Report on the first M4P Peer Learning Event

Bangkok, 8-10 May 2013

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DCED

The Donor Committee for Enterprise Development

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Executive Summary

The conceptual framework behind the approach known as Making Markets Work for the Poor (M4P) has been well elaborated; practical experience in its implementation is, however, less widely available. Six M4P programmes therefore chose to sponsor a Peer Learning Event, where their implementing staff could share lessons learned in an informal, contained atmosphere. Staff of the Donor Committee for Enterprise Development (DCED) and Katalyst facilitated the discussion. While the event added value particularly through the exchange between peers, the emerging conclusions are also summarised below.

Before the event, the 21 participants were asked to complete a questionnaire about the topics they would like to address; their responses were consolidated into six themes. The event and this report are structured in line with those themes; the discussions over three days covered many aspects, and the summary below only gives the 'headlines'. For more detail, please see the main text; so that participants could speak freely, however, no individuals or programmes are referenced.

Designing and Implementing Strategies: There is general agreement that strategies should be based on good research, but be implemented flexibly. There is less agreement, however, on how those strategies are designed and implemented in practice. What should be fixed, and what should be flexible? Who takes the key decisions? How are differences of view handled? What paper trail should be in place?

Negotiating Deals: Again, there is general agreement that it is important to get to know prospective business partners, but a wide variation in what background checks are conducted ('due diligence'), what the relative contributions of each partner should be, and how the deal should be contracted. In particular, there seem to be a number of ways in which contracting practice could be made more systematic, for example to codify how intellectual property arising will be treated.

Team structures and Capacity Building: Participants discussed whether it is better to have a flat structure (for quick decisions) or a hierarchy (to give prospects for promotion). They also discussed the need for more training in practical skills where M4P can be particularly demanding, such as budgeting, procurement, negotiation, training of partners and writing of

consultants' ToR. Practical theoretical training would also be valued, including for example secondments or mentoring; training to learn from other approaches was also in demand.

Managing for Impact: All of the participating programmes apply the [DCED Standard for results measurement](); there was agreement that results chains or logic models are a good basis for clarifying and communicating strategy. The use of targets varied across programmes, however, with some using them to orient staff, and others avoiding them on the basis that they could set perverse incentives. The need for a culture of honest enquiry was agreed; nonetheless, the relationship between field staff and those responsible for measurement remains challenging; robust discussion is needed.

Working in thin markets: There was a general feeling that there can be an undue focus on the 'purity' of M4P approaches in very thin markets; indeed, some programmes pay substantially more than 50% of the costs of some partnerships with business. Incorporating gender issues and reaching the poorest of the poor are both pressing issues in practice, when working strictly with market dynamics, and more creative assistance in these areas would be welcome.

Working alongside Direct Approaches: All programmes are working in markets where other donors, agencies and Government are providing subsidised assistance in various forms; sometimes, co-implementing partners are also distorting markets with their other work. There was agreement that it was important to build bridges rather than to polarise; M4P in practice does not always look very different to some other approaches. Also, participants were keen to learn from failure, including those failures alleged for other approaches. There was also detailed discussion on the best ways to work with and through Government.

M4P case studies published to date have tended to focus on explaining, and advocating for, the approach; typically, they cover market assessment, interventions, results and lessons learned. They mostly do not cover the management practices referred to above, so questions remain about how much should be codified, how and when.

Some themes running throughout were rather specific to M4P – including for example how to maintain an entrepreneurial programme culture and avoid excessive paperwork. Other themes would be applicable to most development programmes, such as how to optimise relationships with expatriate managers and consultants.

The DCED Standard for results measurement provides a framework for one element of M4P practice. Clearly, however, there are many other aspects, such as due diligence and contracting, where some consistency in expertise and practice may be helpful. As more M4P programmes are rolled out, this will probably become more important.

