

# **Locating M4P in the broader Private Sector Development Debate**

by Jim Tanburn,  
Cape Town, 12<sup>th</sup> March 2007

# Waves of Development CARE Canada 04

	<b>First</b>	<b>Second</b>	<b>Third</b>
<b>Addresses</b>	Needs	Rights	Opportunities
<b>Funded by</b>	Voluntary donations	Compulsory taxation	Socially-responsible investment funds [?]
<b>Founded on</b>	Charity	Entitlement	<u>Markets</u>
<b>Dominant social sector</b>	Civil Society	State	Private sector
<b>Motivation</b>	Goodwill	National interest	Ownership
<b>Success measured by</b>	Recipient thank you	Consultants' evaluations	Increases in income and share price [?]

# M4P: A popular 'banner' ...



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Challenges to Sida's Support to  
Private Sector Development

## Making Markets Work for the Poor



Joint Programme "Innovative Tools for Private  
Sector Development"  
G8, 41 Economic Development and Employment

## Making Business Development Services Markets Work for the Poor

Rebranded for the OECD Forum Task Force on Private Sector Development and Pro



Deutscher Entwicklungsdienst für  
Technische Zusammenarbeit (GTZ)

commissioned by



Federal Ministry  
for Economic Cooperation  
and Development



## MAKING MARKETS WORK FOR THE POOR CARE Canada's Strategy for Helping the Poor through Enterprise



## ... but what does it mean?

- Using public funds to Make Market Systems Work for the Poor (nb and other systems: social, cultural...)
- Working at the interface between public and private 'worlds' – has to work for both
- Ideally, understanding everything about everything, in the design of interventions
- In practice, building on market potential to achieve sustainability and massive scale

