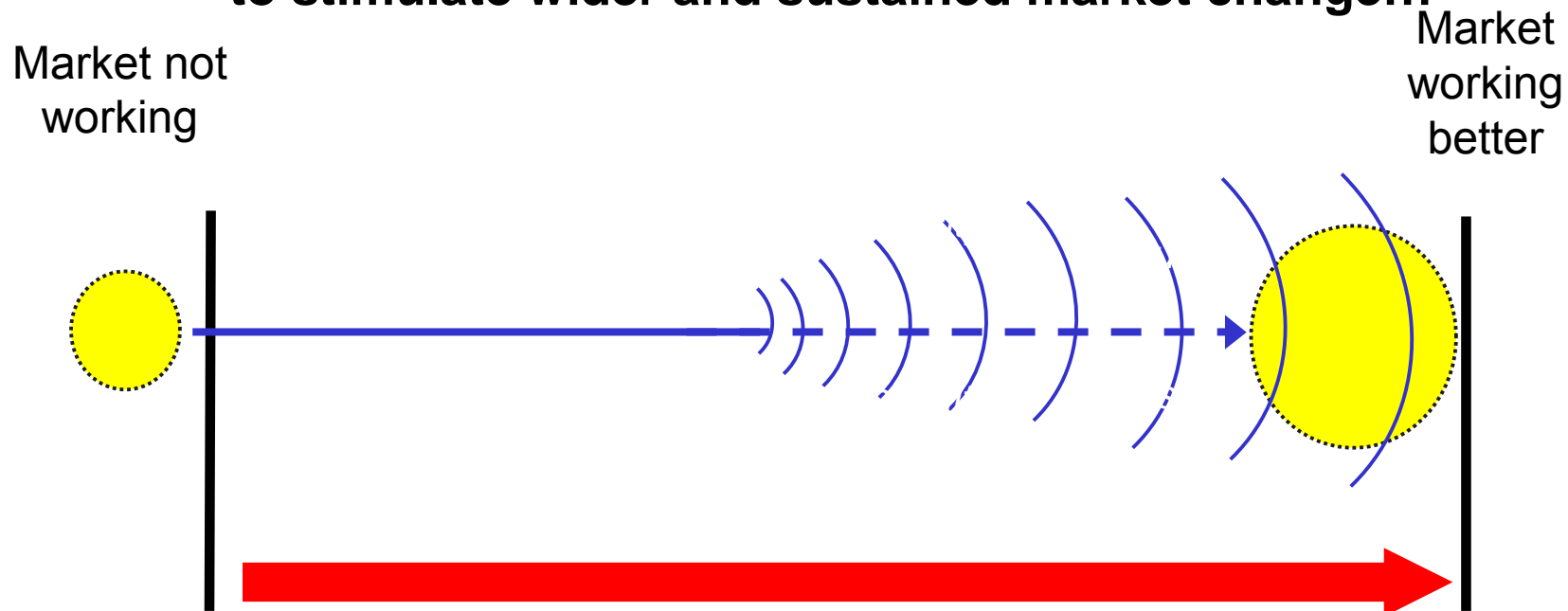
Light touch intervention, with little financial support to market players

