

MMW4P Programmes - Lessons Learned¹

DFID has launched a series of programmes across Asia, Africa and Latin America based on MMW4P thinking. The lessons from these early programmes are still emerging and contexts vary, so it is not possible to arrive at hard and fast rules on how MMW4P programmes should be designed and implemented. However, this note tries to capture the experiences of these programmes and provide general guidance on the principles and approach to designing and implementing MMW4P programmes based on this early learning. A summary of the key questions that donors should consider in designing and implementing MMW4P programmes is appended as Annex A. The lessons learnt from each programme are presented in Annex B².

Key Messages

1) **Before implementing MMW4P programmes, it is essential to ensure that the pre-conditions for their success are in place.**

MMW4P programmes have demonstrated their ability to deliver large impact in terms of growth and income of the poor. They are more likely to do so when the pre-conditions conditions for success are in place. The critical pre-condition is the selection of appropriate markets. Ideally, the markets selected should meet three criteria: i) the potential for delivering large impacts as they represent binding constraints to growth and involve large numbers of the poor; ii) it should be possible to achieve systemic change in each market within the short term to medium term (3-5 years); and iii) conditions in selected markets should approximate the perfect storm of strong triggers for change and credible, committed and capable stakeholders willing to respond to them. Establishing whether these pre-conditions exist is time intensive so the research may be contracted out. However, research is unlikely to provide clear cut answers, so advisers will need to make judgement calls as to the extent that pre-conditions for success are in place.

2) **The purpose of MMW4P programmes is to bring about systemic change in markets - altering the incentives the market system provides to actors so that markets work better and more fairly for the poor.** As set out

in note 3, a key distinction of the MMW4P Framework is that it recognises that markets are systems made up of: i) the wider environment for private sector development; ii) rules of the game in the form of policies and institutions that govern markets; iii) support functions including infrastructure, information and linked markets and; iv) the structure of competition and capabilities of actors. The market system provides incentives that influence the behaviour of the key actors and so affects market outcomes. To bring about change that will improve the functioning and fairness of the market as a whole, and so deliver large impacts, and to ensure that better market outcomes are sustained, MMW4P programmes need to change the incentives provided by the market system. Changing incentives is likely to require multiple interventions encompassing policies and institutions, innovative business models that shift the market access frontier to include the poor and building the capabilities of actors that help the poor participate in and benefit from markets. Where programmes such as the MMW4P programme in Bolivia chose to focus on a single dimension of the market system such as the rules of the game, they were unable to deliver systemic change until they addressed also support functions such as access to finance and the capabilities of businesses through which the poor participated in markets. And, conversely, where programmes such as Katalyst succeeded in innovating business models that improved the access frontier for the poor, without helping to replicating them across the market as a whole, their impacts did not embrace the market as a whole.

3) **The positioning of MMW4P programmes should be determined by what is causing markets to fail, the political economy and capacity of the state and the behaviour of the private sector. This local context is key to deciding the positioning and focus of MMW4P programmes.** To bring about systemic change, MMW4P programmes frequently need to influence the public sector to change policies and institutions and provide public goods. And, they may also need to change private sector behaviour by aligning business incentives more

¹This is note 6 in a series of 6 notes on MMW4P. Note 1 addresses MMW4P, Growth and Poverty Reduction; Note 2 Integrating MMW4P in Growth Strategies; Note 3 MMW4P: The Framework; Note 4 The Market System; Note 5 Implementing MMW4P Programmes.

²Annex B to this note describes the conditions that make up the perfect storm.

closely to development objectives. Programmes may therefore benefit from being positioned and having the flexibility to work with both public and private sectors. However, the extent to which each sector should be involved in the programme will depend on the country and market context. The contextual factors that need to be taken into account in positioning programmes are: i) the causes of why markets are failing to function well or fairly, government or market failure; ii) the political economy of change - where is resistance to pro-poor reform likely to come from; iii) the extent to which the state is responsive to the interests of the poor, willing to embrace a market development agenda and capable of implementing pro-poor reforms; iv) the extent to which private sector organisations and actors are committed and able to bring about pro-poor outcomes. In general, in countries with capable states that are responsive to the poor, it may be useful to involve the public sector fully in exercising governance over the programme. In countries where the state is a cause of the problem or weak but the private sector is willing and able to bring about pro-poor change, it may be prudent to position the programme as a private sector initiative. Where the key role the programme is expected to play is to broker agreement between the public and private sectors, it may be useful that both take ownership, as is the case in EPP in South Africa. As responsiveness and capabilities may change, it is important to build in flexibility to be able to reposition the programme. For example, DFIDSA has repositioned ComMark by bringing in the government and the unions to exercise governance in response to their interest in promoting shared growth, securing for the programme a strong position of influence.