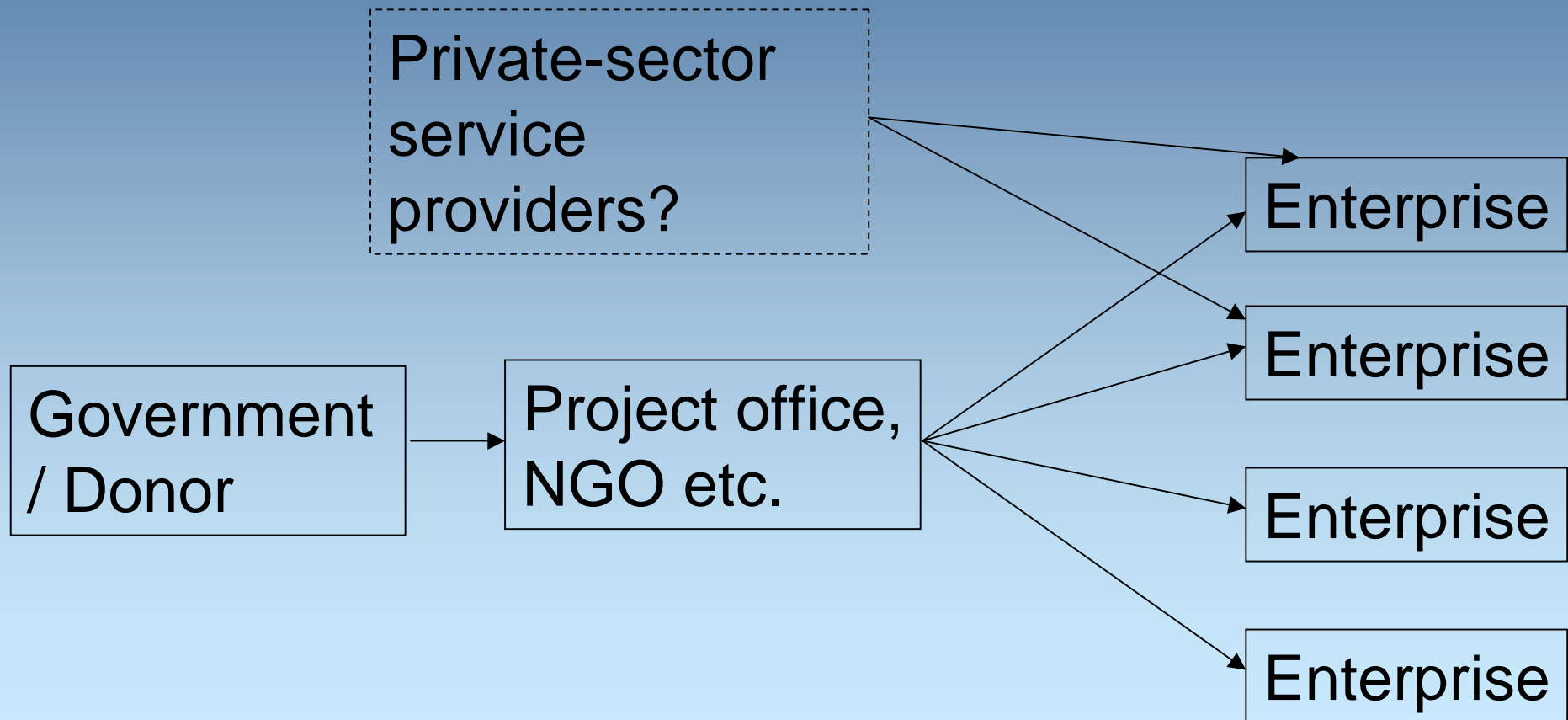
# Work at the interface of two systems

<b><i>Public systems</i></b>	<b><i>Market systems</i></b>
Predictable	Calculated risk
Visible, influential	Profitable
Powerful	Creative
Paperwork-based	Verbal/personal
Established	Flexible
Formal	Informal
Stable	Fulfilling
Balance of interests	Depending on 1 person
Demarcated	Multi-tasking

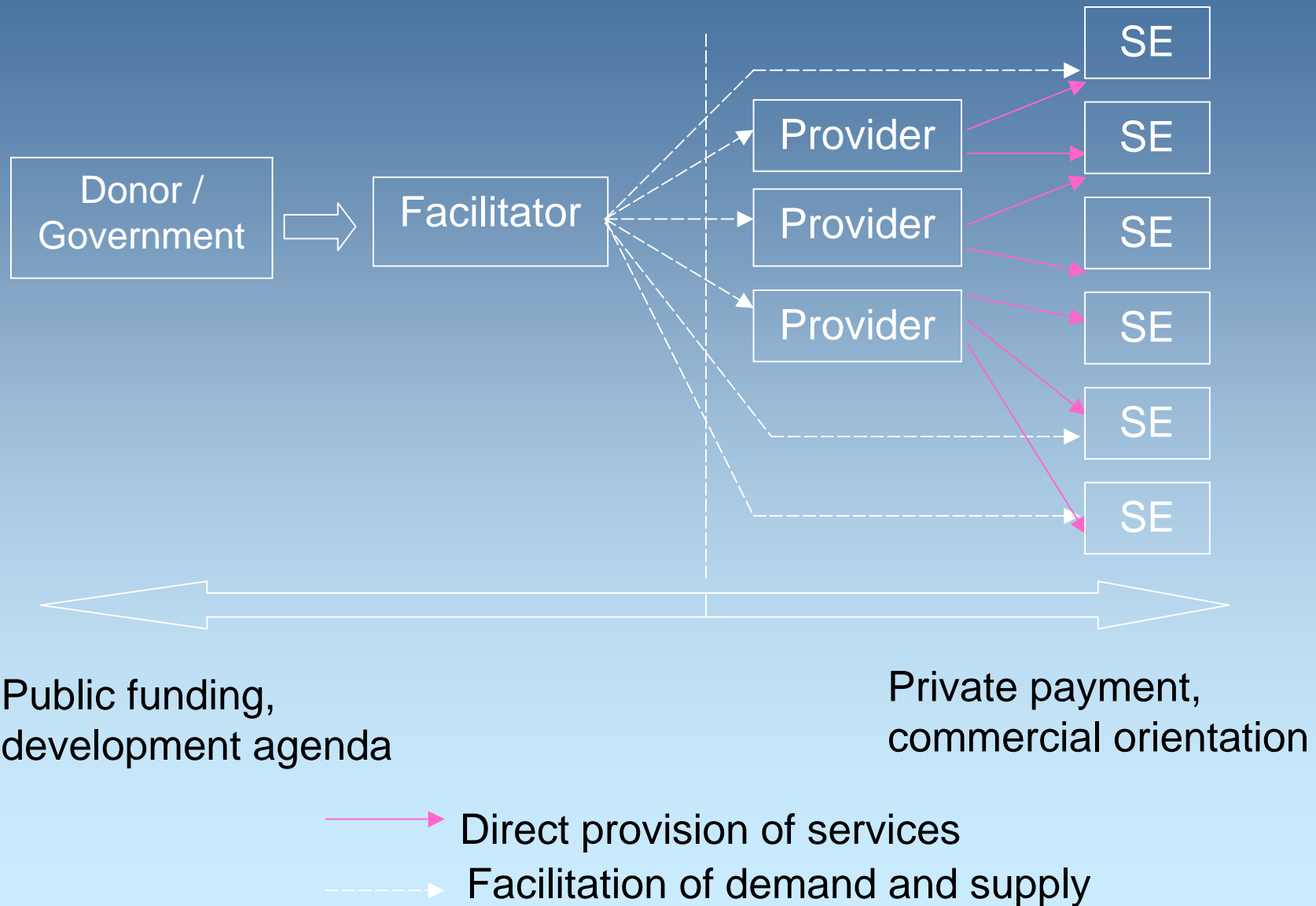
... is even more challenging in rural areas