**Flexible, opportunistic & multi-faceted interventions
but guided by an overarching strategy for M4P**

**Less consideration of "what you do"
and more on "how you do it"**

Relationships and M4P objectives

**We work with partners as a means to an end:
to stimulate wider and sustained market change...**

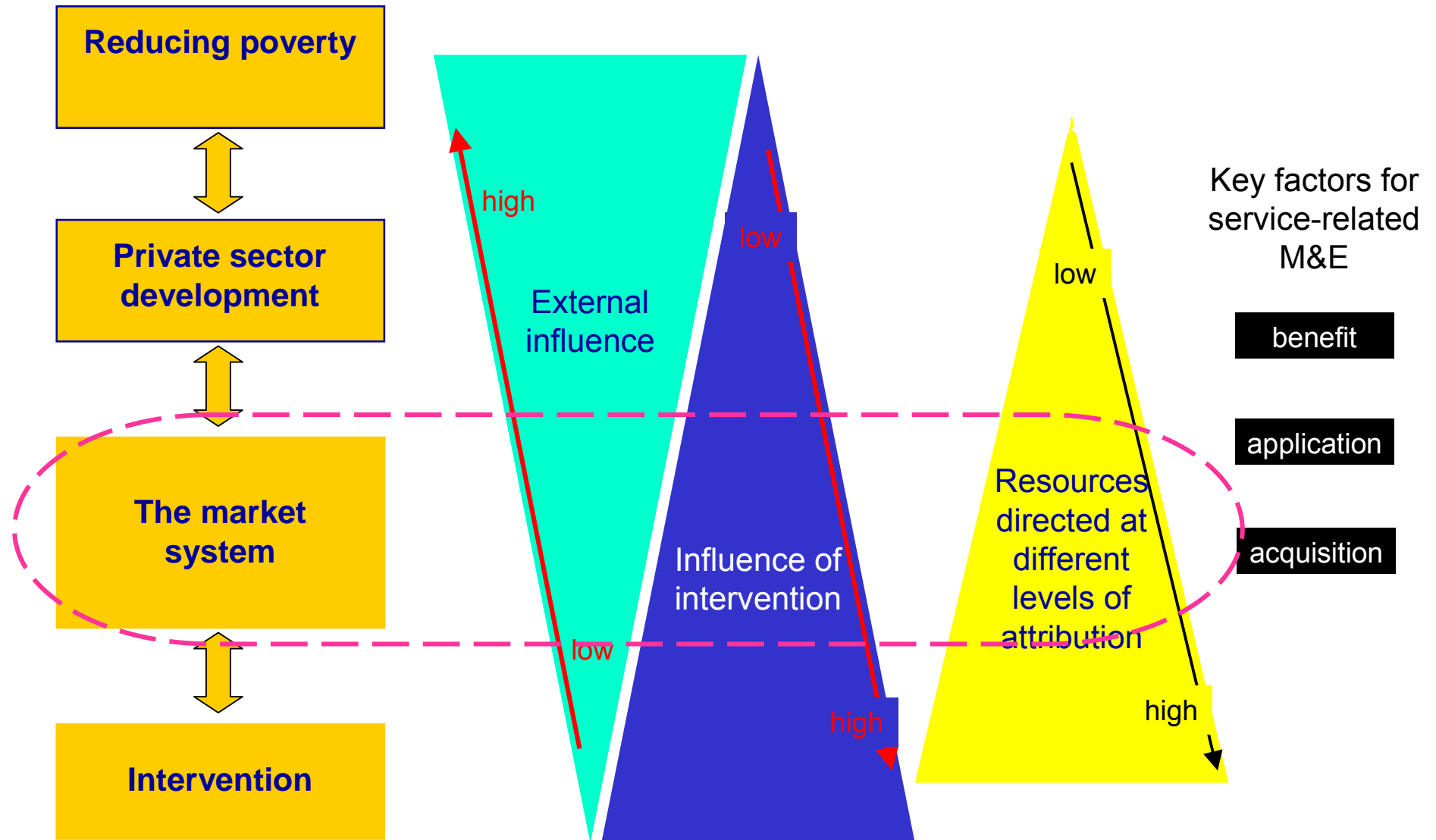


... Therefore an effective relationship has to balance two considerations

(1) Provide right incentive to market partner: the route to engagement and sustainability