4) **Establishing credibility and influencing actors in the public and private sectors is vital for success.** MMW4P programmes serve to catalyse and facilitate change brought about by actors in the public and private sectors. Playing such a role effectively requires the programme to have the legitimacy and credibility to exercise influence. Credibility may be established in several ways: i) by initiating and developing the programme through a joint process, ii) by involving credible stakeholders in the governance of the programme; iii) by using credible facilitators, researchers or providers of technical assistance; and, iv) by recruiting staff with credibility amongst key stakeholders to manage the programme. Many of these factors are easier to obtain when focusing programmes, at least initially, on single sectors. Successful programmes have also developed a 'brand' or voice with which to influence change. It is much harder for broader, multi-sector programmes to obtain such credibility and build a

brand for these programmes it may be better to build a voice or brand at the intervention level.

5) **It is important that identity and governance structures promote local ownership. However, identity and governance structures may not deliver local ownership on their own. It is the willingness of stakeholders to exercise strategic leadership that delivers effective ownership.**

An important success factor in the early MMW4P programmes was the extent to which credible and legitimate stakeholders in the public or private sectors took ownership of the programme. FinMark and ComMark were established as independent trusts in order to ensure that they were owned by stakeholders appointed as trustees and not regarded as donor initiatives. However, experience shows that ownership depends upon the extent to which concerned stakeholders are empowered and able to exercise strategic leadership rather than the form of legal identity selected. Local ownership has been strong in FinMark, a trust, and in EPP, a donor programme, but not as strong in ComMark which is also a trust. Whilst the trustees of FinMark were stakeholders in the financial sector and committed to make the financial sector more inclusive, the original trustees of ComMark were neither champions of the MMW4P approach nor directly concerned with its interventions. They looked to DFID to exercise strategic leadership. In the case of EPP, stakeholders from the state, the private sector and civil society involved in the governance of the programme were committed to make the labour market work better and took ownership of the programme. The MMW4P programme in Bolivia was owned by its recipient, the Comité de Enlace, an umbrella organisation of the informal sector, even though it was a donor programme, because it was empowered to take strategic leadership in defining the issues it addressed.

6) **Effective governance, in the form of leadership in steering the strategic direction of the programme is crucial for MMW4P programmes. An important distinction needs to be made between single sector and multi-sector programmes in this regard.** Because change is an unpredictable process, the ability to set and, periodically, adjust the strategic direction of the programme to respond to changes in policies or market conditions is essential for success. In the case of single sector programmes, committed stakeholders serving on the governing body are well placed to track and respond to changes in policies and market conditions. They may also fulfil the useful roles of acting as champions and facilitators

of pro-poor change and provide the programme with the legitimacy and credibility needed to be successful, as exemplified in FinMark. Where donors can be opportunistic and responsive, it may also be possible to initiate such programmes in response to such conditions. However, where programmes address multiple markets, it is more difficult to find informed, legitimate and credible stakeholders across the markets to be addressed. The boards of multiple market programmes should be made up of persons who are champions of a market based approach to development but their role could be limited to setting guiding principles and exercise of fiduciary oversight. Strategic leadership over individual market interventions may be left to informed, committed and credible stakeholders within each market, as FinMark was able to do. In some instances, such as the Katalyst programme in Bangladesh, champions of the market based approach may be few and hard pressed to devote the time needed to provide effective leadership. In such cases, donors may have no alternative but to provide strategic leadership themselves. They will need to fulfil the role of multi-sector programme boards, involving stakeholders in providing leadership in individual market interventions.