<b><i>Public systems</i></b>	<b><i>Rural market systems</i></b>
Liberal, individualised	Traditional, social
English ++	Vernacular
Organised globally	Not coherent
Permission-based	Trust-based
Merit?	Patronage

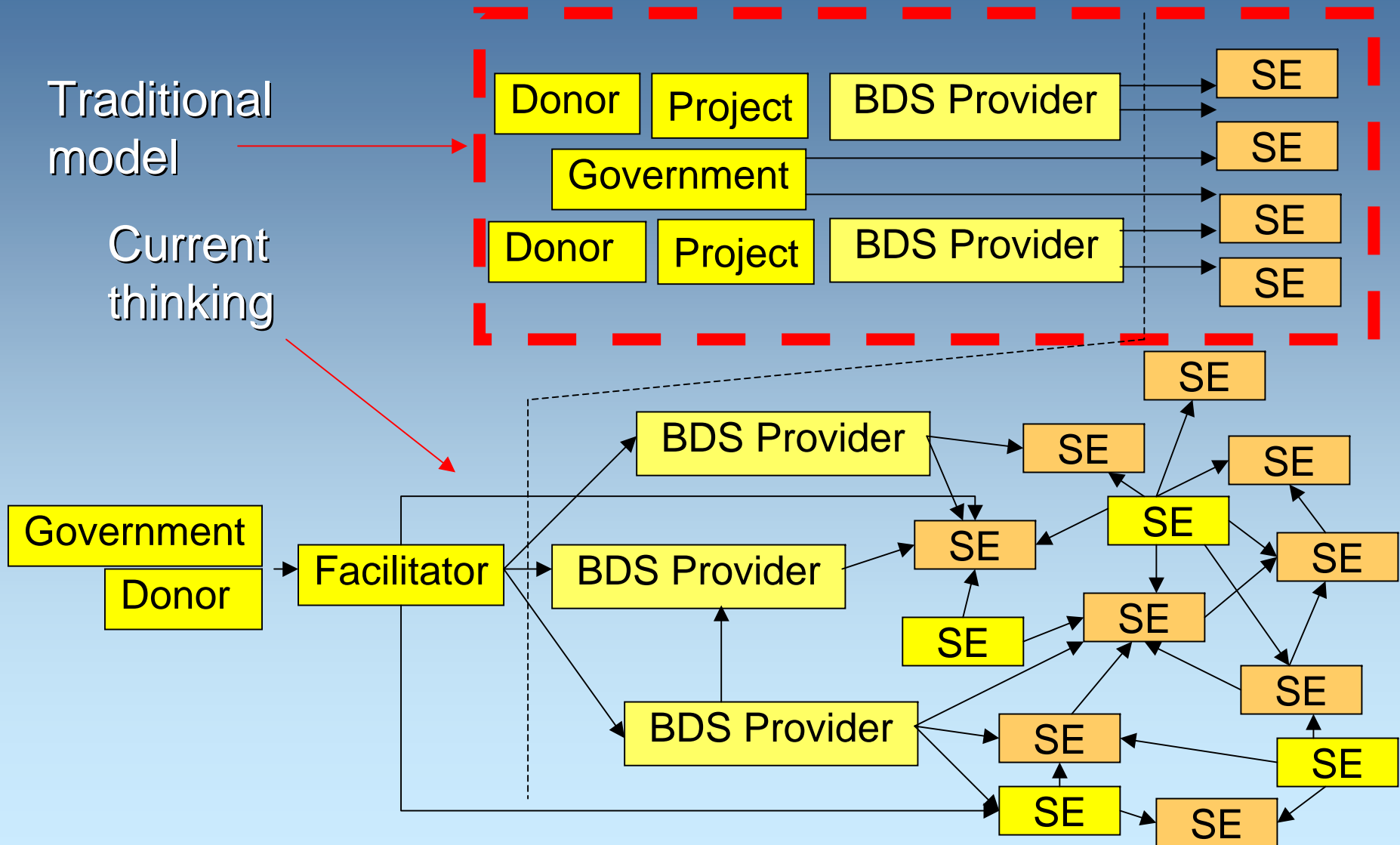
... so development agencies tended to work in parallel with the market



