

## **Making Markets Work for the Poor: Putting the poor at the heart of economic development**

### **Introduction**

17<sup>th</sup> May 2006, Hotel Bern, Bern

*Rob Hitchins – Springfield Centre*



Thematic and Technical Resources Department – Employment and Income Division

### **Introduction**

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



Thematic and Technical Resources Department – Employment and Income Division

# COMPARISON



Thematic and Technical Resources Department – Employment and Income Division

## 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**

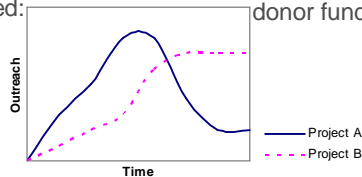
**Sustainability**

**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



Thematic and Technical Resources Department – Employment and Income Division

### 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

n **Objectives:** more effective and inclusive market systems for the poor

**Rationale**

n Grounded in detailed **understanding** of market systems

**Framework**

n Shaped by an open, justified picture of **sustainability**

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

**Guidance**



## BACKGROUND



Thematic and Technical Resources Department – Employment and Income Division

## 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



Thematic and Technical Resources Department – Employment and Income Division

## 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

*“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

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

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

*“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

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

*“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



Thematic and Technical Resources Department – Employment and Income Division

## 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**



Thematic and Technical Resources Department – Employment and Income Division

### Different fields: similar experiences

Typical experience	Agricultural extension	Business services
<b>Performance</b> Outreach Sustainability Impact	Limited, marginal areas neglected “Chronic inability” 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
<b>Reasons for performance</b>	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
<b>Challenges</b>	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

Thematic and Technical Resources Department – Employment and Income Division

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

n It is...

**Rationale**

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

**Framework**

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

**Guidance**

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

n It is not...

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

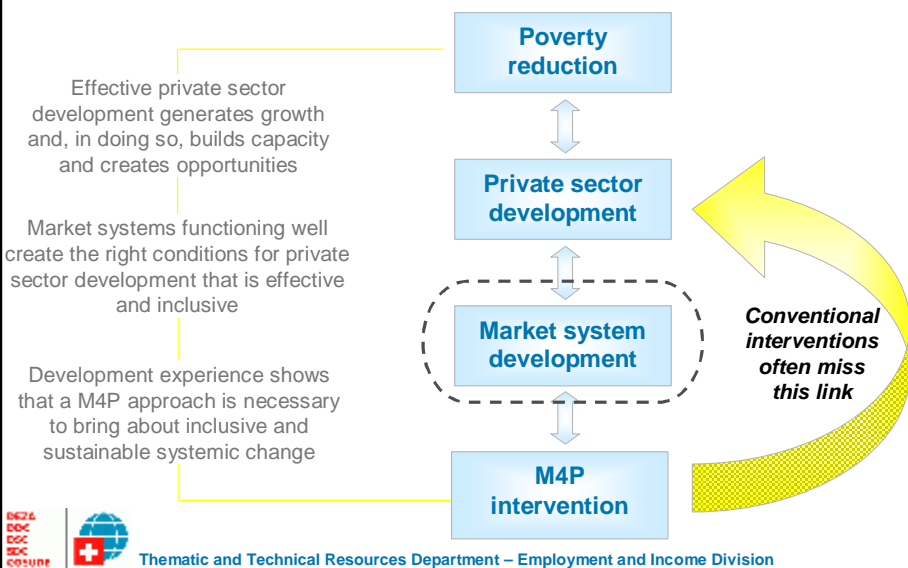
# ELEMENTS



Thematic and Technical Resources Department – Employment and Income Division

**rationale**

## Objectives: the strategic rationale



Thematic and Technical Resources Department – Employment and Income Division

**Fauno** Consortium Skat – Springfield Centre – Swisscontact – FACET – INBAS

**rationale** What's different about a M4P approach?

**Conventional**

**M4P**

What problems do businesses have?

How can I help to solve these?

What problems do businesses have?

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

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

Thematic and Technical Resources Department – Employment and Income Division

**Fauno** Consortium Skat – Springfield Centre – Swisscontact – FACET – INBAS

**rationale** Defining pro-poor focus

Pro-poor potential?

High numbers of poor or disadvantaged groups  
(poor close to markets: producers, workers consumers)

Pro-poor growth potential?