7) Flexibility in governance arrangements, types of intervention and resource use is crucial for success. Because of the unpredictability of change processes and market conditions, MMW4P programmes need flexibility in their design and implementation to adapt to new circumstances. Changed attitudes in the public or private sectors may make it appropriate to change governance arrangements as ComMark demonstrates. Building in flexibility into the governance arrangements is likely to pay dividends over the life of the programme. The type of intervention that is appropriate in promoting systemic change will change over the course of a programme and, with it, the outputs that the programme seeks to deliver. Hence, it is prudent to not be too prescriptive on the outputs the programme will deliver at the design stage. And, as the types of intervention change, resource use is likely to shift with it. Hence, management contracts that specify in advance what skills and inputs that contractors are expected to provide is likely to prove a hindrance rather than an asset. Management should be incentivised to deliver outcomes rather than through guaranteed inputs.

8) The role played by managers of MMW4P programmes is different to conventional PSD programmes. Managers need to have credibility and vision and also

serve as social venture capitalists, investing in the ideas and ambitions of others. Ideally, managers of MMW4P programmes should be appointed by their governing boards and serve as their, not DFID's, agents. Their personal credibility and ability to bring stakeholders together is often critical to programme success. Unlike conventional PSD interventions where managers are tasked to deliver specific outputs, the role of MMW4P managers is to serve as catalysts of change brought about by stakeholders. They may facilitate the process of change by providing expertise and resources but their role is to change the system without becoming part of the system thereby ensuring sustainability. Managers need to be entrepreneurial, acting as social venture capitalists, reacting to developments in the market and the ambitions and ideas of market participants. Managers should therefore be selected for their capability to think strategically and display entrepreneurship rather than either technical skills or a track record in managing inputs and outputs of traditional PSD interventions. The terms of reference and criteria for selection for managers will need to reflect these differences.

9) Strategic leadership needs to be combined with an opportunistic approach to testing and scaling up what works. To set the strategic direction of the programme, management needs to work with their boards to develop a common vision of how the market should work and undertake scenario planning to anticipate risks. However, because change is unpredictable, it is often important at the outset to plan to pilot a series of small interventions that will test where there is greatest appetite for change and possible interventions that will have the greatest impact. For multi-sector programmes especially, this is often necessary in order to develop an understanding of the sector, the key stakeholders and opportunities for impact. Even in single sector programmes, but especially in multi-sector ones, the pareto rule of generating 80% of the impact from 20% of the interventions appears to apply to MMW4P programmes. Knowing that some interventions will fail and only a few succeed, managers and governing boards should be prepared to kill off failures and scale up successes. They will need to be alive to new opportunities as they emerge and invest in them on an opportunistic basis. For systemic change, replication of successful business ideas and models and policy and institutional changes will be essential. It is important therefore that pathways to replication, including communication and dissemination, are built into the design of all pilot interventions.

10) **The skill set required of managers includes understanding the political economy of change and how to overcome vested interest.** The MMW4P framework recognises that the status quo represents a political settlement and market outcomes may favour vested interest. Pro-poor change, whether in policies and institutions or the behaviour of private sector participants, is unlikely to favour entrenched vested interest who may resist change. In local contexts where the state is not committed to shared growth, managers of MMW4P programmes need to have a sound understanding of the political economy of change and demonstrate skills in implementing strategies to overcome resistance to change. Managers should have, or develop rapidly, the credibility to influence stakeholders across the public and private sectors. In countries where the state is sceptical of new approaches, it may be useful for programmes to build credibility by demonstrating how markets can be made to work better for the poor through private sector initiatives before attempting to influence policy makers. MMW4P programmes have achieved large scale impacts by working with the private sector, as Katalyst has proved. However, systemic change will be reinforced if the new business models introduced by the private sector are underpinned by policy and institutional change.