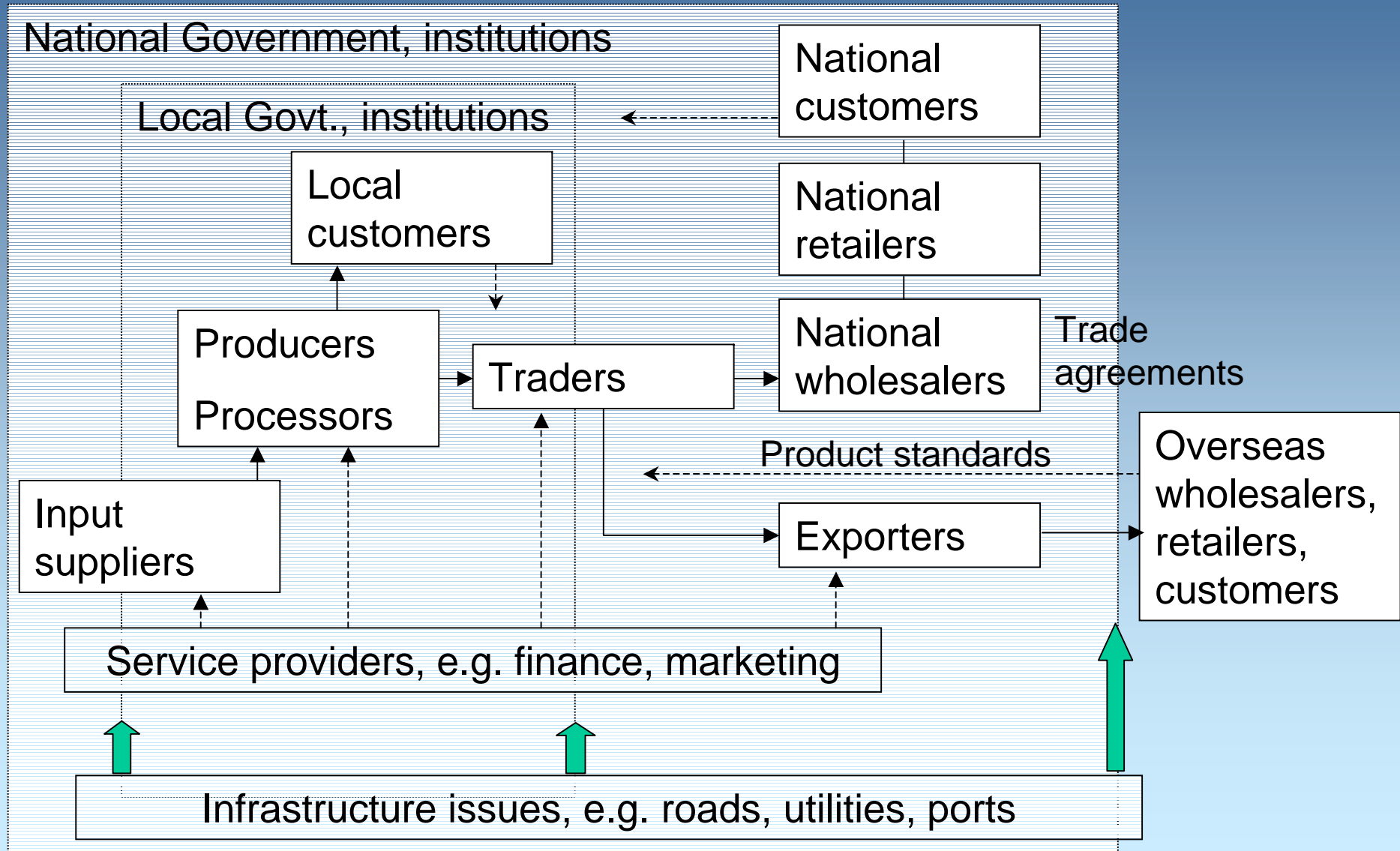
# A shift to facilitation was proposed...