"Stepping up" (productivity/ market share)  
"Stepping out" (new markets, jobs, opportunities)

M4P intervention potential

Feasibility of stimulating systemic market change

Criteria

- size
- relevance
- prospects

Considerations

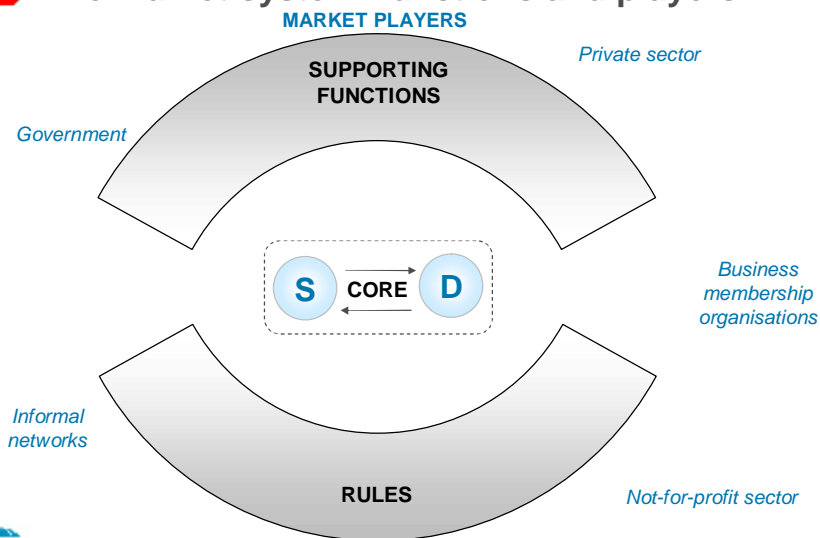
- agency priorities
- agency capacity

Adapted from the ComMark Trust

Thematic and Technical Resources Department – Employment and Income Division



**framework** The market system: functions and players



Thematic and Technical Resources Department – Employment and Income Division

**framework** Developing a realistic picture of sustainability

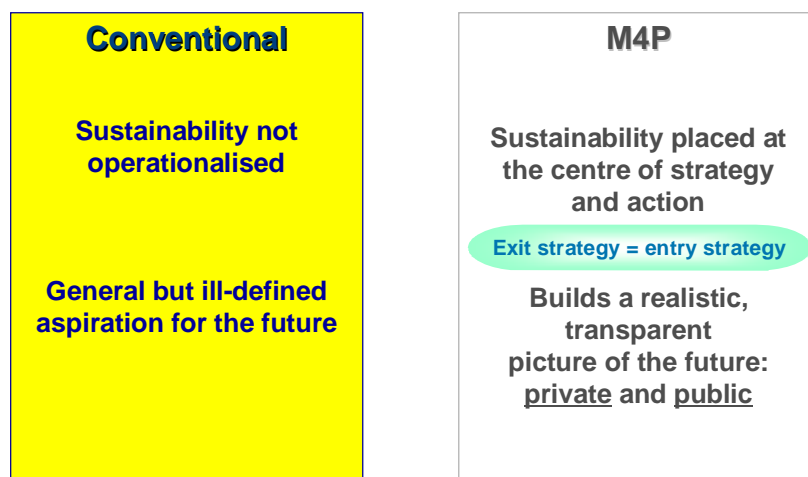
Functions	Players	
	Who does?	Who pays?
Business training/advice	<u>NGO / PS</u>	<u>Donor/PS</u> internship
Advocacy	<u>NGO</u>	<u>Donor / members</u>
Finance	<u>NGO</u>	<u>Donor</u>
Construction & maintenance	<u>PS</u>	<u>Donor</u>
Joint venture mediation	<u>NGO / PS</u>	<u>Donor</u>
Booking	<u>NGO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



Thematic and Technical Resources Department – Employment and Income Division

**framework** Market systems: key points

- n Market systems are not just private, but multi-functional and multi-player
- n Market systems are interconnected and interdependent
  - n Rules and supporting functions are often parts of other market systems
- n 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


## 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



## The essence of facilitation

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



guidance

Guiding facilitation questions

Are intervention activities likely to be a market function in the future?	Is what we are doing now likely to be required in the market in the future? Or is it purely temporary?
Should we be working through a market player?	If action is a market function, identify market players with the incentives & capacity to play this role (or seek to “leave the door open” for this to happen in the future)
Are our relationships with market players appropriate?	Our interaction with market players should encourage them into roles and practices consistent with local system, building on local incentives and ownership
Is our support “right-sized”?	Our actions must be consistent with local norms not development norms: otherwise we distort functions, displace ownership, disorient players: we “crowd out”
Is there potential for “crowding in”?	Keep asking “ <i>should we be doing this?</i> ”: always look for opportunities to crowd in market functions and players that better serve the poor



EXPERIENCE



## Experience

- n Variety of M4P interventions exist: some designed, some have evolved eg
  - n ComMark, Southern Africa: commodity and service markets
  - n FinMark Southern Africa: financial services markets
  - n PromCom, Nigeria: commodity, land, labour markets
  - n Katalyst, Bangladesh: business service markets
  - n FIT SEMA, Uganda: media market
  - n Sida, ILO, GTZ, DFID, SDC, seco, WB, Asian Development Bank
- n Today's cases reflect this wider reality
  - n No “perfect cases”, often evolutionary experience
  - n Illustrative: elements and insights of M4P in practice
- n Trying to achieve more equitable and sustainable outcomes in a different way