11) **Where markets are weak or even fail to develop at all, as a result of the high transaction costs involved, it may be necessary to incentivise innovation or explore public subsidies and public private partnerships to ensure markets reach the remote or extremely disadvantaged.** Markets do not always serve and include all groups within a country and all geographic areas. Sometimes it is too expensive to reach remote areas where transaction costs of doing business are high and where highly dispersed populations result in very thin markets in any one rural area. In some contexts, such issues can be addressed through innovation such as using mobile phones to bring the poor into the banking system. In other areas markets may be simply unfeasible the land may not be suitable for growing crops competitively or the transaction costs involved in buying inputs and selling produce too high. In such circumstances the poor may be better served by social safety nets and assistance in moving to more viable areas and alternative occupations. In other instances, where the social benefits are high, it may be worthwhile to consider public subsidies or public private partnerships to deliver services to the poor. Social protection has an important role to play in helping the disadvantaged participate in market,

helping them acquire the assets they need and overcome the risk aversion that accompanies their vulnerability. In such instances it is important to implement these programmes in ways that work with the private sector and act as incentives to push forward the access frontier, rather than undermine the market and provide disincentives for the private sector.

12) **Managers may need to deploy a variety of tools to bring about systemic change starting with credible research to provide evidence for change.** The early programmes have employed a wide variety of tools to bring about systemic change. Successful programmes have almost always started with commissioning research from credible sources to provide evidence for change. Such evidence has helped to motivate stakeholders to address the critical government and market failures. Hence, in the case of FinMark, the FinScope tool provided evidence of the extent to which the needs of the poor were not being met by the financial sector providing the incentive to innovate. The EPP programme used credible research to help government, employers and the unions realize the considerable common ground they had in making the labour market function better and more fairly. Tools that may be used subsequently will depend upon the causal factors that are identified as making markets function poorly. Hence, where policy and institutional change is required to improve the rules of the game, public private dialogue may be appropriate as the MMW4P programme in Bolivia did to reduce the barriers to informal businesses participating in markets. Value chain analysis may help to identify functions in the market that are causing loss of income for the poor setting up an agenda to provide business development service to improve the function, as PrOpCom is now undertaking in Nigeria. And, where the critical requirement is to shift the access frontier by innovating new business models, challenge funds such as the Financial Deepening and Business Linkage challenge funds have an important role to play.

13) **Because MMW4P seeks to bring about behavioural change, M&E systems for MMW4P programmes need to differ from conventional PSD interventions. The challenges posed by attribution, additionality, and displacement are yet to be overcome.** MMW4P programmes focus on outcomes and behavioural change rather than the inputs and outputs that are the focus of

conventional PSD interventions. At the goal level, MMW4P programmes seek to increase growth and the incomes of the poor. Measuring these impacts needs to take account of the displacement effect: For example, in measuring the income gains to farmers of better inputs and advice, account needs to be taken of the displacement effects of their, or their wives, devoting less time to other livelihood activities. Establishing baselines that are comprehensive, allowing for displacement effects in measuring impacts and surveying sufficient numbers of people to measure whether the change is systemic requires considerable forethought in planning. M&E systems may become very expensive. It may be more cost effective to only attempt quantitative measures of some impacts addressing others qualitatively. Because systemic change benefits all participants in markets, the targets for outreach of outputs and impacts should be ambitious. Sourcing out the measurement of impacts to third parties makes sense to avoid the potential bias when managers are tasked to measure their own effectiveness. There are also challenges in terms of monitoring progress and evaluating effectiveness in the shorter term. In addition to developing sound logic models of how outputs build to outcomes, and outcomes to impacts, tracking progress needs to include participatory tools for measuring changes in behaviour. Thus, M&E systems of MMW4P programmes need to incorporate participatory tools such as case studies, market dairies and key informant interviews. Because they seek to empower stakeholders to fulfil their ambition, measuring the extent of additionality and attribution can be difficult.

14) **Programmatic aid, provided by DFID or through basket funding, is likely to be the appropriate funding instrument. Impact can take time and expenditure tends to rise only after programmes have become credible in the market.** MMW4P programmes that work with the private sector are not suited to budget support and SWAps. However, the impact of such MMW4P programmes may be strengthened by complementary programmes aimed at policy and institutional change, improving infrastructure and other public goods (research, extension, information) and providing social protection. So, coordination with aid provided through budget support or SWAps for these purposes may be important. Basket funding of programmes is appropriate for pooling and harmonizing donor assistance but the donors involved need develop a common vision of outcomes and buy-in to the

MMW4P framework for achieving them. Timeframes of 5-7 years are usually warranted for MMW4P programmes to enable them to deliver systemic change with OPRs or MTRs conducted after 2-3 years. The expenditure profiles of the pilot MMW4P programmes reveal that it takes time to generate the flow of new opportunities and identify successes to scale up. Expenditures often increase after one or two years and remain high thereafter. Authority levels for key decisions such as approving programmes, scaling them up or shutting them down should reside in country. It is difficult to make these decisions without intimate knowledge of the context.