The DCED will therefore follow up this possibility in close collaboration with others – including particularly M4P programmes in the field - through [its website]() and further such events in the future. 75% of participants indicated after the event that practical guidelines on M4P would also be useful, based on experience and with provision for flexibility and updating; this possibility will also be explored.

Introduction

The conceptual framework behind the approach known as Making Markets Work for the Poor (M4P) has been well elaborated; practical experience in its implementation is, however, less widely available. A few M4P programmes therefore chose to sponsor a Peer Learning Event, where their implementing staff (rather than managers) could share lessons learned in an informal, contained atmosphere.

The event took place 8-10 May 2013 in Bangkok, with 21 field staff, from Katalyst and M4C Bangladesh, MDF Fiji, SAMARTH-NMDP Nepal, CAVAC Cambodia and Alliances KK Georgia. It was facilitated by Jim Tanburn of DCED and Victoria Carter of Katalyst, with support from Melina Heinrich and Ashley Aarons of DCED. CAVAC sponsored the meeting room costs.

Before the event, participants were invited to complete a questionnaire about the practical challenges they faced in day-to-day implementation, and the topics on which they would like advice from their counterparts in other programmes. Their responses were broadly grouped into the following six categories of interest; the presentations and discussions in the Peer Learning Event were then structured around them:

Designing and Implementing Strategies: Theme 1 explores the different approaches used to plan and design sector strategies, how balance is achieved between structure and flexibility in planning them, how much paper trail is required, the structure and frequency of strategy planning meetings, who the key decision makers are in strategy development, how to determine when and how much research to undertake, and whether value for money is taken into account when strategies are designed.

Negotiating Deals: Theme 2 looks at the core of M4P relationship building; how do programmes go about understanding their partners and their partners' businesses, how are influence and motivation gained? Where programmes work with co-implementers and co-investors, how much control do they feel they really have? How do programmes handle and share risk?

Team Structures and Capacity Building: Theme 3 looks at aspects of team culture; how do programs orient, train and mentor new staff and partners on the M4P approach/implementing M4P, and if implementation is done via third parties (e.g. co-implementers), how do programmes ensure they follow the same approach/ensure the same level of quality? How do teams stay connected with field level dynamics? How do they deal with cultural barriers (both between expatriate managers and staff, and between staff and partners/co-implementers)?

Managing for 'Impact': Theme 4 tackles the issue of how to combine a results oriented culture with a learning environment where 'failure' can be admitted. How do teams get the best out of their relationships between the technical and monitoring staff? How do programs manage donor needs for results 'in the short term' vs. systemic change in the longer term, and do staff really use their results chains effectively, or do they rely more on their instincts?

Working in Early Stage/Fragile Markets: Theme 5 looks at what programmes do where markets are thin or dysfunctional, for example in remote areas, fragile situations, or where markets are in their infancy? Do teams attempt to mainstream gender issues and if so, how? And in thin markets, is there a need to be more holistic, for example by incorporating the livelihood approach, rather than only focusing on market dynamics? What does that look like in practice?

From Direct to Facilitative Approaches: Theme 6 explores the impact on M4P work of programmes that have different approaches. This might include agencies giving handouts and emergency relief, and government agencies. How are the issues this raises managed?

While the event added value particularly through the exchange between peers, the emerging conclusions are also summarised below, with a focus on those of particular relevance to M4P. Individuals and programmes are not named, since the discussions were under 'Chatham House Rules'.

Theme 1: Designing and Implementing Strategies

In practice, this theme did not receive as much attention during the discussions as others – partly because the discussions took some time to 'warm up' and focus. Also, some of the questions were addressed more directly under other themes. Nonetheless, it was notable that there was considerable variation in how programmes are organised.

For example, some have team meetings every month to review strategy, others every three or six months. Several questions remained open for further discussion, such as how much up-front analysis should be conducted before activities start. Some questioned stakeholder workshops as a panacea, as firms will not share commercially-sensitive information. In addition, workshops can be seen as donor-led, raising expectations; programmes should be as clear as possible in advance about what is on offer.

