

Making Markets Work Better for the Poor (M4P)

An
introduction
to the
concept



Structure of this presentation

1. M4P Evolution
2. What M4P is and why it matters
3. M4P as a framework for understanding
4. M4P as a tool for intervention
5. Recap on the main elements of M4P
6. Proposed next steps

1. M4P Evolution

- 2015 targets and the critical role of pro-poor growth
- M4P an evolving approach that leverages the functioning of markets and the actions of enterprises within markets to achieve development objectives
- Draws on many existing strands of work:
 - New Institutional Economics and the importance of institutions (“rules of the game”) in economic development
 - Sustainable Livelihoods
 - Political Economy Analysis
 - Market development approaches
- Adds “markets and the poor” or “Base of the Pyramid” dimension
- Being enriched by emerging Country level experience and learning - this event is an example!

2. What M4P is

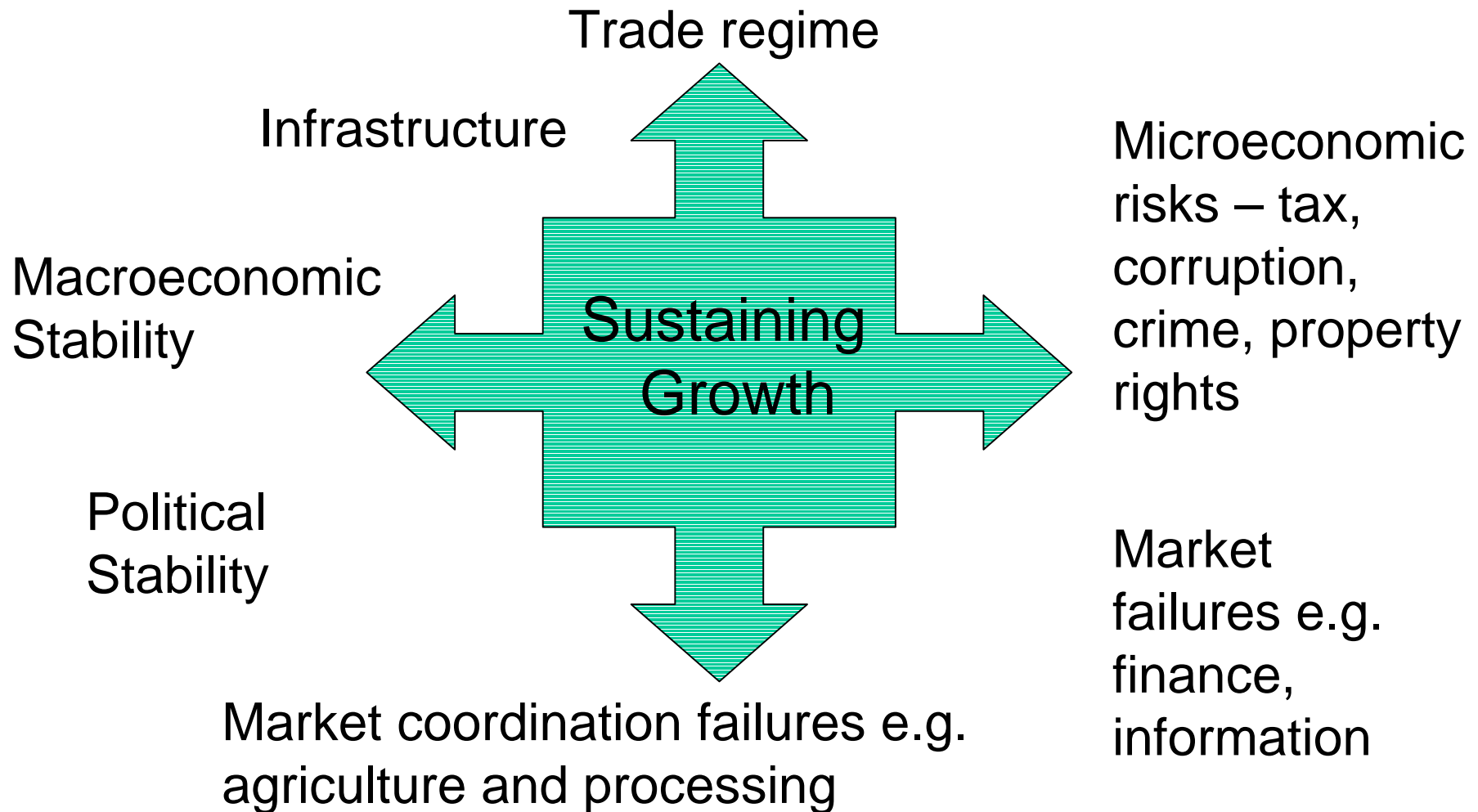
- M4P: a market-based approach to development, working with enterprises to promote the participation of poor men and women in economic growth and improve the benefits they gain from that participation.
- M4P features:
 - Systemic change in the functioning of markets to overcome “market failures” and improve access, opportunities and benefits for the poor
 - advocates for institutional change, recognising that markets have various stakeholders and that change may be blocked by powerful vested interests
 - Develops market-based incentives to leverage the “enterprise” contribution to development and ensure sustained impact
- Successful M4P interventions lead to sustained ***pro-poor*** growth, and better opportunities, incomes and choices for poor men and women

