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Crossfire: Many organizations say they are doing M4P but are they really using the approach to its full potential?

Prudence Beignet and Gareth Davies

It's been over two decades since Alan Gibson and his Springfield colleagues conducted the original research for the Donor Committee on Enterprise Development (DCED) which led to the development of the Making Markets Work for the Poor (M4P) approach. Over the last decade, application of the approach has expanded significantly and has been widely adopted in the development industry. Today we see it used in many sectors and by all types of organizations. While now more often referred to as 'market systems development' (MSD) or the 'systemic approach' than perhaps M4P, the basic tenet remains the same: facilitating change in the way market systems work so that poor people are included in the benefits of growth and economic development.

Despite broad embrace of the M4P approach and a diverse experience with its application, there is both concern for the consistency with which different development actors use the approach and relatively little documented evidence of its impact. This Crossfire brings together two development experts – Prudence Beignet, an independent consultant who has worked with M4P doughnuts for many years, and Gareth Davies of Tandem, who has applied the approach in numerous countries from Nigeria to Zambia – to discuss the following questions: Many organizations say they are doing M4P but are they really using the tools and implementing the approach to its full potential? Have we advanced our thinking and the efficacy of the approach in the past 10+ years? What are the big issues no one is talking about?

Dear Gareth,

As an advocate for M4P for decades, my appreciation for the applicability and usefulness of the M4P approach is unwavering. Its core question, 'is there a sensible, realistic plan to reach positive development outcomes, *sustainably* and *at scale*?' is indeed the most important one we have to ask and answer in our work. That said, when considering whether development actors are really using the tools and applying M4P at its full potential, I am frustrated. What some see as a broad embrace of the approach, I interpret largely as mere lip service by the many who have jumped on the M4P bandwagon.

M4P is hard to do well; it challenges much of what is considered standard practice among development funders and implementers; it is also widely misunderstood. Consequently, much of the basics of the approach have been lost in efforts to implement it.

I believe a big source of confusion lies in the use of the word 'markets'; M4P is often interpreted as 'private sector development'; that is, any intervention with the private sector is 'M4P' and any M4P solution has to be commercial, for-profit in nature. Admittedly, in the very early days, M4P did emphasize the value of working with the *private sector*, challenging a common reluctance at the time to engage with it in poverty alleviation efforts. That outlook has shifted dramatically over the years and it is now becoming commonplace to engage the private sector. The reality is the approach has always recognized the roles of *government* and *civil society*, but this continues to get lost in interpretation. This is not the intention. To truly develop market systems, we need to acknowledge the very valid roles of the public sector and civil society, as well as the private sector.

This larger canvas calls for more flexibility in applying the concepts of M4P, and less concern for what is the true, or real approach. M4P offers useful tools, such as the famous 'doughnut' and the 'Who Does/Who Pays' and 'Who Will Do/Who Will Pay' frameworks that should be applied across a range of system actors. However, clarity about *what to do and how to do it* comes from the application of these tools to analysis of specific contexts and defined systems. Resulting strategies will necessarily engage the private sector as well as the public sector (and civil society). After all, sustained development is not likely to occur without any government involvement. Yet, I fear that what Alan intended as fluidity and responsiveness has been misinterpreted as rigid adherence to commercial, for-profit solutions in the name of sustainability.

So, while there is theory behind M4P, I believe the approach is an applied 'art' and is iterative. Only by actively using the tools can one benefit from the elegant simplicity by which they break down complexity and make things more clear. M4P is not a one-time 'event', but a process which requires time and continual analysis.

Alan once said 'we called it M4P, because it had to be called something'. Whether its M4P, MSD, or any other variation, what is important are the principles and tools used in the approach, which is about keeping the ambition in development, striving to do the best possible job with the available resources, and not about accepting the status quo. Alan never wavered from these principles, and nor should we.

Hence, I would argue, M4P is not being implemented to its full potential.

Prudence

Dear Prudence,

Thank you so much for opening the Crossfire so thoughtfully. As I sat here thinking about the best way to respond, it struck me that we could gain some insight by turning the M4P lens on ourselves and our industry (a move that I think Alan would approve of). If the 'core transaction' is the demand (by donors and funders) and the supply (by implementing agencies and NGOs) of M4P programming, what are the key functions and rules that underpin the quantity and quality of this core transaction, and how has the performance of these functions and rules changed over the last 10 years?