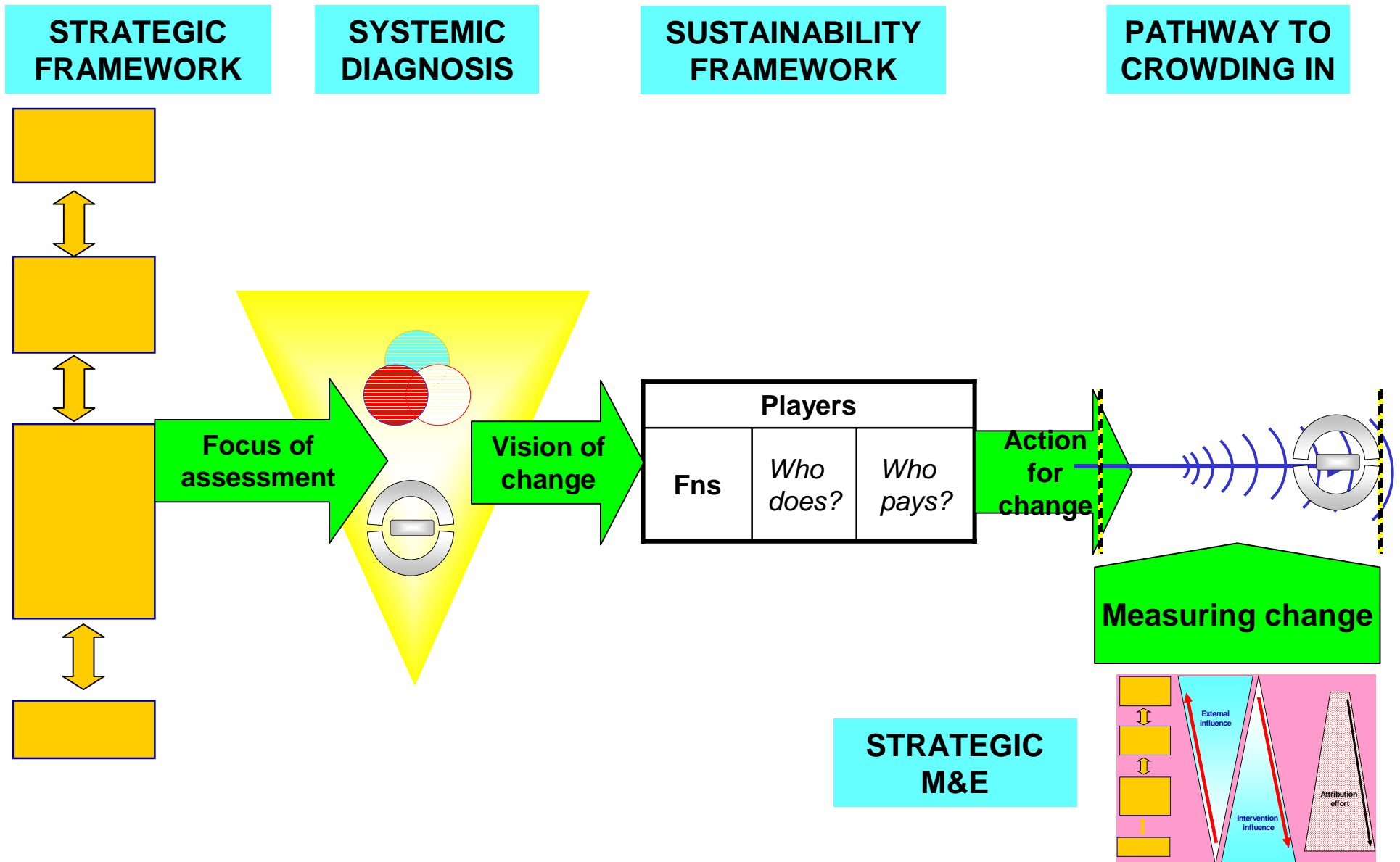
(2) Achieve wider system change: avoiding unfair competition or benefit – “keeping the door open”