...and why M4P matters

- Economic growth the most powerful way to reduce poverty.
- Well functioning markets that support competition and lower the costs of doing business provide incentives for trade and investment leading to growth and poverty reduction
- Markets a key linkage or “transmission mechanism” between the lives of the poor and the wider growth and economic integration process.
- New data (“the next four billion”) describes a substantial, poorly served, informal, and hence inefficient and uncompetitive market at the base of the pyramid.
- Markets often don’t work well for the poor, excluding them from the benefits of growth. Informality is a “poverty trap”.
- M4P a means to ensure growth is **pro-poor** growth.

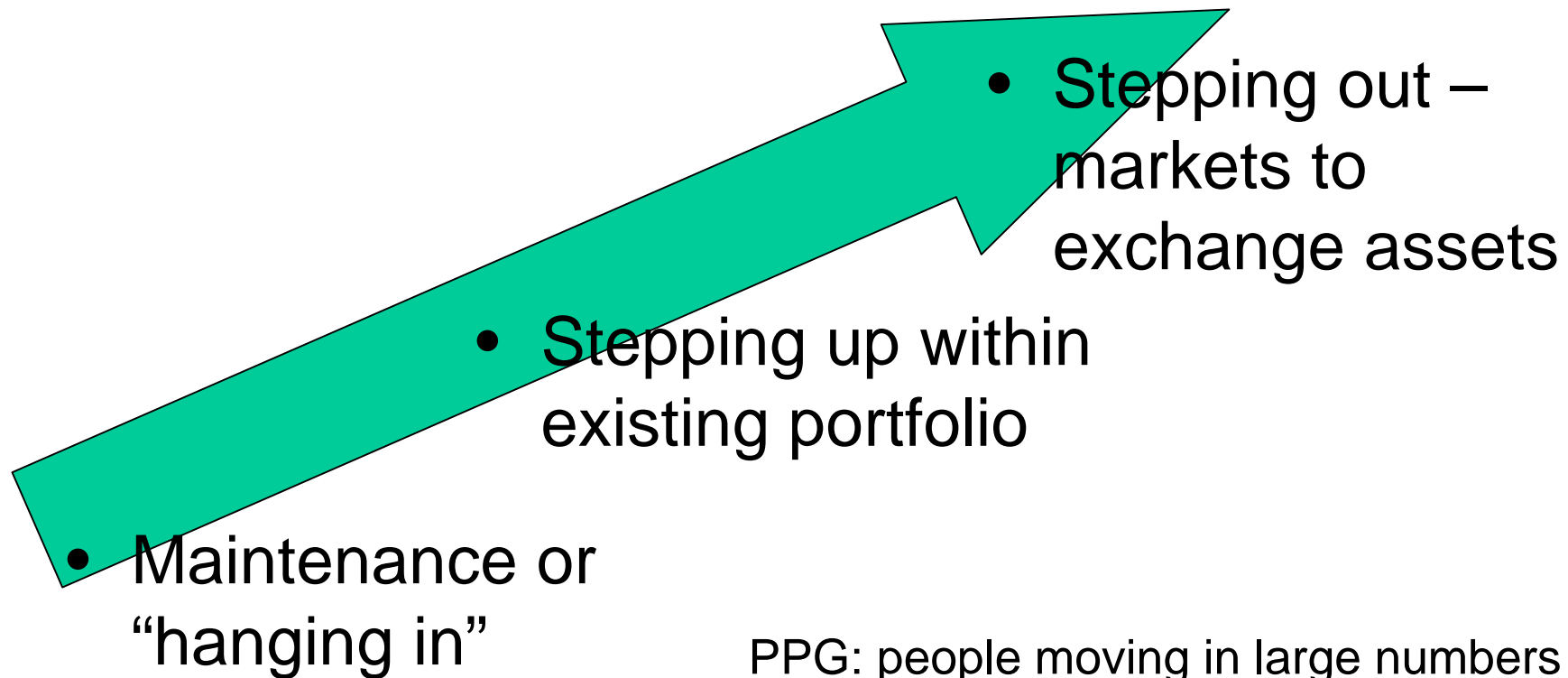
3. M4P an Analytical Framework

3.1 Growth Diagnostics



3.2 livelihoods strategies

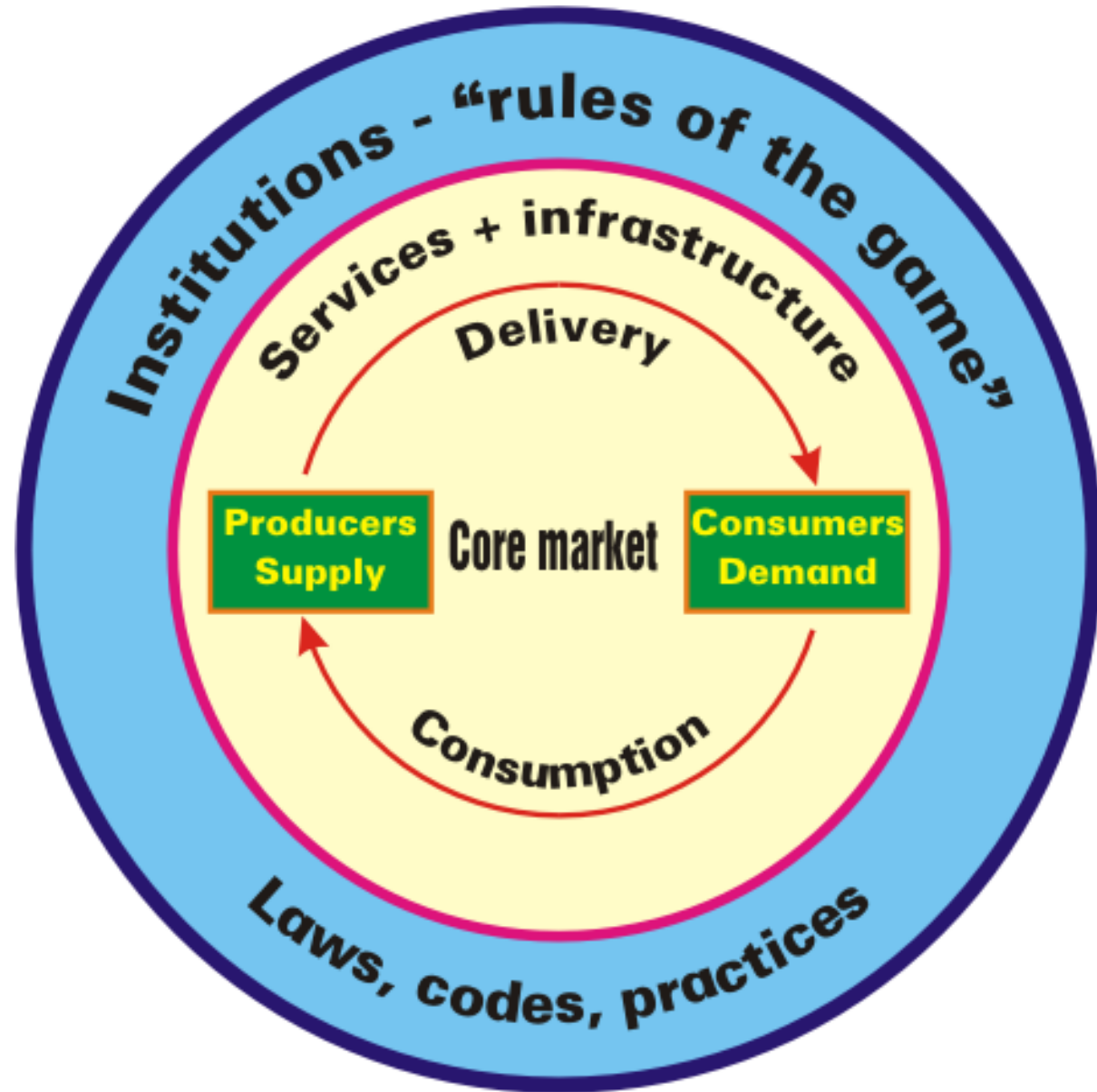
Pro-poor Growth



PPG: people moving in large numbers to more productive activities that are rewarded through market participation.

