

MMW4P Programme Summary - ComMark Trust (Southern Africa)

Purpose:

Making commodity and service markets work better for the poor in Southern Africa.

Dates:

Established in 2003 as a 5 year programme.

Funding:

DFID contributed £10 million in core funding. USAID has made a small grant for a specific project, but otherwise ComMark has been DFID funded.

History & Environment:

Unlike Sub Saharan Africa's low income countries, the South African economy is middle income, reasonably diverse with a relatively large formal economy with large and capably private sector players. The state is not dependent on donor funding as a result donors have less influence. Government capacity is also relatively strong at the centre, with mixed capacity at local level. Growth in South Africa has been reasonably strong in recent years, but this has mostly been in high skilled and low employment sectors. As a result income inequality is extremely high. The challenge in South Africa is to join up the formal economy characterised by high-tech, high skilled but low employment with the majority of poor who are unskilled, informal and many of whom remain unemployed.

In terms of the policy environment, debate in South Africa has been highly political and has evolved throughout the life time of the ComMark project. Though the market conditions were conducive for an MMW4P intervention in 2003, the political environment was less conducive. Given the then recent end to apartheid, Government policy thinking and public debate was highly charged and focused on redistributing ownership of assets to previously disadvantaged groups. Nearly all of the sector Black Economic Empowerment (BEE) charters produced between 2003-6 provided a minority of previously disadvantaged individuals opportunities to become shareholders in large, white owned businesses. The charters were less successful at seeking inclusive growth and broader participation in the growth process. This situation has evolved and the Government is now searching much more for policies that will bring about employment generating

growth. The Government has recently launched the Accelerated Shared Growth Initiative (ASGISA). ASGISA includes a commitment by Government to develop strategies for job creation in targeted industrial and services sectors, as part of SA's industrial strategy, in partnership with the private sector and labour. As a result the political environment for a MMW4P programme is now far more conducive with the economic situation making this especially important.

The environment for ComMark is other SACU countries (Lesotho, Swaziland, Namibia, Botswana) has been more varied. Namibia is similar to South Africa with huge income inequality and a large informal sector, but where the economy is much shallower, with only a few growth sectors and where Government capacity is much weaker and the environment less politically charged. Lesotho is extremely small with most working informally in agriculture with exports dependent on the textile industry. Government capacity is extremely weak and donors have a large influence. Botswana in contrast has benefited from effective Government and management of significant diamond resources, but is challenged in terms of diversifying their economy. In these countries influence on policy is much easier but overall conditions for MMW4P interventions are more mixed.

Driver of programme, positioning & timing:

ComMark has undergone a recent transformation in the positioning of the programme. This has been partly a response to positive changes in the political context and partly based on addressing key weaknesses in the initial programme positioning and governance.

At the outset, the key driver of the programme was DFID. The progress that FinMark Trust had made encouraged DFID-SA to attempt to replicate that success in other markets that mattered for pro-poor growth. Following the FinMark model, the aim was to position the ComMark Trust as an independent catalyst and facilitator of MMW4P interventions across multiple markets. Given this broad mandate, ComMark was not positioned in any one sector therefore lacking technical depth in any one sector and operating mostly through 3rd parties.

ComMark's governance arrangements also did not include Government or Unions and therefore positioned ComMark outside of legitimate debate, influencing from the outside. This proved extremely challenging, partly due to the environment in South Africa being less conducive to a nuanced message on markets rather than an emotive debate on ownership, and partly because ComMark had no legitimate voice and position in debates.

ComMark's positioning has recently been completely changed. ComMark is now much closer to Government and as an entity now includes the different factions of debate rather than trying to influence from the outside. This has partly been a response to changes in the policy debate in South Africa where Government is now more focused on seeking employment generating broad based growth. By supporting this process, ComMark has been able to reposition itself to meet its original objectives. This repositioning has been opportunistic building on relationships between DFIDSA and the Presidency. It has also required changes to the governance & management (see below), as well as ComMark's strategy.

In other countries the situation has been less complex. In Lesotho, given the small size of the economy, the weakness of the environment, and more especially the low capacity of Government, ComMark has been able to position itself as an influencing force much easier. ComMark has done much less work in Namibia and Botswana, but has again been able to exert greater influence, predominantly due to the smaller environment and comparative influence of donor programmes. In these countries ComMark is viewed predominantly as a donor programme.

Governance:

As highlighted above ComMark's governance arrangements have recently changed. Initially, DFID-SA designed the project with a local consultancy company (with an international parent) and then established an independent trust and appointed trustees to exercise strategic oversight and governance. DFID remained as an observer on the Board. Given that ComMark was multi-sector and the environment in South Africa was recognised to be very political, trustees were mostly senior business representatives, well-positioned politically, but with less understanding of MMW4P as an approach or any of the sectors ComMark engaged in. Government or other stakeholders were not represented within the governance structures.

The recent transformation of ComMark has coincided

with original trustees leaving the Board and Government and the Unions being brought onto the Board of Trustees. DFID's role as an observer on the Board has been reviewed in light of the confusion this has caused and undermining of ownership.