Assessment across the strategic framework



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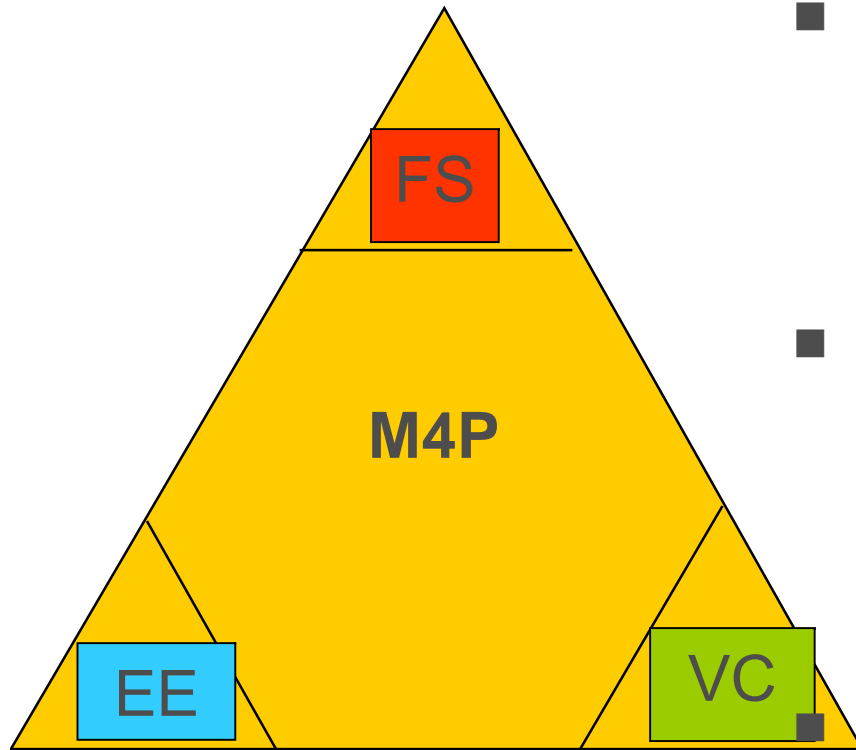
M4P frameworks to guide practice



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EXPERIENCE

Different contexts...but a common approach



- FinMark: South Africa, 2002-2007, DFID
Increased access by the poor to financial services (insurance, housing finance, services and information)
- Katalyst: Bangladesh, 2002-2007, SDC-DFID-SIDA
Enhancing productivity of poor producers through improved access to knowledge and information services
- SCINO: Indonesia, 1989-present, Swisscontact
Creating a more enabling local business environment through improved public-private dialogue and engagement

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Dimensions	FinMark	Katalyst	Indonesia
Orientation – where are the poor	Access to 2 m additional people, low income groups	Vegetable cultivation: 50% of <i>Always Poor</i> and 100% <i>Occasionally Poor</i>	1000's of unrepresented / lack of voice MSEs
Scale – how many reached	2.3 m in three years; rate of access doubled	350,000 farmers reached (1/3) – and increasing rapidly	No of complaints received (41% related to basic services) XXXX
Poverty – income difference	↑ Access = ↓ Poverty	25% spend reduction on inputs; 33% increase in yield; 100% increase in revenue	Proxy measures: Improved public sector response; reduced street protests (costs/ damages)
Sustainability – continued impact	Access continues to increase	Access to information continues – plans for upgrading / expanding	Complaints centres, PPD Platforms all continue and funded by local resources
Crowding-in – additional impact	Systemic factors addressed: continued deepening without project funding	Plans for replication / adaptation by competitors for same and new products	Neighbouring municipalities learning, interested in replication