There is great interest to think how to handle conflict within a team, and how to have effective communications, particularly between local and international staff, and consultants. Some programmes have formal mechanisms for managing internal conflict, such as specific meetings where such issues should be raised. Relations with donors were also discussed; some seem to micro-manage and can be unpredictable in their requirements.

Participants discussed how vulnerable groups were included in strategies. Some programmes have specific strategies, such as focusing in sectors where vulnerable people work. But this may have implications in maintaining market dynamics and in particular achieving scale – considered a high priority in many programmes.

Published M4P case studies tend to focus on explaining, and advocating for, the approach; typically, they cover market assessment, interventions, results and lessons learned. As such, they do not look at who makes the key decisions, what paper trail was kept, or the structure or frequency of strategy planning meetings (for example). Few address when, and how much, research was undertaken.

Theme 2: Negotiating Deals

A broad spectrum of relationships was discussed, from partnering with business, through co-facilitation to sub-contracting. This Section will focus on partnering with business; other relationships are touched on in following Sections.

Many such relationships seem to start somewhat organically, with no clear pattern about who contacts whom, who is taking the lead, etc. In theory, the choice of strategy determines the choice of partner; in practice, however, the choice of feasible strategy is often influenced by the partners available and/or who are interested to collaborate.

While the primary mechanism seems to be a matching grant, programmes also emphasise non-financial aspects of their 'offer', which may include technical assistance, networks and contacts, and market research (and even an implicit offer of market access). There is also talk of starting to offer loans.

There is a general aversion to administrative work – partly because of pressures to be quick and to minimise overhead, and partly because partners (particularly business) may be deterred by bureaucracy from partnering at all. As a result, programmes place a lot of emphasis on getting to know potential partners, through site visits and meetings.

Nonetheless, this means that there is no consensus on how (and how much) background checks or due diligence should be conducted on potential partners; current practice varies widely. Most programmes look at the business (registration, tax status etc.), and the business plan, in some detail. Some conduct other checks (e.g. counter-terrorism, bank reference, tax department, environmental) but few if any conduct checks of criminal record, political affiliation etc.

Approaches to additionality of contribution (broadly defined as whether the partner would have implemented the activity anyway) also vary; partnering programmes (PPPs) have moved further in codifying or documenting this aspect, even if it is not yet consistent across the community of practice. Another aspect mentioned is that, especially in a small economy, companies may be partnering with more than one development agency – but it can be difficult to check on this systematically.

Similarly, there is no consistent approach to contracts; some programmes use an MoU instead of a contract, or have no contract at all, in the belief that this is safer. In practice, however, this is more risky as a verbal agreement may still constitute a legally-binding contract. Programmes should always propose their own contract and take expert advice on the wording; contracts may imply potential liability for up to 12 years from signature. Ideally, contracts should include an arbitration or adjudication clause (given that courts in many countries are somewhat dysfunctional).

Given the various risks involved in partnering, programmes try to manage these risks through various means such as staggering payments, requiring the partner contribution to be spent first. etc.

They avoid creating new partners, but some have been successful in persuading a company to become a partner by adopting a new business model.

Handling of intellectual property needs more attention; sometimes, it is not even considered at the deal-making stage, storing up trouble for the future when the programme starts to crowd in other companies. Commercially, exclusivity for 12 months would be normal; the point is that it should be made explicit at the outset.

The level of delegation of authority within programmes also varies widely; some programme officers are empowered to agree deals, while others must refer all decisions back to management or even to the donor.

International consultants need to be more careful in their communications with programme partners, as they can send confusing or contradictory messages – which local staff then have to sort out over time. Consultants also need to be more sensitive to local culture, and in particular the effect that their presence has on the rural poor – since the poor will be less forthcoming and more polite in the presence of a stranger (and especially a foreigner).