3.3 Understanding markets

M4P
ensures
markets
function
better with
greater
fairness



Understanding BOP markets



- Significant Unmet needs
 - (telecoms, finance, housing, health, transport)
- Dependence on Informal or subsistence livelihoods – a poverty trap
- Suffer the BOP penalty – the poor pay more

A market which works for the poor

- expands the opportunities, choices, access, and benefits for poor men and women
- produces market outcomes that benefit the poor.
 - More decent jobs,
 - Better returns on sales of goods and services
 - Greater affordability of key products and services
 - Risk reduction.
- Contributes to *pro-poor* growth.
 - Success indicator: average rate of growth of the incomes of the poor.

3.4 Markets as systems

An example of the shift in supporting Business Services

from individual
players

- Shift from direct solutions (grants and subsidies) for the problems of individual players

..... to market
systems

- To focus on constraints with the market system...
- How can market system deliver solutions for individual players and firms?
- What are the systemic constraints?

3.5 Overview of the M4P Analytical toolkit for policy development and programme design

- ***Institutions and Political Economy Analysis***
 - Growth Diagnostics and Binding Market Constraints
 - Institutional and systemic change
 - Building “common interest” between the state and the private sector
 - Innovative Public Private arrangements
- ***Poverty and Livelihood Strategy Analysis***
 - Poverty Analysis
 - Participatory Market and Poverty Assessment
- ***Market Analysis***
 - Base of the Pyramid approaches
 - Value Chain Studies
 - Sub-sector analysis
 - Access Frontier
 - Structure, Conduct and Performance

4. M4P interventions

	Traditional Approach	Market Based Approach
The Poor	Helpless, need charity	Producers and consumers responding to market solutions
Unmet needs	Targets - to be met from Public Expenditure	Market segmentation, willingness to pay, new BOP business models
Sustainability	Limited by budget and ODA	Only sustainable solutions can reach the scale needed

- Overcoming market failure
- Achieving systemic change
- Can complement other programmes

4. M4P interventions in relation to market failures (macro)

Issue/Market Failure	Intervention
Public Goods (market undersupply)	Govt Investment or PPP
<ul style="list-style-type: none">• Monopoly• Abuse of Market Power	Competition Authority interventions – unbundling etc
<ul style="list-style-type: none">• Externalities – “spillovers” not priced in market e.g. pollution, global warming, skills development, merit goods	Fiscal interventions Emissions markets Collective action by firms PPP

4. M4P interventions in relation to market failures (meso/micro)

Issue/Market Failure	Intervention
Unequal Access to Information	<ul style="list-style-type: none">•Public interventions•Market Development / private participation (e.g. ICT, credit bureaux etc)•Collective action and network development
<ul style="list-style-type: none">•Excessive Costs and Risks of Transactions•Coordination failures – no access to supply chains /hierarchies•Indivisibility (minimum transactions sizes)	<ul style="list-style-type: none">•Risk reduction•Guarantees•Value chain interventions•Institutional innovation e.g. Contracting, Collective Action•Market facilitation and Development

M4P interventions (by market)

Market Development Area	Interventions
<ul style="list-style-type: none">•Finance•Land•Labour	<ul style="list-style-type: none">•Analysis:<ul style="list-style-type: none">–Growth diagnostics–Political Economy–Markets, competition, regulation–Poverty Impact•Action:<ul style="list-style-type: none">–Market Facilitation and development–Challenge Funds–Institutional innovation e.g. PPP–New BOP Business models–Collective Action/ Empowerment–Communication and Advocacy
<ul style="list-style-type: none">•Agriculture value chains•Manufacturing value chains•Business services•Infrastructure services•Public Health services	

What has worked?

- Focus on the poor
- More focused programmes
- Underlying demand for change
- Credible and capable “change agents”
- Localising value creation
- Enabling financial and other access through innovation
- Innovative partnering – “the social entrepreneur”

5. Recap on main points of M4P

- Market-based approach to development promoting the greater inclusion of poor men and women in economic growth and achievement of better opportunities, incomes and choices
- M4P features: 1. Analysis, 2. Action!
 - Systemic change in the functioning of markets to overcome “market failures”, recognising that change may be blocked by powerful vested interests
 - improve access, opportunities and benefits for the poor
 - market-based incentives to leverage the “enterprise” contribution to development and ensure sustained impact
- Successful M4P interventions lead to sustained ***pro-poor*** growth

6. Next Steps?

- Better knowledge management and learning from positive experiences on the ground
- Further refining the substance of the M4P approach, making it easier to understand and more compelling
- Sharper definition of “core M4P products”
- Deeper integration of political economy approaches focused on “governance of growth”
- Gaining buy in from Governments, civil society and other donors
- Attracting more direct participation from the private sector
- Building advocacy capacity and alliances with “change agents”
- Better understanding of M4P impact and potential contributions to growth strategies

Thank you