IMPLICATIONS FOR DEVELOPMENT AGENCIES

M4P: crossing cutting, not standalone

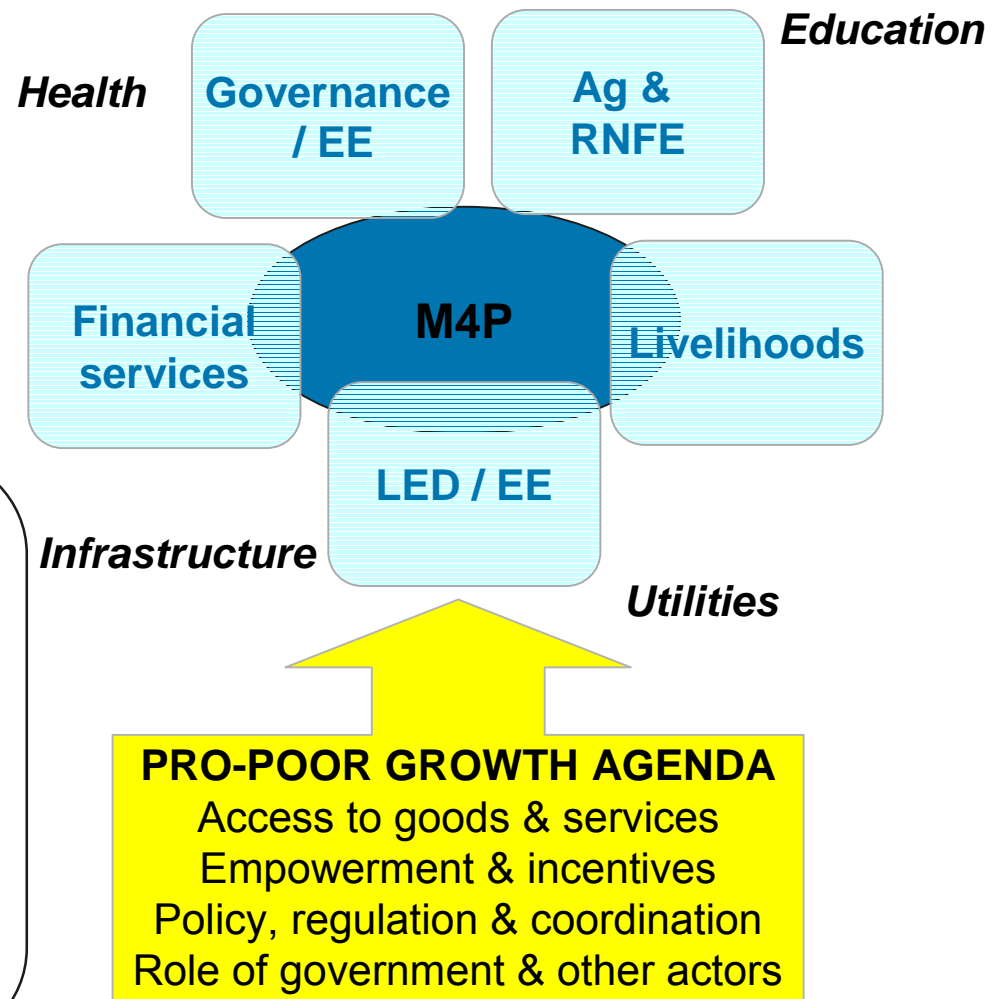
M4P's prime motivation:

How development agencies can intervene to promote inclusive, sustainable economic development...

... To include the poor in the economic mainstream

"... (incipient) signs within DFID that M4P is emerging as a unifying theme for the different disciplines within its PSD approach."

"The technical assistance and creative thinking that underpin these MMWP programmes must NOT be sidelined by the increasing profile of either investment climate work or budget support." *IDC, July 2006*



The M4P challenge

- ▶ The ambition and potential of MMW is large-scale, sustainable impact
- ▶ But there are major implications for us

Flexible projects

- Strategic direction, but flexible implementation
- Pilots/measures to build intelligence and credibility
- Integrated PSD activities
- Funding arrangements

Allocation of resources

- Less direct financing
- More TA/HR-oriented

People

- Development & market
- Generalists & specialists
- Long term & short

Important roles for small, innovative, informed agencies

- On the ground
- Disruptive innovation
- Distinctive competencies

New opportunities

- Funders
- Partners
- Mechanisms

Reference Sources:

- Various M4P reports and case studies at www.springfieldcentre.com
- SDC funded M4P case studies, contact anne.berberat@deza.admin.ch
- Various M4P reports and papers at DFID/AsDB Vietnam: www.markets4poor.org
- Various M4P and BDS reports, papers and presentations: www.mmw4p.org and www.bdsknowledge.org
- Joint DFID/ AsDB workshop on M4P: www.dfid.gov.uk/news/files/trade_news/adb-workshop.asp