# ... to work with the more complex market



# Many are now looking at value chains ...



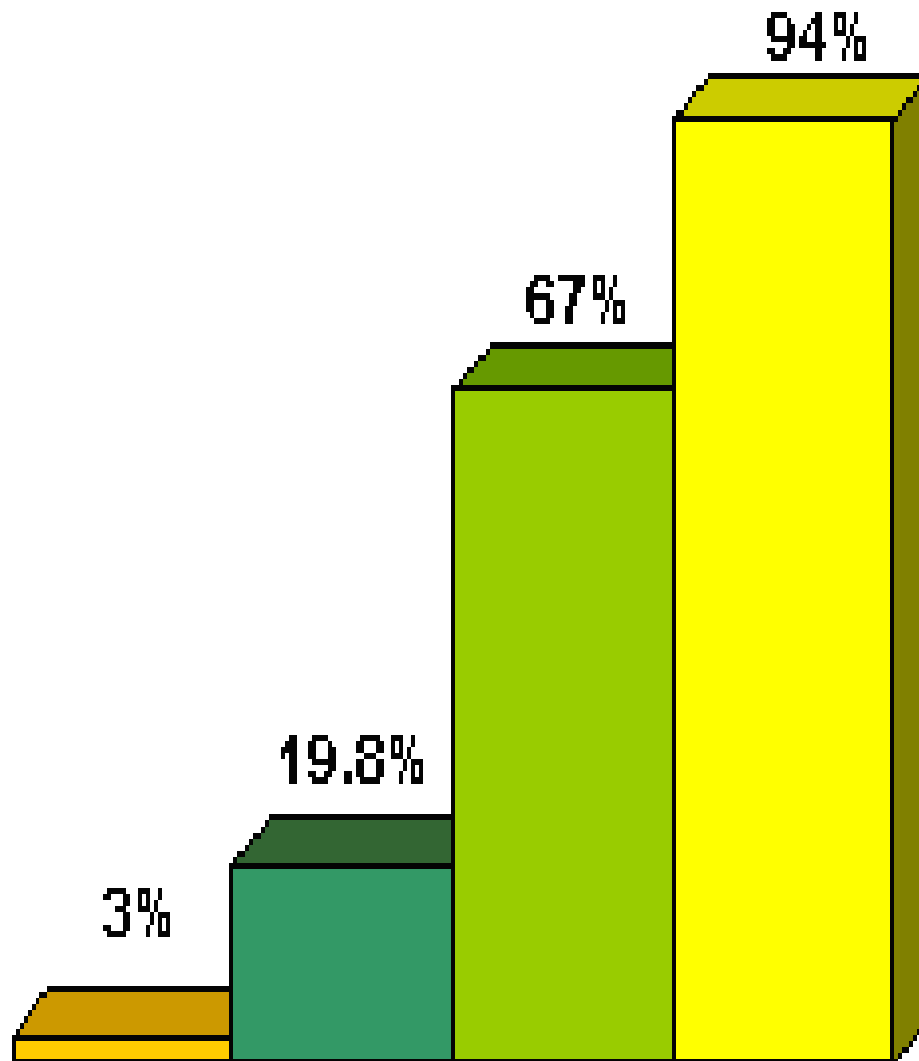
# The definition of a value chain is widely understood,

- the full range of activities which are required to bring a product or service from conception, through the different phases of production (involving a combination of physical transformation and the input of various producer services), delivery to final consumers, and final disposal after use (Kaplinsky and Morris for IDRC, 2001)
- implies generation of value added throughout the chain ... which is required in order to achieve a social impact (Springer-Heinze, GTZ, 04) *(underlining added to both)*

and value chain development has several distinguishing features.

- Pulled by market demand (“you can’t push a chain”) – as strong as the weakest link
- often analysed as a snapshot, and often for export rather than local consumption
- Historically assisting the poor as small-scale producers (often in a cluster), but now evolving to consider the poor as workers too
- Inter-disciplinary – may include specialist finance, trade, legal issues, infrastructure, networks, hierarchies, power relations