Management:

The consultancy company used in design was also appointed as the company to manage implementation. The management team was mainly South African with a few expatriates, and although the management company were rewarded through staff salaries, the operating model was always for ComMark to remain lean and work through third parties in different sectors.

The recent changes to ComMark's governance have also included changing the management arrangements. The contract with the management company has been cancelling and the Trust now directly employs staff, including a new CEO - thereby strengthening ownership by Trustees. This process was formally completed at the Board meeting of 12 March 2007.

Approaches:

ComMark was encouraged and given a remit to work across multiple countries and across multiple sectors. Several sub-sector analysis studies were conducted as part of the design and ComMark also inherited an ongoing programme in Lesotho in the textiles industry.

ComMark's initial approach was to 1) continue work in Lesotho textiles (through starting a separate local project office), 2) start major work in different agriculture sub-sectors, and 3) to start a portfolio of other smaller initiatives based partly on a reactive opportunistic basis across a multitude of different areas and sectors. This resulted in a proliferation of studies and activities that were largely independent rather than part of a strategic vision. The programme increasingly tried to become more strategic, consolidating the portfolio in 3-4 key areas and adopting a 'lens' for considering initiatives. The lens guided ComMark to only work in sectors that met three criteria: 1) if the sectors had real growth potential, 2) the extent to which large numbers of the poor could participate and benefit, and 3) where the environment was conducive and opportunities existed for ComMark to catalyse change. ComMark's approach was therefore very much on investigating and researching different sectors and then beginning early stage engagement in order to understand stakeholders and determine whether opportunities existed. Unlike single sector MMW4P interventions,

ComMark therefore often had to engage in a sector to either determine whether conditions were conducive for MMW4P or to try and develop them through research or partnerships. ComMark has continuously reviewed and evolved the portfolio, partly as an internal process and partly through external annual reviews. At present, ComMark is currently organised around the following sectors textiles (principally in Lesotho), agribusiness (essentially livestock), trade (overcoming technical barrier to trade) and policy reform.

ComMark's intervention approach is determined by the nature of the market constraint/issue and the partners available. In the wool market in Eastern Cape the programme is working through the National Wool Growers Association to generate markets for value-adding business services to increase yield and returns to farmers. In Lesotho's wool sector a South African NGO has been contracted to serve as facilitator. In Lesotho's garments sector, the programme has its own staff to serve as catalysts and facilitators working both to support Government fulfil public functions and bring about institutional change (such as investment promotion, building industry infrastructure and engaging in international negotiations on trade) whilst also engaging directly with the private sector (such as a voucher programme to incentivise a market for training that improves productivity). In other areas ComMark has sought to produce credible research to influence policy debates to facilitate dialogue.

Instruments/Tools:

- **Lens** - ComMark has tried to utilise a lens for determining suitability for interventions based on 3 criteria: 1) if the sectors had real growth potential, 2) the extent to which large numbers of the poor could participate and benefit, and 3) where the environment was conducive and opportunities existed to catalyse change.
- **Sub-Sector Analysis** - for most interventions, especially those considered at the outset, ComMark found it very useful to conduct a full SSA to identify specific constraints and opportunities within a sector.
- **Research** - undertaking research has been a useful tool for ComMark as a means of raising awareness of certain issues/sectors to catalyse action. This has sometimes been research from the outside influencing stakeholders through raising public debate and external pressure (e.g. research into cost of red-tape), or through joint research with policy makers or private sector players (such as scoping of growth

sectors with Presidency or studies into anti-competitive behaviour of certain industries with DTI or market feasibility of BMO sector).

- **Facilitation** - The majority of ComMark's expenditure has been used on market facilitation mostly through third parties, but also in case of textiles in Lesotho through employing dedicated ComMark staff. These facilitation activities build markets for services that improve participation and benefit of poor in markets.
- **Grants** - ComMark has used grants mostly to facilitators, but also in some instances directly to private sector (e.g. voucher programme to textile companies to incentivise market in training that increases productivity).

Major Challenges:

- **Environment** - the political environment in South Africa has been challenging for an MMW4P intervention given the nature of debates.
- **Positioning** - given such a crowded environment, and with little identity in any one sector, the programme has continuously faced a challenge to develop positioning.
- **Credibility** - with a limited staffing and working through third parties ComMark has struggled to develop any credibility as an organisation outside of the 'smaller' environments such as Lesotho where ComMark has a direct presence.
- **Governance** - ComMark has struggled as a trust to generate the sense of ownership that is present in FinMark. In fact, the governance structure proved weak with the trustees and DFID looking to each other and management to provide strategic leadership.
- **Multi-sector & multi-country** - many of the above challenges are related to ComMark's broad regional and sectoral remit. This has proved extremely challenging and ComMark's approach has raised issues on ownership, positioning, governance and credibility.
- **Identifying and developing perfect storm** - unlike MMW4P programmes focused on one sector and responding to a conducive environment, ComMark was tasked with finding and in some cases developing such a conducive environment.
- **Staff** - ComMark has tried to emulate another programme that was largely successful due to the person/people leading that initiative. Finding a CEO with credibility with all stakeholders has proved a challenge.
- **Strategy** - working across multiple sectors created another challenge of ensuring overall

strategic coherence.

