

“Making markets work for the poor: putting the poor at the heart of economic development”

SDC Employment and Income division – Hotel Bern 17th may 2006

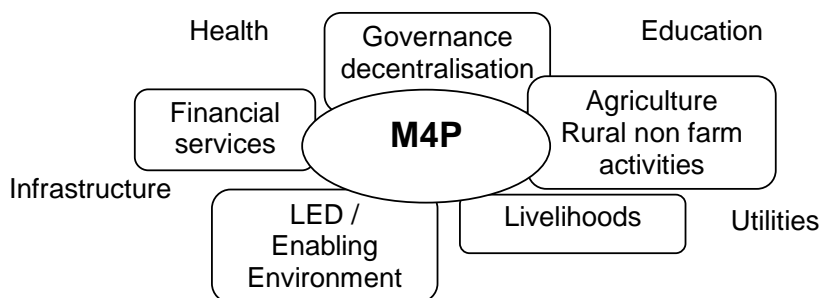
The E&I division of SDC organised a one day seminar on this M4P¹ approach. This was an output from the FAUNO mandate mainly fed in, from a conceptual point of view, by the Springfield centre. All the presentations and background documentation are available on the extranet.

How to define the M4P conceptual framework?

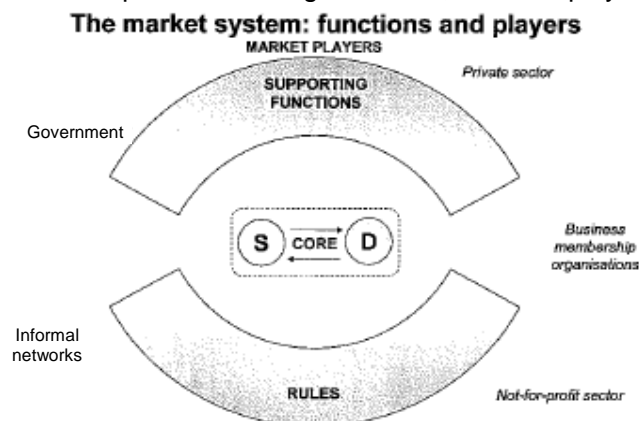
Trying to define what M4P is, let's start with the conclusion of the day:

- M4P is evolutionary and not revolutionary;
- M4P enhances previous approaches and does not replace them (value chain, LED-local economic development, etc.)
- M4P is an integral agenda that cross feeds existing approaches.

To say it bluntly, it isn't anything new but a systemic manner to address problems of poverty from the economic development angle. Promoting economic development as a leverage to combat poverty, without merely focusing on market development. M4P is a framework that would play the role of an interface between the different approaches already existing:



Several case studies were presented². Each case is presented according to the framework below. The market system is more than simply the meeting of a supply and a demand. The transactional relationship at the core (supply and demand) and surrounded by, on the one hand, the “supporting functions” (infrastructure, information, marketing, finance, etc. very much the BDS in fact); and on the other hand, the “rules of the game” (law, informal rules and norms, regulations, standards, etc.). The market players are around the system. Government, associations, professional organisations, etc. also play a role.



What sort of a difference does this approach make? According to the presenter of the Springfield centre, first of all it addresses the causes and not the symptoms. If a market is dysfunctional, the reasons for it are probably to be sought in the system (supporting functions and rules), not only at the level of the transaction between a buyer and a seller. For instance, if the price of a commodity is low, intermediaries pay little, this is the symptom of a deeper

¹ M4P, or MMW4P stands for markets for the poor or making markets work for the poor.

² Detailed documentation on these cases is available on the extranet: Vegetables inputs supply in Bangladesh, Katalyst project; CAPLAB in Peru; Finmark in South Africa

cause (poor road infrastructure, high transportation costs, control and certification costs high, etc.) The key is to understand what the cause(s) is (are) behind the symptom...

Moreover it addresses the repartition of wealth created by growing markets. A market can grow and generate more money, without contributing to reduce poverty because the repartition of wealth remains disadvantageous for the poor (such examples are aplenty even in Europe!). By considering the system at large, this gives more possibilities to influence this repartition of additional wealth created by expanding markets.

Implications of this approach

According to the presenters, and particularly the Springfield centre, this approach has 4 main implications:

- Projects have to be flexible:
 - Strategic direction but a flexible implementation (capacity to reorient market support as the market system evolves... How does this fit with the PSER?)
 - Need to work with pilot measure in order to build intelligence and credibility
 - Private sector development activities need an integrated vision
 - Funding arrangements need to provide sufficient flexibility
- Allocation of resources:
 - Less direct financing
 - More technical assistance oriented to HR development
- People:
 - Need to combine development and market people
 - Need for some generalists and specialists
 - Combination of long term perspective with short term results.
- Important role for small, innovative and informed agencies (perception of SDC by SPF):
 - Capacity to be close to the ground
 - Capacity to be disruptive and innovative
 - Have distinctive competencies

Implications for IC?

The FEM team, in its role of resource centre aims at providing to the IC projects a conceptual framework that accommodates the different tools for economic development. It is not always easy indeed to identify the adequate approach for economic development among the wide range that exists: value chains, LED, BDS, market development, Enabling environment, clusters, etc.

Promoting economic development through real market economy mechanisms is a condition of sustainability, and an important leverage that IC, particularly FEM, recommends to activate. M4P provides a conceptual framework interesting as a reference for the IC projects.

The main implication for IC is to learn from the forefront thinking on this M4P conceptual framework in order to bring it down to earth, so that it becomes a valuable and efficient analytical tool that projects could use in order to better identify relevant actions. A task already undertaken by the FEM team with the production of topical notes.

LG, 23.05.2006