# Many others are looking at Business Environment Reform

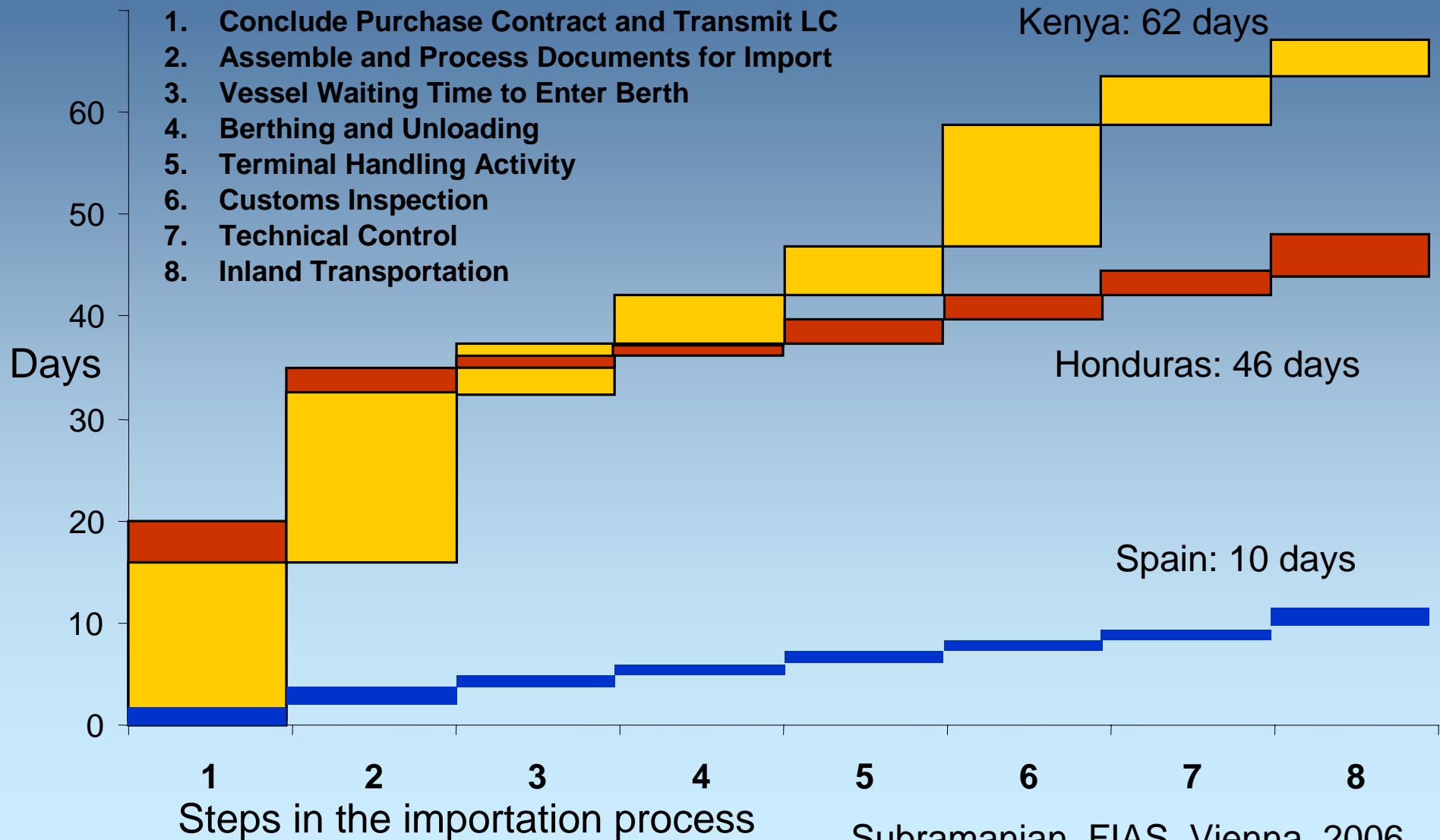


Business entry costs as % of GDP/Capita (Bannock *et al*, 2002)

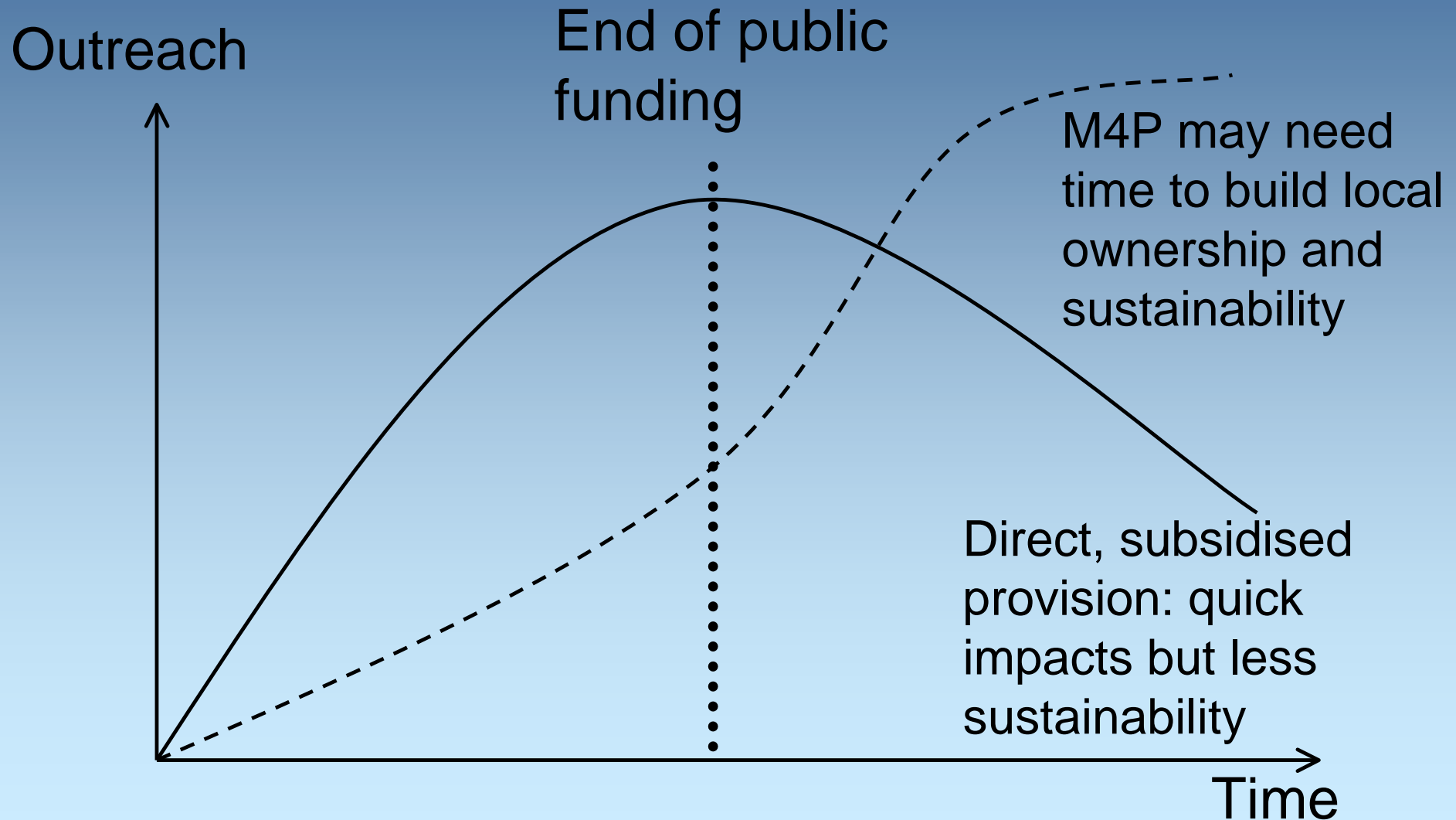
- Advanced countries
- Industrialising South Asia
- Central Europe
- Africa