One key parameter is the relative contribution of the partner to the joint activity. There is some pressure to maximise the partner contribution relative to that of the programme ('leverage') as this can show a high level of ownership and efficiency.

However, M4P programmes may be criticized as a result for having too high an 'overhead' (staff cost) relative to funds disbursed. Similarly, contributing relatively little to activity costs may also imply less control over the speed of implementation, and greater difficulty in demonstrating additionality. Other possible factors in providing a subsidy include lack of partners or markets, media or political pressure, and the innovative nature of some interventions. As a result, some programmes pay substantially more than 50% of the costs of some activities (up to 80% or more), transitioning to more facilitative approaches over time; this practice is also documented in some case studies, and potentially blurs the line in practice between M4P and other approaches, such as public-private partnerships.

These competing pressures (e.g. to maximise leverage while exerting control over implementation) led some participants to suggest that there will be greater need in the future for negotiating skills – even if they seem adequate at present. In particular, staff need to be very clear on the overall objective of the partnership, and the (market development) principles to be followed – otherwise showing great flexibility in how the activity will be implemented.

Theme 3: Team Structures and Capacity Building

There was some difference of views about an ideal team structure. Having few levels in the hierarchy makes for rapid decision making and good communications, but offers little chance for promotion and progression, especially for locally-recruited staff. Staff turnover is therefore likely to be higher. Similarly, work as a team can mean that no-one is responsible, and no-one can be rewarded when the team achieves a success.

Some presentations showed exactly who was responsible for each management task; probably there is scope to make a more systematic review of different practices in the future.

The skill sets needed for M4P programme staff include both development and business-related aspects. It was felt that all staff would benefit from greater analytical skills, experience in project management (including simple things like how to run a meeting effectively), and private sector experience. For managers, it was noted that these skills, and people management, were more of a prerequisite than M4P programme experience. HR in particular seems to receive relatively little investment.

Front-line staff would appreciate more training in practical areas such as effective budgeting, negotiation, how to train partners, procurement, and how to write ToR for consultants – for example to require them to prepare adequately before arrival in-country. Consultants need to share experiences, not just teach – and to be realistic about the changes they can achieve during short visits.

Programme staff appreciate training and would like more, but also need exposure to the field – before, during and after the training – so that they can relate what they are learning to practice. The training must also be adapted to local conditions; secondments, internships and mentoring are needed to complement the training.

Co-implementers and contractors need both the capacity and the incentives to implement M4P properly. Changing their mindset can be difficult, especially if they are also implementing highly-subsidised programmes at the same time. Some M4P programmes run short training programmes for them, and organise monthly meetings. Nonetheless, bringing senior management of co-implementers on board with M4P principles can still be a challenge, and considerable diplomacy is often needed.

Theme 4: Managing for 'Impact'
This theme attracted relatively less discussion than some of the others, even though all participating programmes are applying the DCED Standard for results measurement. Participants discussed how attribution and systemic change might be measured; it was agreed that signs of sustainability should be included in results chains where possible. Ways to contain measurement costs, especially in remote locations, were also discussed.

Results chains or logic models were widely appreciated as a basis for agreeing and understanding strategy. The roles of M&E teams in relation to line staff is still a work in progress; there was some agreement, however, that line staff should be responsible for the measurement work, with M&E specialists contributing on quality control and technical support. Nonetheless, there will always be a need for robust discussion, to reach agreement. A matrix structure and strong management are both important, to make the relationship work.

Results measurement should also feed into programme decision-making. Regular review meetings are useful, as progress and market changes can be analyzed. Results chains can be modified, knowledge gaps noted and additional research proposed. The frequency of such meetings varied from monthly to every six months.

Staff should feel able to admit mistakes and use these as learning experiences. Some programmes have internal mechanisms to support this, such as 'failure reporting' at regular quarterly meetings. These mechanisms are generally internal, as most incentives are against sharing such experiences externally. Closed events where different programmes could compare and learn from others' failures in a constructive way were suggested as a possible way forward.