It seems to me that 'M4P guidance and tools' is a key supporting function, and that this function has undoubtably grown and improved over the years (in large part thanks to Alan and his fellow-travellers). From the initial attempts to collate and codify the approach in the M4P Operational Guide in 2008, there now exists a rich set of publicly available guides, how-to-notes, case studies, toolkits, and frameworks. The guidance and tools have been refined and nuanced over the years to capture the experience of applying M4P in a wide range of sectors – from agricultural development and financial sector inclusion, to education, health, governance, and more – and contexts – from large, more developed markets, to 'thin' markets, countries with fragile and conflict-affected situations, and even refugee camps. Many of the gaps in the early guidance have also been filled, in particular regarding gender and inclusion: there is now practical guidance on how to integrate and mainstream gender and inclusion throughout the M4P project cycle, including interesting thinking on how facilitators can build and demonstrate the business case for inclusive behaviour change. This overall growth in the quantity and quality of guidance benefits both the 'demand-side', for example through specific guidance to donors and funders thinking about designing or commissioning an M4P programme, and the 'supply-side', through very practical and grounded guidance and toolkits developed and refined by experienced practitioners over many years (which speaks to your point about clarity through application).

Another key supporting function is 'M4P training and skills development'. Again, this function seems to be in robust health. The Springfield M4P training course, first delivered by Alan and company in 2000, recently ran its 38th programme, with an alumni reaching into the thousands. Other training providers have entered the field, as well as implementers developing their own in-house training programmes. As with the tools and guidance, M4P training has become more specialized and targeted: it is now possible to attend training specifically on the application of M4P to financial sector development, for example. Training, plus years of on-the-ground learning-by-doing, has led to the creation of a large cadre of skilled M4P theorists and practitioners, both globally and more importantly within many developing countries. Thanks to the early efforts of Alan and his Springfield colleagues in developing a set of core principles and frameworks, many of these people speak the same conceptual language, use the same tools, and share a common vision of what good development looks like. This massively reduces the barriers and delivery risks for donors wishing to fund new M4P programmes, and increases the efficiency and effectiveness of implementers (who don't need to develop new tools from scratch and who can call upon experienced national and international staff and advisers already well-versed in M4P).

But as any good M4P practitioner knows, the capacity 'to do' is only part of the story. Although guidance and training has built the capacity to commission and implement good M4P programmes, what has happened to the *incentives* for funders and implementers to do so over the last 10 years? Here we get into the rules of the game, both formal and informal, and the thorny question of the political economy in which M4P programmes (and development programming more generally) are designed and delivered.

Gareth

Dear Gareth,
Thank you very much for reminding me of the very real progress that has been made. I completely agree with you that the tools have been refined and expanded, and the approach has been broadened to be more inclusive. And yes, there seem to be new 'market systems development' training programmes popping up all over. Altogether, the development community seems to have largely acknowledged that intervening in supply-demand in a market system isn't sustainable in the long-term and, importantly, doesn't serve to develop local capacity. However, it frequently seems that practitioners want to assert they are doing 'M4P', but the reality is that the programming is 'business as usual' with some jargon or perfunctory use of frameworks (drawing of 'doughnuts'), while shying away from the deep, iterative analysis of the reality of the complexity of the systems we are engaging with, and the more 'difficult' questions.

When it comes to those 'supporting functions' which support supply-demand, development actors continue to step in without a clear recognition of where they are in the system. This is notable specifically in the areas of capacity building, research, coordination, and advocacy. For the most part, it is much easier to provide the capacity building (either directly or through procurement of services) than to conceptualize and work on the longer-term development of the capacity-building market system.

The same goes for the information function; this one is perhaps the trickiest. We continue to struggle to differentiate between the need for information and market knowledge in order to effectively *facilitate* market change and the long-term permanent need for information within the market system. Asking 'is this a one-time action to catalyse something' or 'is this an on-going need' is a relatively easy way to distinguish between the two, although this is often not done.