# ... and competitiveness

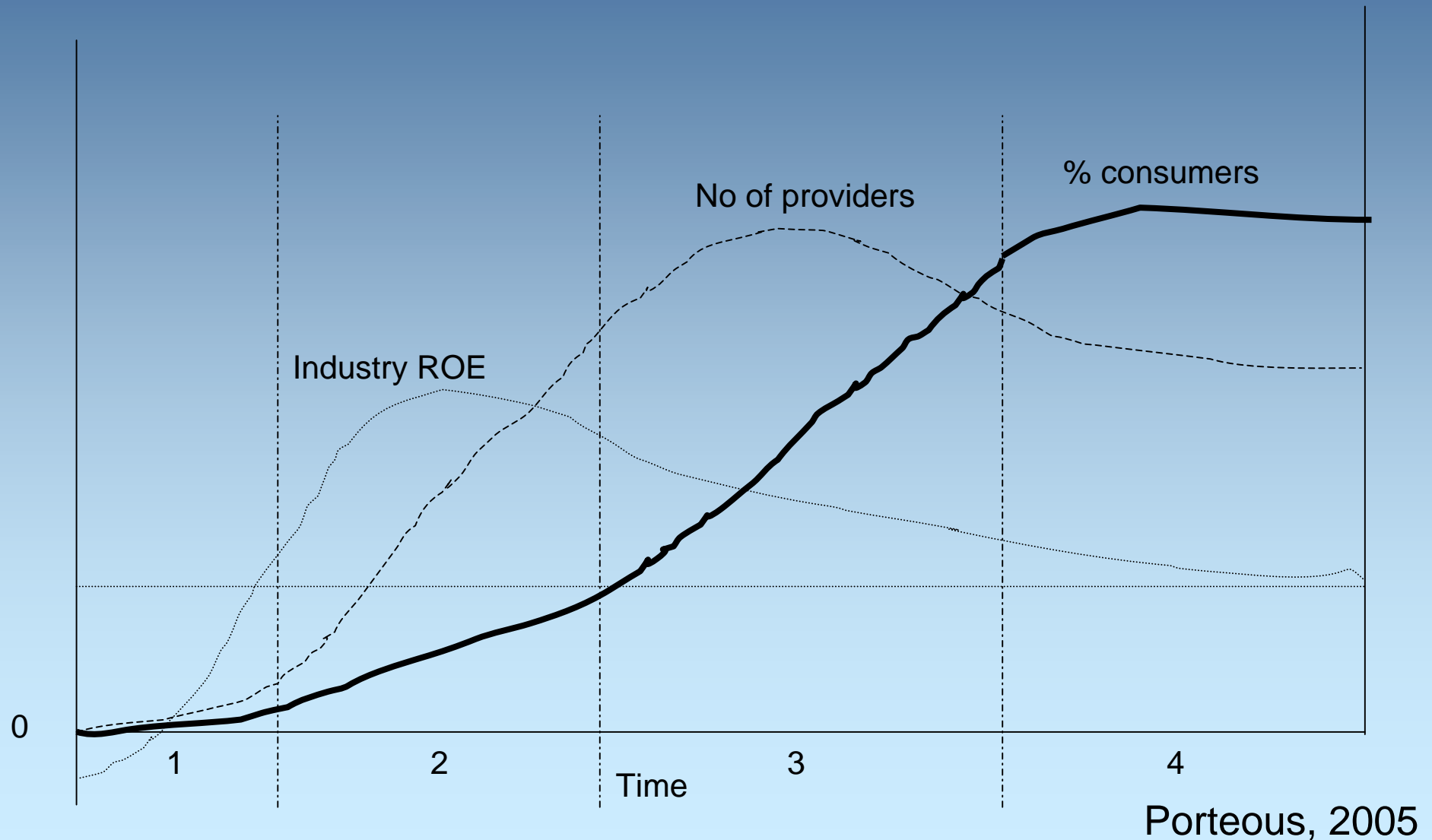
## Import Procedures in Kenya, Honduras and Spain