Some programmes have adopted targets that are important to staff; others have concluded that targets set perverse incentives and do not use them. Projections are not the same as impact, but sometimes donors seem to confuse the two.

This aspect, of managing for results in M4P programmes, has been more thoroughly documented in the available case studies, available on the DCED website and as generated by the 2012 Seminar.

Theme 5: Working in Early Stage/Fragile Markets

In weak and fragile markets, there is usually less information available, and programmes need to work more flexibly with reasonable assumptions – rather than with fully developed plans. There may be less choice of partners, so there need to be a greater focus on developing relations with individual firms, and taking a more interventionist or pragmatic approach. This includes capacity-building of individual firms, more flexibility in the financial incentives offered to firms, and active support during interventions; however, support to devise further creative ways to build on weak market dynamics would be welcome.

For spread-out rural markets, aggregating producers or buyers together into groups can help make them more attractive markets for other actors. However participants differed on whether this should be done by the private sector or the programme.

Zooming out, programmes can choose sectors and partners where gender issues can be addressed. But zooming in is more difficult, if market dynamics are to be preserved, and especially when gender issues are considered later on. In some projects, all decisions are checked by gender specialists.

There is a lot of interest in support to reach the poorest of the poor, or at least to develop a better story about how M4P can and does do that. This may include thinking of other ways in which the poorest benefit from M4P, for example as a result of raising government tax revenues. Nonetheless, programmes feel under pressure in this area. Interventions in areas too remote or too challenging where M4P principles could not be ensured, were suggested as not eligible for M4P programmes.

Theme 6: From Direct to Facilitative Approaches

Governments and donors may be offering subsidies that distort markets and raise expectations – making an M4P approach more difficult. M4P programmes therefore seek markets with few other programmes active, but often do not find them. Collaboration rather than competition is then the goal, to learn from others and to use their comparative advantage, such as technical knowledge, larger funds or a different focus (e.g. access to finance). Transition from dependency on subsidy towards integration into markets, was also seen as a high-potential area for greater understanding and collaboration.

While there are very important distinctions between M4P and other approaches (PPPs, VCD) in theory and world view, M4P in practice on the ground can look similar. M4P programmes might even be able to learn from the practice of other disciplines (e.g. from PPP programmes on the treatment of additionality). Indeed, participants felt that overly stressing the distinctions between M4P approaches and others was not helpful.

It has often been said that traditional approaches have never worked, but this was questioned. At the least, participants wondered what we can learn from these failures, and how to access that knowledge? Several felt that the lack of a broader knowledge and understanding about successes and failures seemed stifling. Would it be possible to consider what works best, from an empirical (rather than theoretical) point of view?

Relations with government were described at several different levels (e.g. national / local) and for several different purposes (e.g. as regulator / supervisor / implementing partner / major market player / provider of subsidy). Lobbying government through private sector partners can be effective; finding champions and sympathetic allies within government is also very important.

Turnover of civil servants is a challenge; meet frequently, and keep minutes of every meeting to enhance continuity. Aim high if possible, liaising first with a senior person, and starting with the Ministry rather than agencies under the Ministry. Understand the personal incentives of individuals, in addition to the institutional ones; for example, personal profile with the Minister may be a powerful motivation to collaborate. Feeding all related staff can make a relationship easier over time.

Next Steps

The DCED Standard for results measurement provides a framework for one element of M4P practice. Clearly, however, there are many other aspects, such as due diligence and contracting, where some consistency in expertise and practice may be helpful. As more M4P programmes are rolled out, this will probably become more important.

The DCED will therefore follow up these possibilities in close collaboration with others – including particularly M4P programmes in the field - through its website and further such events in the future. 75% of participants indicated after the event that practical guidelines on M4P would also be useful, based on experience and with provision for flexibility and updating; this possibility will also be explored.