- **Inheritance** - ComMark inherited a set of SSA from the design phase and an ongoing initiative in Lesotho textiles this added an expectation from the donor for quick delivery.

Strengths:

- **Environment** - Though the environment is political, the need for MMW4P type interventions is clear and pressing and the Government of South Africa is looking for new ways to engage with the private sector on the growth, job creation and inclusion agenda. The recent changes in the political environment represent a significant opportunity for ComMark to deliver significant influence and impact.
- **Positioning** - ComMark's current positioning, learning from past weaknesses is a huge strength enabling ComMark to influence debate through a legitimate forum with Government and Unions on board.
- **Flexible and responsive** - ComMark has proved extremely lean and adaptable as an organisation and capable of being opportunistic in responding to needs. (This helped for instance develop a good relationship with DTI to address sensitive issues in anti-competitive practises impacting downstream industry.)
- **Some successes** - In Lesotho, the programme has provided a strong demonstration of what the MMW4P framework can achieve bringing about policy and institutional change, better support infrastructure and changing the behaviour of private participants. It has not only helped to prevent the garment industry's possible decline but has helped it to grow, take advantage of new market opportunities, increase employment and improve its social responsibility. ComMark now has other clear successes to draw upon also.
- **Facilitators** - There are credible facilitators and researchers in the region able to influence policy makers and the private sector. The private sector is also strong and diverse.

Key lessons:

- **Multi-sector or single sector.** Mandating an MMW4P programme with a multi-sector remit carries significant repercussions for timescales, business model, governance, positioning and credibility. All of these things become more challenging when a programme is multi-sector. This can be partially mitigated by choosing related sectors and/or through starting in one sector before expanding. However, it is always far more challenging than a

single sector programme initiated through a process that involves stakeholders when the timing is opportunistic and conducive and where the staffing and governance structure has clear ownership, sector expertise and positioning/credibility.

- **Positioning.** Donors have to tread carefully when they get involved in support to sensitive & contested policy change processes. Such support needs to respect & work with the processes of negotiating such change that are accepted as legitimate in that society, & avoid setting up parallel structures or processes that risk being perceived as a form of external intervention, which would limit their impact. In South Africa, policy processes typically involve a range of stakeholders & the outcomes are often hotly negotiated. Donors need to interact with legitimate stakeholders in inclusive ways & support processes in a non-partisan way.
- **Visibility and brand.** Thought is needed in multi-sector programmes in determining whether the programme is being developed as a brand. Given most initiatives are through third parties, it may be better for the programme to have little or no market positioning, and instead only seek this through 3rd parties. This has repercussions for influencing agenda's and the remit of the broader programme.
- **Governance and ownership.** The way a programme is set up is important. Super-imposing Trustees upon a programme will impact genuine ownership. Trustees should also have direct responsibility for hiring and firing key executive appointments. Time should be invested in ensuring Trustees understand the organisation fully and are committed to the vision. Donor participation on a Trust should also not be seen as one that is directing the operations of a programme. Observers are not as easily held accountable as full Board members and participation should be strictly as an observer and acting at arms length.
- **Environment is important.** ComMark was one model working across different sectors and countries each of which has a very different environment. Lesotho and Namibia for instance are much smaller where donors have greater influence, South Africa more political and congested this requires different approaches.
- **Credibility** - credibility is critical. In order to build credibility programmes cannot work entirely through third parties (unless the programme is a ghost vehicle for funding individual programmes). The programme itself

must also have strong engagement and visibility, should provide sound direction and thought leadership. This is what builds credibility. This is very difficult for a programme to deliver working across multiple sectors at the same time, especially if staffing remains lean. It is possible to bring about change through credible intermediaries who have legitimate positions in markets - this will build their credibility rather than the programme so is an important consideration for brand and positioning issues.

- **Finding perfect storm** - for multi-sector programmes a key function is identifying and sometimes catalysing opportunities for impact. This task is not always straight forward, especially in complex environments such as South Africa where gaining credibility is difficult. Whilst identifying important sectors can sometimes be reasonably simple, it is sometimes difficult to determine the political economy and softer issues around a sector without investing time to get to know the stakeholders and environment. Additionally, it takes time before credibility can be developed before a programme can play an influencing and catalytic role. As a result, a multi-sector MMW4P programme must be disciplined in engaging in sectors but allow time, be prepared to exit, and also focus on building relationships and credibility in a flexible way.

- **Flexibility** - ComMark's flexibility has been important to enable ComMark to innovate and respond to the specific constraints and circumstances within a sector. This equally means that the programme must be strong strategically.

- **Replication** - programme design needs to respond adequately to the context rather than simply attempting to import models that have worked elsewhere. Strategic leadership is also critically important.

Case studies:

Available on each programme area.

Reviews available:

External strategic review plus several internal reviews.