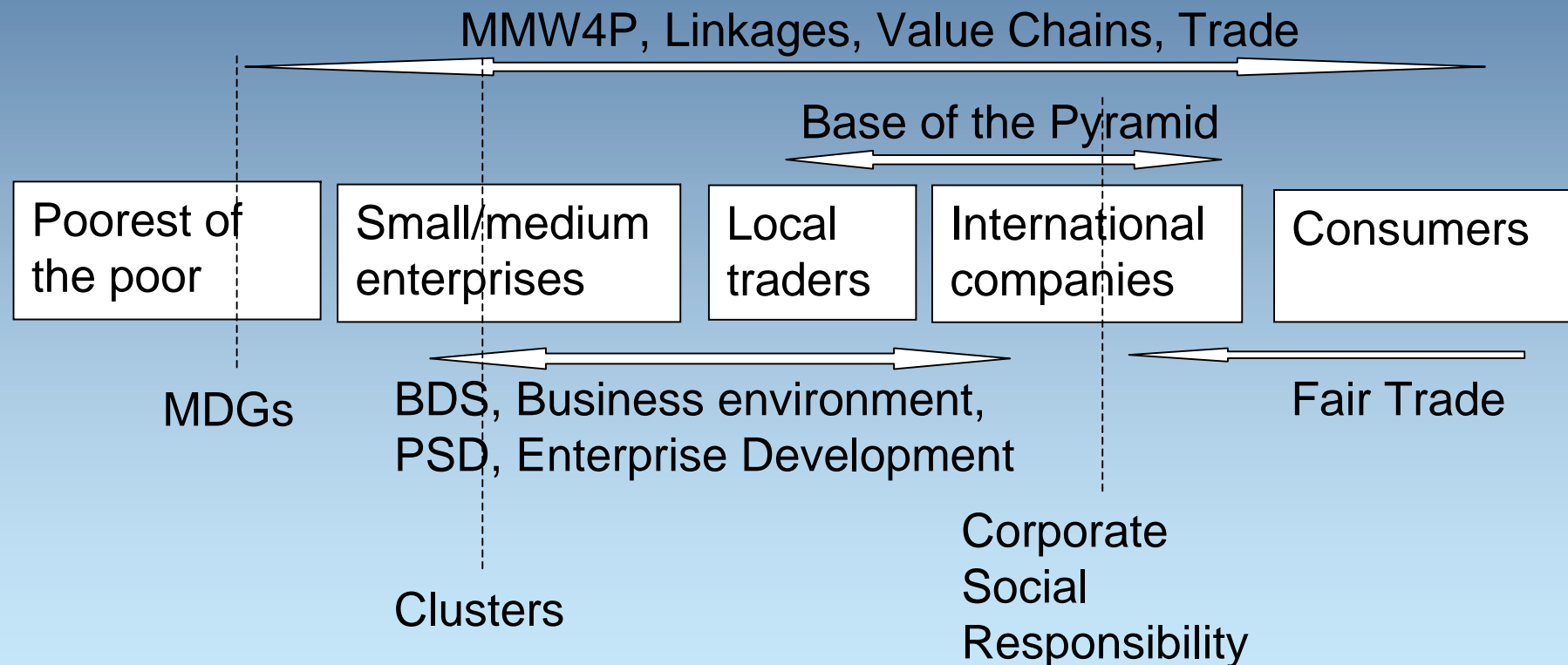
... but a systemic approach may mean delayed gratification ...



... to develop the market



# Who is looking at which bits of the private sector system?



# ...and which 'disciplines' are implementing M4P ideas?

- Financial services
- Commercial radio
- Telecommunications
- Secondary education
- Primary health care
- Public transport
- Agricultural extension
- Vocational training



Increasing  
M4P  
application

Thank you for your attention!  
Questions? Comments?