And, as you so eloquently ask above: '*… what has happened to the incentives for funders and implementers to do so over the last 10 years?*' Indeed, let's talk about incentives. Ultimately, I believe many of the challenges in applying the M4P approach stem from one factor: the development industry lacks the incentives to fundamentally change. I cannot count the number of times Alan said, 'It's all about capacity (the "can" change) and incentives (the "want" to change)'. And while we can build funders and other development actors' capacity until the bakers close shop, their incentives remain fixed on logframe targets, burn-rates, and 'impact' stories, often as a reality of the political nature of aid. Even for private, philanthropic funders, internal structures and processes are generally not set on the kind of time and risk-profiles needed when encouraging innovation in a complex context. As a result, implementing agencies have little incentive to propose bold yet long-term initiatives, reverting instead to 'normal' project management tools and ways of working, thereby losing the flexibility and adaptability the approach requires. I believe this is largely due to the inherent incentives to gain more funding and *not* work themselves out of a role in the market system. Thus, I fear that competition and the ever-changing dynamics around the amount and type of development funding available (more focus on reducing the risks to the 'developed' world from fragile states and on funders' increasingly insular domestic policies) mean that the incentives to forge a new path for development will not materialize. While there has been a lot of well-intended discussion on improving 'aid effectiveness', the reality is that the incentives have not yet been set to do so in a meaningful way.

M4P holds value as a set of tools that help break down complexity, helping bring more 'reality' to strategic planning around development interventions. The tools work. The environments in which they are attempted to be used are often, however, not conducive to their application. And this, I'm afraid, is not getting any better.

Prudence

Dear Prudence,
I'm afraid that you may well be right in your analysis of the incentive structures in our industry and the barriers they create to effective systemic programming. While I don't think that a demand from donors and foundations (and the taxpayers and individuals that ultimately fund them) for results, impact, and accountability is necessarily inimical to the application of M4P, the focus on short-term results and high-level impact – without much thought to how this impact is generated and how it will be sustained post-intervention – definitely is. There are funders that are willing to take the long view and give programmes the time they need to catalyse sustainable market system change. But I've also seen many cases of agricultural programmes (to take one sector as an example) that are asked to deliver 'systemic', 'transformational', and 'sustainable' change while also achieving massive income uplift for hundreds and thousands of smallholder farmers in the first few years of implementation. Faced with this impossible ask, implementers invariably resort to the direct delivery of training and inputs to farmers (while claiming to be implementing some kind of 'hybrid' approach in an attempt to satisfy both asks). The trend towards Payment by Results among some donors, whereby a proportion of payments to implementers is linked to the attainment of certain pre-defined results and impact targets, often seems to make the situation even worse: given the generally greater risk and uncertainty associated with catalysing market system change versus simple and easy-to-quantify direct delivery, the incentives for implementers are to emphasize the latter over the former.

So, where does this analysis leave us? To apply another M4P tool, it seems that the 'skill' to implement effective M4P programmes exists (at least in terms of high-quality M4P guidance, tools, and training), but there are serious questions about the 'will' to do so. And as you (and Alan) rightly point out, we need both the will and the skill. This suggests to me that while further refinement of the M4P framework and toolkit is always welcome, it is not the binding constraint. So rather than spend more time coming up with new and ever more elaborate tools for conceptualizing systemic change, for example, if we really care about the continued growth and application of M4P we need to do more to build the incentives of funders and implementers to fully adopt the approach in earnest.

However, as any facilitator knows, changing the incentives of actors can be fiendishly difficult (which is perhaps why many development programmes ignore incentives and focus on 'capacity-building'). I don't think we can wish away the increased demand for results and impact, and as I said above, I don't think that this in itself is necessarily the problem. Instead we may have more luck in redefining what is meant by 'results' and 'impact'. For example, I think evaluators could do more to fully assess sustainability (both mid-term and end-term) and point out the unsustainability of direct delivery approaches wherever they find them, which might in turn help tip the impact calculus in favour of more systemic programming (more post-programme evaluations would also help here, although again one has to wonder about the incentives to fund such initiatives). On the implementation side, there are perhaps things we can do to speed up the learning and adaptation cycle – for example by simultaneously piloting and testing new solutions with market actors, rather than doing so sequentially as many programmes seem to do – which might go some way to meeting the demand for quicker results. We could also continue to build the evidence base about the time required to achieve systemic change in different sectors and contexts, which might help donors devise more realistic impact targets and to commission longer programmes.

The alternative, it seems, is to accept that genuine M4P programming will only be possible in those relatively rare cases where there is an alignment of 'will' and 'skill', and not worry too much about the rest. Given the huge difference M4P programmes can make when given the chance, this would be no mean legacy for Alan to leave us.

Gareth