Annex A: Check List for Programme Design & Implementation

1. What value can using a market lens add to the wider agenda for growth and poverty reduction? Which processes can it influence PRSPs, growth strategies, PSD strategies, investment climate reforms etc?
2. Do markets selected for MMW4P interventions meet three criteria: i) the potential for large impacts in terms of growth and the incomes of the poor; ii) the causes of markets not functioning well or the disadvantage suffered by the poor may be addressed in the short to medium term (3-5 years); iii) conditions are close to the 'perfect storm' of strong policy or market forces that demand change and capable and committed market participants willing to respond to them.
3. Has analysis helped to identify the triggers for change (policy issues, market forces) that will make it possible to engage both the public and private sector? Has analysis been undertaken, using the framework of the market system, to identify the key government and market failures that are preventing the market from functioning well? Is there a sound understanding of how the poor participate in the market and what is constraining access and disadvantaging the poor in reaping benefits? Has the analysis been used to engage stakeholders - government agencies, private businesses and representatives of the poor and, if so, were their ideas in line with the findings of the analysis?
4. In positioning the intervention, has account been taken of the attitudes and aptitude of the state and the private sector? Are there legitimate and credible stakeholders in either sector who can take ownership and provide strategic leadership by exercising governance over the programme? Where such stakeholders exist, have they been involved sufficiently early in the design process to take ownership? Have the planned activities and outputs been informed by their ambitions and ideas?
5. In considering implementing arrangements, has thought been given to which type of identity (independent trust, think tank, public private partnership, donor programme) is likely to encourage local ownership by legitimate and credible stakeholders? Does the programme design provide ample room for flexibility and are those in charge able to exercise strategic leadership over the programme by altering activities and outputs and the deployment of resources? Have credible programme managers and facilitators been identified and the appropriate means to recruit and incentivise them put in to place? Do programme managers understand the role of social venture capitalist that they will need to play?
6. Has thought been given to how systemic change may be achieved? Where there is a need for policy and institutional change, has drivers of change analysis been carried out to understand change processes, the political economy of change and how resistance to change may be overcome? Is there a need to forge a closer public private partnership? What role is evidence likely to play in forging such a partnership and who are the researchers with sufficient influence to command the respect of both sides? Where there is a failure to provide public goods - infrastructure, knowledge and information - have the pros and cons of influencing the public sector and/or incentivising the private been considered carefully?
7. Have sufficient capable actors in the private sector been identified to bring about systemic change through innovation and replication? Has thought been given to how business incentives can be better aligned to development objectives? How will it be possible to change business behaviour through providing market research on bottom of the pyramid markets, grants etc? if grants are to be provided, what processes will be used to ensure that they are open to all, awarded using transparent criteria and likely to distort market least? Is there a need for a challenge fund?
8. Has the need to engage civil society to address informal rules of the game and promote social cohesion and gender equity been thought through? How will they be engaged through evidence, dialogue, grants? Is there a need for a stakeholder initiative fund to respond to the ambitions of civil society? Is there a need for social protection to reach the poorest and, if so, who is best placed to provide it the state, civil society, public private partnership? How can environmental sustainability be promoted? Which interventions combine better environmental practices with a commercial rationale?
9. Is strategic planning carried out regularly to take account of likely scenarios (scenario planning) and risks to the intervention? Is the need for a portfolio of interventions been understood with a view to using a venture capital approach of killing off failures and scaling up successes? Are focus and

replication starting small but thinking big - and portfolio coherence influencing the thinking of management and the governing board? Has the likely time needed to increase expenditure and deliver impacts been allowed for?

10. Has a strong feed back loop been established through the M&E system? What thought has been given to the issues of attribution, additionality and displacement? How will the M&E system help to refine the strategic direction of the programme providing the evidence for what interventions are likely to succeed and fail? How can the cost of M&E be kept within reasonable bounds trading off methodological integrity with cost? Is there a role for independent assessment at the impact level?